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Transition from Paper Currency to Digital Currency: Extracting lesson from Imam Ahmad Raza's Juristic View on Paper Currency

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ABSTRACT

The Islamic perspective on crypto-currency is a complex and evolving discourse, grounded in Shariah principles that guide financial and ethical conduct for Muslims. Crypto-currencies like Bitcoin and Ethereum introduce both opportunities and challenges within the Islamic financial framework. Their decentralized nature and potential to foster financial inclusion resonate with Islamic values of equity, fairness, and transparency. However, concerns persist due to their high volatility, speculative characteristics, and lack of intrinsic value, which may conflict with Islamic prohibitions against Riba (interest), *Gharar* (excessive uncertainty), and *Maysir* (gambling). Additionally, the absence of a clear regulatory framework raises questions about the ethical management of risks and adherence to usury regulations. This paper seeks to draw insights into crypto currencies from Imam Ahmad Raza's juristic approach to accepting paper currency in the early 20th century. His methodology provides a balanced approach to modern issues through Ijtihad, offering a pathway that aligns with contemporary practices while respecting Islamic principles. Despite varying scholarly views—where some Islamic jurists cautiously support crypto-currencies and others advocate a conservative stance—the dynamic landscape of digital finance demands ongoing research and reflection to harmonize emerging financial technologies with Islamic jurisprudence. Policymakers must thoroughly assess the implications of crypto-currencies to ensure coherence in monetary policy, avoiding potential disruptions in the financial system.

Introduction

The popularity of virtual currencies has surged in recent years, sparking numerous seminars and conferences focused on the nature and feasibility of crypto currencies. Advocates argue that replacing the current fiat system with crypto currencies offers distinct advantages, as they operate without the need for bank accounts, mandatory tax payments, or audits. However, critics caution that payment methods outside widely accepted forms—such as cash, checks, and demand deposits—could facilitate tax and audit evasion, with potentially serious consequences for government budgets and the broader economy.

In Islamic finance, the convergence with crypto-currencies has ignited debate within the Muslim community about whether crypto-currency transactions are permissible (*halal*) or prohibited (*haram*).

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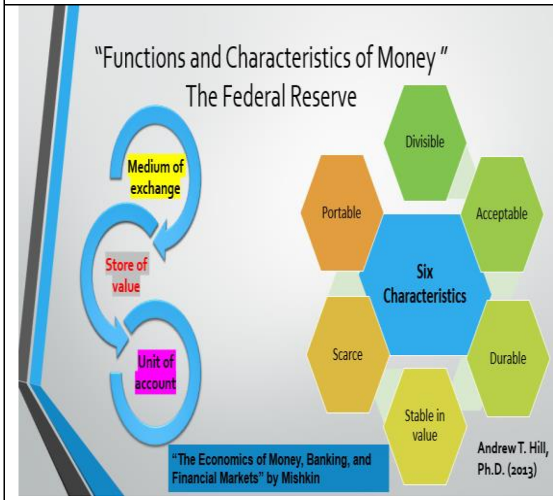
Figure 01. Functions and Characteristics of Money



Designed by authors

The definition of money has been a subject of debate since antiquity. Economic scholars have yet to reach a universal definition, though research reveals two primary approaches: the functional and empirical perspectives (Broaddus, 1975; Walter, 1989). The functional approach defines money by its utility and demand, framing it as anything that serves as (1) a medium of exchange, (2) a unit of account, and (3) a store of value. This classical perspective implies that money is anything that fulfills these core functions. By contrast, Friedman & Schwartz (1970) identify an empirical approach, defining money as "that which we choose to assign a number to by specified operations," encompassing all financial assets that demonstrate a stable and predictable relationship with key macroeconomic variables, as illustrated by the equation MV = PY (The Quantity Theory of Money).

This study aims to explore the concept of money, the historical evolution of currency, and the contributions of Imam Ahmad Raza to the body of Islamic economic knowledge. Specifically, it seeks to derive insights into crypto currencies from Imam Ahmad Raza's juristic approach to accepting paper currency in the early 20th century. Through this lens, the study assesses crypto currency against Islamic finance principles, analyzing both technological and economic aspects to determine their Shariah compliance. It also highlights issues at the intersection of Shariah and modern technology, suggesting possible solutions. Policymakers must carefully evaluate all dimensions of crypto currencies, as failure to do so could introduce complications in monetary policy (Chapra, 1985; Chaudary and Mirakhor, 1997; Shah et al., 2024)."

Historical Evolution of Currency

The concept of currency has transformed over millennia, evolving from simple barter systems to the digital currencies we know today. Each stage in currency evolution reflects the changing needs, complexities, and technological advancements of human societies.

Barter System (Prehistoric Period)

In ancient societies, before the advent of formal currency, people relied on the barter system to exchange goods and services directly. This system was limited by the need for a "double coincidence of wants," requiring both parties to desire exactly what the other had to offer, making transactions inefficient and often challenging.

Commodity Money (3000 BCE – 1000 CE)

To overcome barter's limitations, societies began using commodity money—items with intrinsic value, such as livestock, grains, or precious metals like gold and silver. These commodities gained acceptance as currency because of their inherent value, durability, and potential uses beyond trade, setting the foundation for more structured economic exchanges.

Metallic Coins (600 BCE Onwards)

The invention of metallic coins marked a turning point in currency evolution. Around 600 BCE, the Lydians in present-day Turkey are credited with minting the first coins. Made from precious metals like gold, silver, and bronze, the value of these coins was often based on their metal content and weight. Coins quickly became a standardized and trusted medium of exchange.

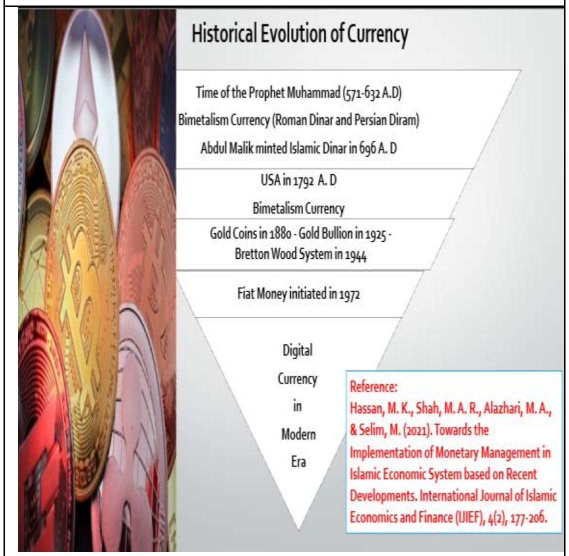
Paper Money (7th Century CE Onwards)

Paper currency emerged in China during the Tang Dynasty (618-907 CE) and gained popularity during the Song Dynasty (960-1279 CE). As trade expanded, carrying large quantities of heavy metal coins became impractical, prompting the use of promissory notes and paper money, initially backed by reserves of precious metals. This innovation spread to the Middle East and Europe, revolutionizing commerce and trade.

Banknotes and Banking Systems (17th Century Onwards)

The development of centralized banking systems in Europe during the 17th century marked the next major evolution in currency. Governments and financial institutions began issuing banknotes, representing promises to pay the bearer a specified amount of gold or silver. This created a link between paper currency and tangible assets, establishing a gold or silver standard. The founding of central banks, such as the Bank of England in 1694, was instrumental in stabilizing currency systems and fostering trust in bank-issued money.

Figure 02. Historical Evolution of Currency



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Fiat Currency (20th century)

The 20th century saw the transition from commodity-backed money to fiat currency, where money is not backed by a physical commodity but by the trust and authority of the government that issues it. After the collapse of the Bretton Woods system in 1971, most countries adopted fiat money, allowing central banks to control the money supply independently of physical gold reserves.

Digital Currency (21st century)

The emergence of the internet and advancements in technology paved the way for digital currencies. Cryptocurrencies, like Bitcoin (introduced in 2009), represent the latest stage in the evolution of money, offering decentralized, peer-to-peer transactions without the need for intermediaries like banks. Blockchain technology underpins these digital currencies, ensuring secure, transparent, and immutable transactions.

The historical evolution of currency reflects humanity's quest for more efficient, reliable, and scalable means of exchange. From barter to blockchain, the journey of currency is intertwined with technological advancements and societal needs, continuing to evolve as the global economy becomes increasingly digitized.

Imam Ahmad Raza Khan

Pioneering Jurist in Islamic Legal Thought

Imam Ahmad Raza Khan (1856-1921), affectionately known as *A'la Hazrat*, was a prominent figure in Islamic scholarship and jurisprudence. Born in Bareilly, India, he emerged as one of the leading Islamic scholars, jurists, theologians, poets, and Sufis of the 19th and early 20th centuries. Renowned for his deep understanding of the Quran, Hadith, Fiqh (Islamic jurisprudence), and numerous other branches of Islamic sciences, Imam Ahmad Raza made vast contributions, particularly within Hanafi jurisprudence, which solidified his standing as one of the great jurists of his era (Hussain et al., 2023).

His legal rulings (*fatwas*) addressed a diverse range of contemporary issues, demonstrating his expertise in applying Islamic principles to the challenges posed by modernity. His most monumental work, *Fatawa Razawiyyah*, a 30-volume collection of legal rulings, encompasses topics from acts of worship to social and economic matters, reflecting both the breadth of his knowledge and his commitment to comprehensive Islamic guidance. Imam Ahmad Raza's approach was distinguished by a steadfast adherence to the teachings of the Prophet Muhammad (PBUH) and the classical Hanafi school of thought, while remaining attuned to the needs of his time.

Alongside his legal and theological contributions, he was a staunch defender of Sunni orthodoxy and actively countered movements he viewed as deviating from mainstream Sunni Islam. He provided a compelling counter-narrative to aspects of the Wahhabi and Deobandi movements, solidifying his role as a champion of traditional Sunni values. His devotion to the Prophet Muhammad (PBUH) is also evident in his poetry, particularly in *Hadaeq-e-Bakhshish* (Gardens of Forgiveness), which embodies his profound love for the Prophet.

The legacy of Imam Ahmad Raza as a jurist, theologian, and reformer endures, with his works still revered and studied widely across the Muslim world. His research methodologies in Islamic sciences and other disciplines continue to inspire exploration by research institutes and universities at both national and international levels.

Economic Thoughts of Imam Ahmad Raza

In the 32 volumes of Imam Ahmad Raza's *Fatawa*, titled *العطا یا النبویہ فی الفتاوی الرضویہ*, volumes 16 to 19 are spared and focused on *fiqh-ul-mu'amalaat* which represents his visionary ideology and thoughts on Islamic economic and financial matters. Those volumes are instrumental resources for researchers. The same economic thoughts can be witnessed in ''خير الأمال في حكم الكسب والسوال", "كتاب المنى والدرر لمن عمد مني آردر", and ''أفصح البيان في حكم مزارع هندوستان". On economic and banking concepts, Imam Ahmad Raza outlined a four-point agenda in his notable article, *planning for Success and Reform Agenda* - تدبیر فلاح و نجات و اصلاح. He analyzed the detrimental impact of *Riba* (interest) and proposed an early model of Islamic banking to address the capital needs of retail and corporate sectors, manage liquidity shortages, and create investment opportunities. Drawing upon classical Islamic jurisprudence, he provided foundational ideas on Islamic modes of financing for a dynamic, interest-free economy. Indeed, Imam Ahmad Raza emerged as a pioneering figure, envisioning an Islamic banking system and an interest-free economy during the colonial period, recognizing the adverse effects of institutions like the Bank of England with its interest-based network.

Furthermore, his two seminal manuscripts on paper currency—*كفل الفقيه الفاہم فى احكام قرطاس الدراہم* and *كاسر السفيه الواہم فى ابدال قرطاس الدراہم*—stand out for their innovative approach and foresight a century ago. In general, among the scholars of the Islamic world and particularly in the subcontinent, the foundational research work of *A'la Hazrat Imam Ahmad Raza Khan* has proven to be a milestone for subsequent scholars of both the Arab and non-Arab worlds in the field of modern Islamic economics and finance. In the present era, the jurisprudential discussions regarding modern forms of currency, such as crypto-currencies, Bitcoin, and various digital currencies, are fundamentally rooted in the legal reasoning (فقہی تکییف) provided by *A'la Hazrat*." Brailwi (2007) was the first Muslim jurist in nineteenth century to declare currency notes like *fulus* (Siddique and Siddique, 2023; Siddique and Shahzad, 2015).

He authored treatises on financial matters such as remittances, currency exchange, welfare funds, loans, money orders, and more, issuing numerous *fatwas* that comprise the extensive collection known as *العطايا النبوية في الفتاوى الرضوية*, commonly referred to as *Fatawa Razawiyyah*, which consists of thirty volumes.

In the following section, we aim to extract juristic wisdom within these works to establish a framework addressing the modern challenges posed by digital currencies.

Two Seminal Articles of Imam on Currency Note

In 1905, Imam Ahamd Raza went for pilgrimage of Harmain Sharifain to perform his 2nd *Hajj*. The great Hanfi Scholar Ahamd Shaikh Abdullah postured twelve questions about juristic position of currency note, Imam Ahmad Raza replied to all within few hours, and declared that currency note is precious asset, not a mere receipt. The article is titled "كفل الفقيه الفاہم فى احكام قرطاس الدراہم" and compiled in 17th volume of Fatawa Rizwia.

Figure 3. Two Seminal Articles on Topic

Source: Designed by Authors

The following 12 basic points are extracted from the questions and the answers of the article "كفل الفقيه الفاہم فى احكام قرطاس الدراہم".

1. Currency note pertains commercial value "مال متقوم". In this paradigm, the position of currency note became the base to all

the next 11 answers to the questions posed.

2. Currency note can be counted while calculating the criteria of Zakat "زکوۃ" and it can be paid as Zakat "زکوۃ".
3. During Islamic marriage process it is confirmed she has received her dower (in Arabic, mahr) or not as necessary condition. Currency note can be paid as Jointure "حق مہر" because of its commercial value "مال متقوم".
4. The Qur'an describes several hudud crimes and in some cases sets out punishments. The hudud crime of theft is referred to in Quran verse 5:38: As for male and female thieves, cut off their hands for what they have done—a deterrent from Allah. Imam Ahmad Raza explained that the hudud law would be applied in case of theft of these currency notes
5. These currency notes are similar to each other. Therefore, it is valid to pay homogeneous (مثلی) currency notes in case of loss.
6. Currency notes can be sold against gold or silver because of their commercial value (مال متقوم).
7. The sale of currency notes against clothes would be considered as ordinary sale (بیع مطلق), not barter sale (بیع مقایضہ). A specific counter value is not necessary to pay, any currency note can be paid as per protocol of ordinary sales.
8. A currency note can be given as a loan, where similar (مثلی) currency note would be given back in loan transaction.
9. It is allowed to sell the currency notes against coins (Darahim) for a deferred date, only when the buyer achieves possession of currency notes in session of contract (Majlis) to avoid the sale of debt for debt.
10. In forward sale (سلم), currency note can be kept as subject-matter against the spot payment of coins (Darahim). However, the forward sale (سلم) is not allowed in currencies with intrinsic value of price (ثمن حقیقی - Gold & Silver), whereas the currency note is adopted later as medium of payment (ثمن اصطلاحی).
11. Selling the currency note against up or down price (other than face value) with mutual consent is allowed because this standard is adopted by their own discretions without any pressure.
12. The 10 currency notes can be sold against 12 coins with mutual consent because there is an exchange of two heterogeneous commodities. Hence, unequal exchange of quantities in this case is not part of *Riba* family.

In Figure 3, Imam's second article titled "كاسر السفيه الواهم فى ابدال قرطاس الدراهم" is listed in which he has replied to two eminent scholars Abdul Rashid Gangohi and Abdul Haye Lakhnavi on the same matter of currency note. It is also titled "الذيل المنوط لرسالة النوط" as complementary part of his first article.

Derived Approach about Digital Currencies in Light of Imam's Literature

Islam is a complete code of life and have potential to welcome modern issue of any time till the Day of Judgment. After arrival of Prophet Muhammad (PBUH) as final messenger, he declared Islamic scholars of every time to perform the responsibilities about to meet the contemporary issues in line with Quran and Sunnah. In beginning of 20th century Imam Ahamd Raza contributed to more than 50 disciplines of knowledge including the modern financial matters. The methodology mentioned in his famous article titled "كفل الفقيہ الفاہم فی احکام قرطاس الدراہم".is really interesting and guiding principle for researcher of any time. He has mentioned that great scholars have extracted macro juristic principles and Sharia maxims to frame the micro problems (ولکن الآئمۃ------ ذکروا کلیات تنطبق علی ما لا یحصی من جزءیات). For details, read Figure 4.

Figure 4. Derived Approach from Imam's Literature

ان النوط من احدث الاشياء واجدهالن تجد له ذكرا ولا اثرا في شيئ من مؤلفات العلماء حتى العلامة
الشامي ومن ضاهاه من العلماء الماضين قريبا، ولكن الائمة شكر الله تعالى مساعيهم الجميلة وافاض
علينا من بركاتهم الجليلة قد بينوا الملة الحنفية بيانا شافيا ليس دونه خفاء، وقد اضت بحمد الله
تعالى غراء بيضاء ليلها كنهارها فاصلوا اصولا وفصلوا تفصيلا، وذكروا كليات تنطبق على ما لا يحصى من
جزئيات. فالحوادث وان ابت النهاية لا تكاد تخرج عما افادونا من الدراية ولن يخلو لوجود ان شاء
الملك الودود عمن يقدره المولى سبحنه وتعالى على استخراج تلك الخبايا والاسترباح من تلك العطايا
والمزايا نعم من الافهام بعيد وقريب والانسان يخطئ ويصيب، وما العلم الا نور يقذفه الله في قلب
من يشاء من عباده. فلا حيلة الا التجاء الى توفيقه سبحنه وارشاده وحسبنا الله ونعم الوكيل وعليه ثم
على رسوله التعويل، جل وعلا وتكرم وصلى الله تعالى عليه وسلم.

Reference: الدراہم كفل الفقيہ الفاہم فی احکام قرطاس

Structure of Digital Currencies and Sharia's Mapping

Digital currency is a payment system that is not based on fiat currency, but rather an alternative non-tangible currency. In practice, digital currency serves a similar practice to other currencies in terms of acting as payment in transactions. Unlike cash, digital currency lacks physical form, therefore allowing for instantaneous transactions. Such a unique characteristic allows digital currency to facilitate transactions across international borders. It is important to note that digital currency is not considered legal tender (Ref. Corporate Finance Institute (CFI)).

Ownership of the digital currency remains with the owner, and the coins/tokens are kept in an e-wallet. This means that investors can take part in trading as and when they want, retaining control of their assets. As per Shariah Standard 18 of Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI), it is unanimously standardized that digital ownership is legal constructive possession (القبض الحکمی). For detailed text of AAOIFI's standard, see Figure 5.

Figure 5. Digital ownership is legal constructive possession

AAOIFI's Shari'ah Standards (18) Possession (Qabd)

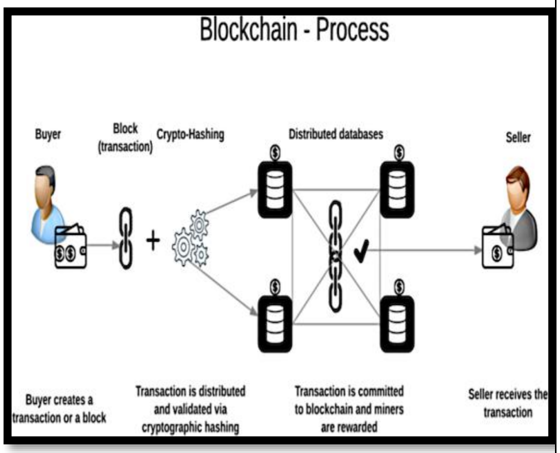
5. Key Modern Applications of Possession

5/3 A deposit by a person of an amount in a bank account maintained for a debtor, upon his demand or with his consent, is deemed constructive possession irrespective of the deposit being by way of cash, by endorsement or by cheque drawn upon a bank with which an account is maintained, and the depositor is absolved of liability when he is indebted to the extent of such amount.

Reference: Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI)

Singh and Jenamani (2024) have explored process chain of a blockchain-based framework for privacy preserving cross-organizational business process mining from distributed event logs in a systematic sequence. They helped in understanding the process flow of blockchains working in background of digital financial world. In Figure 6, we can see digital bridge between seller and buyer and sharia ruling can also be mapped in light of AAOIFI's Sharia standard 18.

Figure 6. Blockchain Process



Reference: Singh & Jenamani (2024)

Some Islamic finance institutions are open to the idea of adopting blockchain technology and creating Sharia-compliant cryptocurrencies. They are working on frameworks to ensure that any cryptocurrency-related activities comply with Islamic law (Khan, 2023).

Issues in Digital Currencies

The existing structure of digital currencies is surrounded by a lot of issues from the perspective of Sharia compliance, domestic and global compliance. A few important aspects can be discussed with possible solutions.

Riba

Riba refers to the concept of interest or usury in Islamic finance. It is prohibited in Islam as it involves unjust or exploitative gain derived from the loan of money or goods. The main reason for its prohibition is that it is seen as leading to inequity and unfair advantage, particularly when one party gains without taking any risk, while the other suffers the consequences of paying interest. Riba is seen as harmful to society because it promotes debt cycles, leads to economic inequality, and can be exploitative. Islam encourages trade and investment in real assets, where risk and reward are shared fairly (Shah & Irfan, 2022). Wasiq (2023) uses descriptive analysis and content analysis and suggests that using Bitcoin and other cryptocurrencies are forbidden in Islam. Islam prohibits consciously trying to make money off the difference between buying and selling currencies, as this is considered riba. It is also a topic yet to be investigated whether to get an extra amount/point against retention of digital currency in mining process is also includes riba or not. To sketch the situation (تصویر المسئلہ) is prerequisite to sharia ruling (حکم المسئلہ) of it. The same methodology can be analyzed in 12 questions before being met by Imam Ahamd Raza in his article "كفل الفقيہ الفاہم فی احكام قرطاس الدراہم". Likewise, we can get guidance from him on the topic from "باب الربوا" at Page 261 of 17th Volume of Imam Ahmad Raza's Fatawa

Gambling

Gambling (Maysir in Arabic) refers to any game of chance where people stake money or goods with the hope of gaining more. It is also prohibited in Islam as it is considered exploitative and unjust leading to unfair distribution of wealth. Further, gambling involves taking high risks for uncertain outcomes, often leading to loss, addiction, and financial instability. Islam discourages games of chance because it promotes greed. People engage in gambling with the desire to gain more than they've staked without productive effort. It also leads to social harm because gambling can destroy personal wealth, harm family relationships, and lead to unethical behavior as individuals chase losses. However, we can analyze cryptocurrencies in the framework of "باب التصرف فی المبیع والثمن" at Page 243 of 17th Volume of Imam Ahmad Raza's Fatawa. There are also some conditions of currency as "Maal" in preface of his article "کفل الفقیہ الفاہم فی احکام قرطاس الدراہم", which may help while moving in this journey of extracting lessons from him for cryptocurrencies. For details, see Figure 7.

Figure 7. Extracting Lessons from Paper Currency to Digital Currency

Once you understand the reality of this paper, the Sharia ruling will become clear without any ambiguity. This is a piece of paper with commercial value, which attracts people by making it storable to meet their needs. Similarly, Ibn-e-Nujaim Misri and Ibn-e-Abidin Shami have mentioned two conditions for *Ma'al*: (a) it must attract people, and (b) it must be storable to meet their needs. It is accepted that Sharia doesn't prevent an individual from dealing with a piece of paper with commercial value, just as it prohibits dealing with wine and pork.	واذا علمت حقیقة هذا القرطاس اتضحت الاحکام کلها من دون التباس، اما اصله فمعلوم انه قطعة کاغذ والکاغذ مال متقوم و مازادته هذه السکة الا رغبة للناس الیه وزیادة فی صلوح ادخاره للحاجات وهذا معنی المال ای مایمیل الیه الطبع ویمکن ادخاره للحاجة کما فی البحر والشامی[1] وغیرهما، ومعلوم ان الشرع لم یرد بحجر المسلم عن التصرف فی قطعة قرطاس کیفما کانت کما ورد به فی الخمر والخنزیر
Reference: کفل الفقیہ الفاہم فی احکام قرطاس الدراہم	

Illegal Activities

There has been some discussion around the use of cryptocurrencies for illegal activities such as gambling, drugs, and money laundering. Since crypto currencies are open to speculations, mostly used for illegal deads, and far from state auditing and supervision; their trading is not appropriate at this point, in the light of Shariah as per the findings of the Directorate of Religious Affairs Turkey. Despite a decline in crypto-related crime, cryptocurrencies are still used in illicit activities like ransomware attacks and darknet markets. The use of stable coins in illicit transactions has grown, as these assets provide stability while still maintaining the anonymity preferred by criminals. This is a problem that arises due to public administration failure, which needs to be tackled by policymakers and concerned departments.

No Regulatory Authority

Governments and regulatory bodies worldwide are still figuring out how to regulate cryptocurrencies. Lack of clear regulations creates uncertainty for investors and businesses, and different countries have adopted vastly different approaches, ranging from outright bans to full acceptance. Critics of digital currencies also argue that these are not legal tender as it is not backed by any central government that assigns its value and maintains regulatory standards, and it is therefore deemed to be speculated trading. This objection can also be removed by owning these digital currencies with sound governance framework. Otherwise, monetary policy puzzles may lead to instability of markets and failure of central bank control. Cryptocurrencies face varied and evolving regulations across different regions. Governments are grappling with how to regulate these assets effectively, particularly concerning anti-money laundering (AML) and know-your-customer (KYC) requirements. Unclear regulatory frameworks discourage institutional investment and mainstream adoption.

However, it is not a solution to disown the digital currencies as we see while accepting paper currencies central banks played a vital role and removed all fears. Imam Ahamd Raza's approach from Sharia perspective is also a complete guiding star while moving in this modern digital era. As for Islamic financial institutions (IFIs), the Governance and Ethics Board (AGEB / board) of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued three final standards namely, AAOIFI Governance Standard (GS) 10, "Sharīʿah Compliance and Fiduciary Ratings for Islamic Financial Institutions", GS 11 "Internal Sharīʿah Audit for Islamic Financial Institutions", and GS 12 "Sukuk Governance". The same way of Sharia Governance Framework (SGF) can be proposed for cryptocurrencies.

Security Concerns

Hacking and fraud remain significant threats in the cryptocurrency space, with decentralized finance (DeFi) platforms being frequent targets. While hacking incidents decreased in 2023 due to improved security, vulnerabilities persist, especially within smart contract-based platforms.

While the overall number of hacking incidents in the cryptocurrency space has decreased in 2023 due to improvements in security practices, vulnerabilities remain, particularly in smart contract-based platforms. DeFi (Decentralized Finance) protocols, which rely heavily on smart contracts, are especially susceptible to attacks. These vulnerabilities often stem from flaws in the underlying code of smart contracts or from insufficiently secure external integrations. Despite the progress, hackers still exploit these weaknesses to siphon off funds from DeFi platforms.

Furthermore, although the decline in stolen funds from these platforms is notable, the risk remains high as even a single significant hack can dramatically reverse the trend. Security challenges continue to evolve, making it critical for DeFi platforms to maintain vigilant security audits and implement best practices in coding and transaction monitoring. This security threat is related to all digital world despite practicing perfectly. The same confidence may work while adopting cryptocurrencies with the best practices of cybersecurity.

Environmental Impact

The energy consumption of proof-of-work cryptocurrencies, particularly Bitcoin, has drawn significant criticism for its environmental impact. Although Ethereum has transitioned to a more energy-efficient proof-of-stake model, Bitcoin mining continues to consume vast amounts of energy. To control the environmental impact of cryptocurrencies, especially those using energy-intensive "proof-of-work" (PoW) mechanisms like Bitcoin, various strategies are being implemented and proposed. Here are some key approaches. Transition to Proof-of-Stake (PoS) is a consensus algorithm that is far less energy-intensive than PoW. Ethereum, for instance, transitioned to PoS in 2022, significantly reducing its energy consumption. PoS requires validators to hold and lock up coins as collateral rather than solving complex puzzles, which drastically lowers energy use.

Governments and industry bodies are exploring ways to regulate energy consumption in the crypto sector. Some countries, like China, have banned energy-intensive crypto mining, while others are considering incentives for green mining practices. Through a combination of technological innovation, sustainable energy use, and regulatory frameworks, the environmental impact of cryptocurrencies can be significantly reduced.

Alternate System

In light of the corruption and bad repute of governments, people are losing trust in central institutions and are searching for alternate systems. Digital currencies and blockchain offer such a system of protection. Must we continue to tolerate oppression or could we incline towards another system in order to improve our lives. In this new modern paradigm, nations with debt crisis and financial restrictions may fulfill their cash flow and financing needs easily. The adoption of cryptocurrency may appear game changer as an alternate system of payments without any financial barrier.

Cryptocurrency, while promising significant innovation in the financial sector, faces several issues that challenge its widespread adoption and stability. These issues collectively contribute to the challenges cryptocurrency faces as it seeks broader acceptance and use.

Conclusion & Recommendations

The Islamic perspective on crypto currencies remains a topic of ongoing debate among scholars and experts in Islamic finance. Crypto currencies, such as Bitcoin, Ethereum, and others, pose questions regarding their permissibility under Islamic law, as they challenge traditional notions of currency, value, and trade. This perspective is not uniform; it largely depends on scholars' interpretations, the characteristics of the crypto currency in question, and its intended use. Although no consensus has been reached, the discourse continues, with scholars evaluating factors such as *gharar* (excessive uncertainty), *maysir* (gambling), and the potential for *riba* (interest/usury). These challenges often stem from failures in public administration, requiring proactive engagement from policymakers and relevant government departments. Many experts recommend consulting a trusted Islamic financial advisor before making any crypto-currency investments.

Imam Ahmad Raza Khan provided a fundamental juristic framework regarding the commercial value of paper currency in the early 20th century, which effectively resolved various payment-related issues through the lens of Sharia. Evidence of the legitimacy of paper currency as a medium of exchange can be found in his *fatwas* and two significant articles. Similarly, we must now frame digital currencies within juristic matrices to address contemporary challenges, drawing lessons from Imam Ahmad Raza's insights to guide the Ummah. While some issues pertain to Sharia, others are related to modern technology, both of which can be addressed effectively.

As global economies shift towards this new paradigm of digital currencies, low-developing countries (LDCs) may achieve financial independence from dominant currencies due to the decentralized nature of digital assets. Central banks are advised to establish regulatory frameworks that close loopholes that can lead to economic evils and instability.

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