# Real Economic Backing and Ontological Legitimacy: A Foundational Principle for Shariah-Compliant Cryptocurrencies

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## ABSTRACT

The proliferation of decentralized cryptocurrencies has introduced significant epistemological and regulatory friction within Islamic finance due to their disconnect from real economic activities. Traditional cryptocurrencies, such as Bitcoin, suffer from a severe "ontological deficit" as they exist purely as abstract cryptographic data without any physical manifestation, central sovereign authority, or intrinsic value. This lack of material foundation relegates these digital assets to extreme price volatility and speculative trading, directly violating Shariah prohibitions against excessive uncertainty (*gharar*) and speculative gambling (*maysir*). To reconcile blockchain innovation with Islamic ethical imperatives, this study shifts the narrative from basic binary halal-haram debates toward establishing a comprehensive ontological framework. Through literature analysis and personal interviews, the study proposes that "real economic backing" is an uncompromising foundational prerequisite for Shariah-compliant cryptocurrencies. The findings highlight four critical analytical dimensions required to legitimize cryptocurrencies: (1) Cryptocurrencies must overcome their ontological deficiency by possessing a real existence, rather than being purely imaginary or virtual data. (2) Cryptocurrencies must hold intrinsic value and legitimate utility to be classified as legally recognized and tradable wealth (*māl mutaqawwam*). (3) Cryptocurrencies require structural linkage to the real economy through asset-backed tokenization, ensuring returns originate from genuine productive activities rather than zero-sum speculation. (4) Pegging digital tokens to tangible reserves like gold or stable fiat currencies acts as a mechanical stabilizing mechanism to neutralize extreme price shocks and aligns with the classical Islamic monetary tradition. Ultimately, the study concludes that asset-backed tokenization transforms blockchain technology from a high-risk speculative tool into a robust, stable financial infrastructure. This structural integration ensures that cryptocurrencies serve the real economy, safeguard wealth, and fulfill the core objectives of Islamic law.

**Key word**: Real Economic Backing, Shariah-Compliant Cryptocurrencies; Ontological Legitimacy; Asset-Backed Tokenization

## INTRODUCTION

The proliferation of decentralized cryptocurrencies has introduced a profound epistemological and regulatory friction within the paradigm of Islamic finance. At the core of this tension lies the fundamental requirement of Islamic economics that financial transactions must be inextricably linked to real economic activities, promoting equitable wealth distribution and social justice (Al-Syatibi, 1997; Laldin, 2020). Traditional cryptocurrencies, such as Bitcoin, suffer from what contemporary Islamic jurists identify as a severe "ontological deficit"; they exist purely as cryptographic data without any physical manifestation, intrinsic value, or central sovereign authority backing them (Siswantoro, Handika, & Mita, 2020).

This lack of real economic backing relegates conventional cryptocurrencies to a realm of extreme price volatility and speculative trading, subjecting them to the strict Islamic prohibitions against *gharar* (excessive uncertainty) and *maysir* (speculative gambling) (Ajouz, Abdullah, & Kassim, 2020; Meera, 2018). Consequently, numerous

Shariah authorities globally have issued fatwas prohibiting unbacked cryptocurrencies, arguing they fail to meet the ontological criteria of recognized wealth (*māl mutaqawwam*) or a legitimate medium of exchange (*thamaniyyah*) (Asif & Sultan, 2025; Zulkarnaen, 2025). To reconcile blockchain innovation with Islamic ethical imperatives, the integration of "real economic backing" -such as pegging tokens to physical gold, fiat reserves, or tokenized real-world assets (e.g., digital sukuk)- has emerged not merely as a risk-mitigation tool, but as a *foundational ontological requirement* to legitimize digital assets within the Shariah framework (Billah, 2019; Andarianti & Huda, 2025).

Despite the growing academic discourse advocating for asset-backed cryptocurrencies to resolve Shariah compliance issues, a critical review of the existing literature reveals several pronounced research gaps that your proposed article can address:

1. The ontological-functional ambiguity in fiqh al-mu'amalat. Current scholarship is heavily saturated with binary, descriptive fatwa analyses -debating whether a specific cryptocurrency is *halal* or *haram*- without constructing a comprehensive ontological framework (Asif & Sultan, 2025; Zulkarnaen, 2025). There remains a significant conceptual gap in harmonizing the "ontological paradigm" (which demands that *māl* possess tangible substance and intrinsic value) with the "functional paradigm" (which recognizes assets based on societal acceptance or *'urf*) (Benali et al., 2025; Othman et al., 2023). A systematic framework that definitively establishes how *real economic backing* scientifically bridges this ontological divide to fulfill the objectives of Islamic law is severely lacking.

2. Scarcity of empirical validation on volatility and gharar mitigation. While theoretical assertions claim that asset-backed cryptocurrencies (such as stablecoins or gold-backed tokens like OneGram) eliminate *gharar* and stabilize investments, empirical literature validating these claims under real-world market stress is sparse (Ajouz, Abdullah, & Kassim, 2020; Prasmanto et al., 2025). There is an urgent need for empirical, econometric investigations to test whether theoretically Shariah-compliant, asset-backed digital tokens genuinely decouple from the speculative contagion of conventional crypto markets and actually function as safe havens or stabilizers for the real economy (Wasiuzzaman, Azwan, & Nordin, 2023).

3. The absence of standardized techno-shariah governance frameworks. The literature highlights a severe regulatory fragmentation and "fatwa shopping" across different Muslim-majority jurisdictions due to the lack of standardized evaluative criteria for digital assets (Sidiq & Muliana, 2025; Zahid et al., 2025). Existing studies frequently identify this as a limitation but fail to propose a unified, transnational regulatory architecture. There is a gap in formulating a "Dual-Layer Governance" model that embeds real economic backing directly into the smart contract protocols (algorithmic fiqh), simultaneously satisfying international financial compliance and rigorous Shariah audits (Andarianti & Huda, 2025; Chong, 2021).

This article holds significant potential to advance the field by shifting the narrative from merely accommodating cryptocurrencies to establishing *real economic backing* as the uncompromising ontological prerequisite for the future of Islamic fintech. Therefore, this study is conducted to address the following question: What are the Shariah principles that must be observed to ensure that cryptocurrencies are compliant with Islamic law?

## RESEARCH METHODOLOGY

This study adopts a qualitative approach to explore the principles of real economic backing and ontological legitimacy in Shariah-compliant cryptocurrencies. Qualitative research is highly suitable in the social sciences as it aims to understand complex phenomena through the collection and analysis of non-numerical data (Tilman et al., 2025). In contrast to quantitative research, which focuses on hypothesis testing, qualitative studies emphasize understanding subjective experiences, aligning with the interpretivist or social constructivist paradigm (Bayramova & Edwards, 2025; Makateng & Mokala, 2025). This approach is inductive in nature and enables researchers to gain in-depth insights into respondents' perspectives on social realities or the phenomena under study (Makateng & Mokala, 2025).

Primary data for this study are collected using semi-structured interviews. This method is chosen because it allows for the collection of richer, more detailed, and more accurate data, while also enabling the researcher to

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pose proactive and open-ended questions that provide respondents with the flexibility and freedom to elaborate on their views (Haq & Yasin, 2025). This interactive approach facilitates an in-depth exploration of patterns, practices, and underlying rationales (Tilman et al., 2025).

In terms of respondent selection, this study employs purposive sampling. The purpose of this sampling method is to deliberately identify and select individuals or expert groups who possess extensive knowledge and experience related to cryptocurrency phenomena and Islamic financial jurisprudence (Bouncken et al., 2025). The collection of interview data is conducted iteratively until it reaches theoretical or data saturation, which refers to the point at which no new themes or information emerge from further data collection (Bouncken et al., 2025). Interviews were conducted in 2024 with seven respondents consisting of experts in law, economics, and Islamic jurisprudence in the UAE.

The collected interview transcripts are then analyzed using qualitative content analysis. This method examines communication (such as interview texts) to identify patterns, relationships, themes, and key meanings underlying the information provided by respondents (Tilman et al., 2025). The analysis involves inductive reasoning by extracting themes that emerge directly from empirical data findings (Szabó et al., 2023).

The rigor of this qualitative study is ensured through the evaluation of its validity and reliability, particularly by focusing on the trustworthiness of the findings (Haq & Yasin, 2025). Validity in this context involves meticulous documentation of each coding process and the establishment of a systematic audit trail to ensure that every stage and theme derived from the analysis is supported by accurate and value-neutral evidence from the interview data (Haq & Yasin, 2025).

**Findings**

Based on an in-depth analysis of the interview data, the main theme addressing this research question can be summarized under the heading: *“Guidelines and Shariah and Economic Principles for the Governance of Cryptocurrencies.”* The experts and specialists interviewed unanimously agreed that technological advancements and the emergence of cryptocurrencies are an inevitable reality. However, to ensure their compatibility with Islamic law, they must be subject to a set of strict standards and principles, which can be elaborated into the following subthemes (Al-Yassi, 2026):

1) Transactions must be free from elements prohibited by Shariah.
2) The existence of real value and clear economic backing (underlying support).
3) Transparency, clarity of sources, and the absence of monopolistic elements to ensure Shariah compliance.
4) Centralized issuance and the presence of a legal reference framework (state governance).
5) Shariah supervision and recognition by fatwa-issuing bodies.

However, this article focuses specifically on the second subtheme, namely that cryptocurrencies must have a genuine existence and be supported by clear economic backing.

The problem of contemporary cryptocurrencies lies in their lack of a tangible physical entity, which creates a significant challenge in determining their legitimacy. Consequently, jurists and experts stipulate that cryptocurrencies must possess a “real existence” and should not merely be abstract virtual numbers.

To achieve this, they must be supported by economic and financial backing (such as gold or widely recognized international fiat currencies), similar to the backing that underlies conventional paper currencies. The absence of such economic backing renders the currency dependent solely on supply and demand, thereby raising doubts regarding its validity and reliability.

The initial codes that fall under the main theme of “real existence and the availability of economic backing,” extracted from the interview data to address the Shariah principles governing the compliance of cryptocurrencies

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with Islamic law, can be summarized in the following points: first: the availability of a tangible physical entity and real existence, second: possession of real value, third: availability of economic backing (financial coverage), and finally: linkage to gold or recognized international currency backing.

1) The Availability of a Tangible Physical Entity and Real Existence

The absence of a tangible physical entity in cryptocurrencies (such as Bitcoin) constitutes a major dilemma and challenge that raises doubts regarding the legitimacy of dealing with them. For this reason, it is stipulated that such currencies must possess a "real existence" and should not merely be virtual or imaginary currencies. In a personal interview, Abdullah Al Ali clearly highlighted the issue of the absence of a physical entity, considering it a challenge to the legitimacy of these currencies. He stated: "At the outset, it must be noted that cryptocurrencies, including Bitcoin, are forms of money that do not possess a tangible physical entity. This dilemma may pose a challenge when addressing the legitimacy of transacting with them" (Ali, 2024). Similarly, Saeed Al-Naqbi identified this condition as the first criterion for the permissibility of dealing with cryptocurrencies, stipulating "their real existence such that they are not merely imaginary or virtual" (Al-Naqbi, 2024).

2) Possession of Real Value

Some respondents from interview emphasized the condition of "possessing real value" as one of the fundamental principles and criteria to ensure the Shariah compliance of cryptocurrencies. Saeed Al-Naqbi explicitly stated this condition when responding to a question about whether Bitcoin and cryptocurrencies could be considered permissible, establishing the following criterion: *"that it possesses real value"* (Al-Naqbi, 2024). Similarly, Tariq Al-Harthi linked the permissibility of cryptocurrencies to the existence of real value and official recognition of the currency, stating: *"When it has international and official recognition and value, then I expect there may be a juristic opinion permitting it, and Allah knows best"* (Al-Harthi, 2024).

3) Availability of Economic Backing (Financial Coverage)

Several interview respondents also emphasized the necessity of economic backing or financial coverage (such as gold or internationally recognized currencies) as a crucial Shariah and economic criterion to ensure the compliance of cryptocurrencies with Islamic law. Mudathir Abdullah clearly indicated that the absence of economic backing renders cryptocurrencies questionable in terms of validity. He stated: *"Thus, even the economic coverage similar to fiat currencies is not available, which makes them questionable in terms of validity in my personal opinion"* (Abdullah, 2024). He further compared them with conventional currencies supported by financial backing, noting: *"In terms of the coverage available for natural fiat currencies -as we call them- currently held in banks and central banks, cryptocurrencies lack this aspect of coverage"* (Abdullah, 2024).

Likewise, Saeed Al-Naqbi explicitly stipulated this requirement as a fundamental condition for the permissibility of cryptocurrencies, stating that they must have *"backing in gold or well-known international currencies"* (Al-Naqbi, 2024). Kazim Al-Shaghana also criticized Bitcoin's lack of financial backing and its total dependence on supply and demand without any reserve protecting its value, remarking: *"For example, the dollar is linked to gold in banks, whereas Bitcoin is only tied to supply and demand… any country's currency is recognized by the international banking system and the IMF because it has reserves in banks"* (Al-Shaghana, 2024).

4) Linkage to Gold or Recognized International Currency Backing

Several respondents in the personal interviews emphasized the importance of linking cryptocurrencies to gold or recognized international currencies as a fundamental criterion for ensuring their legitimacy and reliability. Saeed Al-Naqbi clearly articulated this requirement as one of the direct standards that would render cryptocurrencies permissible under Islamic guidelines, stipulating *"the existence of backing in gold or well-known international currencies"* (Al-Naqbi, 2024).

Similarly, Kazim Al-Shaghana referred to this principle while criticizing Bitcoin's lack of financial backing and its complete dependence on supply and demand. He compared it with recognized currencies, stating: *"For example, the dollar is linked to gold in banks, whereas Bitcoin is only tied to supply and demand"* (Al-Shaghana,

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2024). Mudathir Abdullah also highlighted the importance of gold backing as a standard traditionally applied to conventional currencies to ensure their stability and recognition. He explained that conventional currencies will continue to exist alongside other systems *"because gold backing exists in every country and is recognized and applied"* (Abdullah, 2024), arguing that the absence of such economic backing in cryptocurrencies is what renders their validity questionable.

## DISCUSSION

### The Availability of a Tangible Physical Entity and Real Existence

The absence of a tangible physical entity in cryptocurrencies (such as Bitcoin) constitutes a major dilemma and challenge that raises doubts regarding the legitimacy of dealing with them. For this reason, it is stipulated that such currencies must possess a "real existence" and should not merely be virtual or imaginary currencies (Ali, 2024; Al-Naqbi, 2024).

Researchers in previous studies have also emphasized that the ontological debate concerning the nature of money and currency represents one of the most complex challenges in contemporary Islamic financial jurisprudence. Within the context of the juristic classification of cryptocurrencies, a strong scholarly and juristic trend argues that materiality or tangibility is a decisive condition for conferring the status of *māl mutaqawwam* (legally recognized wealth) and legitimacy upon these assets.

Through an analytical survey of academic and juristic literature, a structured synthesis of opinions that require the presence of a tangible physical entity to ensure the Shariah compliance of cryptocurrencies can be presented through the following analytical axes:

### First: Ontological Deficiency and the Absence of a Physical Object

Many juristic approaches begin from the premise that money or commodities must possess a real physical existence in order to be recognized as valid financial assets eligible for exchange. The literature indicates that cryptocurrencies (such as Bitcoin) are merely electronic data or algorithmic codes stored in distributed ledgers, which renders them intangible assets. Researchers point out that this explicit absence of a physical entity fundamentally contradicts the traditional juristic standards governing the four permissible categories of monetary transactions in Islamic law, thereby depriving them of the recognized Shariah foundation necessary to serve as a basis for financial dealings (Zainuddin et al., 2024).

In the same context, some prominent scholars' fatwas clarify that investment in cryptocurrencies is impermissible because they are neither classified as natural money (such as gold and silver) nor as recognized fiat currency, nor can they be considered commodities due to their complete lack of both tangible existence and intrinsic value (Adamu et al., 2025).

### Second: The Organic Relationship Between Physical Existence and Intrinsic Value

Islamic economic thought closely links the physical existence of an asset with its acquisition of intrinsic value, which protects it from collapse. Researchers argue that decentralized cryptocurrencies fail to satisfy this condition, as they possess no inherent value that can be utilized outside the framework of digital trading. Furthermore, they are not backed by precious metals or tangible commodities, which deprives them of the essential characteristics of wealth recognized in Islamic law (Khan, 2023).

Scholars further emphasize that any financial asset must possess inherent worth that can generate genuine benefit or utility in order to be considered a legitimate commodity. This requirement remains unmet by Bitcoin and similar cryptocurrencies, whose existence is confined purely to abstract digital form (Nabeel & Sumathy, 2023).

### Third: Maqasid-Based Implications and Risks Arising from Material Abstraction

From the perspective of Maqasid al-Shariah, particularly the objective of preservation of wealth, scholars argue that the absence of a tangible physical entity opens the door to structural imbalances within the financial system.

The lack of material form and the absence of backing by real assets make cryptocurrencies highly vulnerable to extreme price volatility and excessive investment risks, placing them within the realm of *gharar* (prohibited uncertainty) (Sanuri et al., 2025).

Moreover, studies suggest that the absence of physical existence and the complete abstraction of value create a climate of uncertainty in transactions, especially when combined with the anonymity of participants. This situation poses significant challenges for compliance with strict Shariah requirements that emphasize clarity, transparency, and reliability in financial exchanges (Bakar et al., 2017).

**Fourth: The Structural Necessity of Asset Backing to Address Ontological Deficiency**

To overcome the challenge of immateriality, the academic literature concludes that the implementation of blockchain-based systems must be linked to real, tangible assets. Cryptocurrencies can only align with the Islamic conception of money -as a medium of exchange and store of value- if they represent actual assets in the physical world. For instance, they may be backed by gold or other real commodities that provide material stability and intrinsic value (Sholeh et al., 2022).

The analysis indicates that the presence of a tangible physical entity is not merely a traditional formal requirement; rather, it represents a fundamental principle ensuring the realization of intrinsic value and the elimination of uncertainty and ambiguity. According to this group of scholars and researchers, restoring the legitimacy of cryptocurrencies requires them to move beyond purely digital abstraction by being structured as digitally represented assets supported by real physical guarantees. Such structuring would enhance stability and safeguard the wealth of market participants in accordance with the objectives of Shariah.

**Possession of Real Value**

Possessing real value was one of the fundamental principles and criteria to ensure the Shariah compliance of cryptocurrencies (Al-Naqbi, 2024; Al-Harthi, 2024). From the perspective of literature analysis, the principle of possessing “real value” or “intrinsic value” represents a decisive existential and ontological criterion in Islamic financial jurisprudence for determining the legitimacy of any newly introduced financial or monetary instrument.

Through a review of academic and juristic literature, a scientific synthesis of the opinions requiring cryptocurrencies to possess real value in order to ensure Shariah compliance can be outlined through the following analytical dimensions:

**First: Real Value as a Requirement for “Recognized Wealth (Māl Mutaqawwam)” and Legitimacy**

Islamic finance requires that the underlying asset or commodity involved in a transaction possess intrinsic value and legitimate utility in order to be classified as *māl mutaqawwam*, which is legally tradable wealth (Saleh et al., 2020).

In the discourse of classical and contemporary *fiqh mu‘amalat* epistemology, the concept of *māl mutaqawwam* refers to wealth that is recognized by Shariah, valid for trade, and permissible for use under the framework of Islamic law (Rosele et al., 2022). The classification of an asset as *māl mutaqawwam* is subject to two strict primary prerequisite dimensions (Fauzi et al., 2022; Wahab et al., 2023).

First, from the perspective of Shariah legitimacy, the asset must comply with the legal parameters of permissibility (*mubāh*) for normal use (*ikhtiyār*), and not merely be permissible in cases of necessity (Rosele et al., 2022).

Second, from the ontological aspect of possession, the asset must be *muhraz*, meaning it exists as a tangible and legitimate form of ownership, is under human control, and has the capacity to be delivered to another party (*maqdur ‘alā taslīmih*) (Shabīr, 2010; Wahab et al., 2023). Ideally, wealth (*māl*) should possess a physical form (*‘ayn*) or at least an intrinsic utility (*manfa‘ah*) that is recognized and contributes practically to economic activity (Shalabī, 1985; Rosele et al., 2022).

In evaluating cryptocurrencies, many jurists and researchers argue that any currency devoid of inherent value cannot be regarded as a legitimate medium of exchange. Recognized forms of money derive their Shariah legitimacy from their intrinsic value, such as precious metals like gold and silver (Katterbauer et al., 2022). Since cryptocurrencies -such as Bitcoin- lack physical existence and do not possess inherent value that can be directly utilized or benefited from, they fail to satisfy the requirements of legitimate commodities or recognized forms of money in Islamic law (Nabeel & Sumathy, 2023).

**Second: The Absence of Value and Its Relationship with Pure Speculation (Maysir and Gharar)**

The literature highlights a profound issue concerning first-generation cryptocurrencies (such as Bitcoin), which emerged purely from mathematical algorithms without being supported by any real underlying assets (Adamu et al., 2025). This existential vacuum and absence of real value mechanically lead to extreme price volatility, as the value of such currencies is determined primarily by speculation and market sentiment rather than by real economic indicators associated with productive sectors (Alam et al., 2019).

Consequently, scholars argue that the absence of intrinsic value places cryptocurrencies within the realm of gharar (excessive uncertainty) and maysir (gambling-like speculation), which constitutes a fundamental challenge to their compatibility with Islamic financial principles (Hassan et al., 2025).

**Third: Asset-Backed Structures as a Mechanism for Acquiring Real Value**

To address this structural deficiency, contemporary literature proposes engineering and regulatory approaches that advocate linking cryptocurrencies to tangible assets in order to acquire legitimate value. Experts argue that the issuance of stablecoins or cryptocurrencies backed by assets with genuine economic value -such as gold-backed tokens- can provide the intrinsic value required for financial stability (Elshqirat, 2025).

The existence of such material backing mitigates juristic concerns related to volatility and speculative trading, enabling cryptocurrencies to perform the traditional functions of money effectively: as a measure of value, a medium of exchange, and a stable store of wealth. This alignment enhances compatibility with the requirements of Islamic economics and the objectives of Shariah (Hoque et al., 2024; Nabeel & Sumathy, 2023).

**Availability of Economic Backing (Financial Coverage)**

The necessity of economic backing or financial coverage (such as gold or internationally recognized currencies) was a crucial Shariah and economic criterion to ensure the compliance of cryptocurrencies with Islamic law (Abdullah, 2024; Al-Naqbi, 2024; Al-Shaghana, 2024).

From the analysis of the literature, the requirement of economic backing or financial coverage is considered one of the most important pillars in contemporary academic and juristic discourse concerning the Shariah compliance of cryptocurrencies. Through a comprehensive review of academic and juristic literature, this principle can be analyzed through the following dimensions:

**First: Achieving Intrinsic Value and Avoiding Financial Abstraction**

Researchers emphasize that unbacked cryptocurrencies lack intrinsic value and tangible existence, making them unsuitable for classification as *māl mutaqawwam*. In Islamic jurisprudence, the underlying asset or commodity must possess genuine value and lawful benefit to serve as a valid medium of exchange (Saleh et al., 2020).

To overcome this deficiency, scholars argue that cryptocurrencies must be linked to tangible assets -such as gold or commodities- to acquire legitimacy. This material backing provides the ontological foundation necessary for recognizing them as legitimate financial assets (Elshqirat, 2025; Wiwoho et al., 2023).

**Second: Preventing Excessive Uncertainty and Price Volatility**

The absence of tangible financial backing is closely associated with extreme price volatility and excessive risk, which places such currencies within the domain of *gharar* and *maysir*, both prohibited in Islamic law. Literature suggests that linking cryptocurrencies to assets such as gold or stable fiat currencies significantly reduces these fluctuations. For instance, asset-backed stablecoins supported by real financial guarantees are less susceptible to price shocks, making them safer and more consistent with the Shariah objective of preserving wealth (Central Bank of Jordan, 2020).

Consequently, contemporary juristic opinions tend to favor the permissibility of cryptocurrencies backed by financial guarantees from recognized institutions or states, as this reduces uncertainty and excessive speculation (Abu Husayn, 2019). Some experts further propose the development of cryptocurrencies backed by precious metals as an effective Islamic solution combining technological efficiency with economic stability (Ajouz et al., 2020).

**Third: Linking Digital Innovation with the Real Economy**

Islamic economic philosophy requires financial exchanges to be based on the creation of real economic value rather than zero-sum speculation. To achieve this alignment, scholars emphasize the necessity of asset-backed tokenization, which requires cryptocurrencies to be linked to real assets or services, such as Shariah-compliant real estate or renewable energy projects (Hafiz et al., 2024).

This structural connection with the real economy ensures that generated returns originate from genuine productive activities, thereby distancing cryptocurrencies from speculative betting (maysir) and enabling fair and sustainable profit-and-loss sharing mechanisms (Hafiz et al., 2024).

The literature largely agrees that the underlying blockchain technology of cryptocurrencies is permissible in itself. However, its monetary application requires the presence of economic backing (financial or asset-based coverage). Such backing serves as the methodological mechanism that grants cryptocurrencies intrinsic value, mitigates excessive uncertainty and volatility, and transforms them from speculative instruments into stable financial tools that support the real economy and align with the objectives of Maqasid al-Shariah.

**Linkage to Gold or Recognized International Currency Backing**

To ensure the legitimacy of cryptocurrencies, it is stipulated that they should possess tangible financial backing, such as gold or widely recognized international currencies. This requirement is proposed as an alternative to the current structure of many cryptocurrencies (such as Bitcoin), which rely entirely on supply and demand dynamics without any reserve or asset backing to support their value (Al-Naqbi, 2024; Al-Shaghana, 2024; Abdullah, 2024).

From the analysis of previous studies, the requirement of linking cryptocurrencies to gold or recognized international currencies represents one of the most prominent solutions proposed within Islamic financial engineering to address the profound juristic and economic challenges surrounding the first generation of decentralized cryptocurrencies. Through a review of contemporary academic literature, a structured synthesis of the arguments supporting this requirement can be outlined through the following analytical dimensions:

**First: Ontological Rectification and the Establishment of Intrinsic Value**

The literature begins from the premise that unbacked cryptocurrencies lack physical existence and intrinsic value, which disqualifies them from being considered *māl mutaqawwam* (legally recognized wealth) in Islamic jurisprudence (Elshqirat, 2025; Sholeh et al., 2022).

To overcome this ontological deficiency, scholars argue that linking cryptocurrencies to tangible backing -such as gold (as seen in projects like the OneGram cryptocurrency) or to a basket of stable fiat currencies (fiat-backed stablecoins) provides the intrinsic value and material foundation necessary for their legitimacy as recognized financial assets and secure stores of value (Elshqirat, 2025; Sholeh et al., 2022). This backing moves the currency beyond purely algorithmic abstraction into the domain of real assets that can be valued and utilized.

**Second: Neutralizing Excessive Gharar and Preventing Zero-Sum Speculation**

Academics generally agree that the extreme price volatility and high-risk nature of traditional cryptocurrencies place them within the scope of *gharar* and *maysir* prohibited in Islamic law, as their prices are often driven by crowd psychology rather than genuine economic indicators. Financial backing -whether in gold or stable international currencies- serves as a mechanical stabilizing mechanism to reduce such volatility (Central Bank of Jordan, 2020; Ajouz et al., 2020).

Asset-backed stablecoins supported by actual reserves are less susceptible to sudden price shocks, thereby providing a more secure and stable investment environment consistent with the Shariah requirement for price stability in facilitating exchange and settlement without harming contracting parties (Central Bank of Jordan, 2020; Ajouz et al., 2020).

**Third: Historical Continuity with the Islamic Monetary Tradition**

In contemporary Islamic economic discourse, the idea of gold-backed cryptocurrencies is not merely viewed as a technical solution but also as a strategic initiative to revive the essence of the classical Islamic monetary system, which was historically based on the gold dinar and silver dirham (Aloui et al., 2021; Hassan et al., 2021).

Experts argue that integrating distributed ledger technology (blockchain) with gold backing could create a comprehensive Islamic alternative that protects the wealth of the Muslim community from the inflationary pressures associated with fiat currencies. Such a system would combine the efficiency and speed of modern financial technology with the stability historically associated with precious metals recognized in classical Islamic jurisprudence (Aloui et al., 2021; Hassan et al., 2021).

**Fourth: Compliance with Maqasid al-Shariah and Institutional Integration**

From the perspective of Maqasid al-Shariah, particularly the objective of preserving wealth, linking cryptocurrencies to tangible reserves or internationally recognized currencies facilitates regulatory oversight, prevents sudden systemic collapses, and enhances transparency and fairness (Havidz et al., 2024; Ali et al., 2022).

Studies indicate that this form of backing would also enable Islamic financial institutions and central banks to adopt digital assets more confidently, such as through asset-backed central bank cryptocurrencies (CBDCs). This integration connects technological innovation with the real economy while promoting social and developmental benefits, avoiding the destructive speculative bubbles often associated with unbacked digital assets (Havidz et al., 2024; Ali et al., 2022).

The requirement that cryptocurrencies be backed by gold or recognized international currencies functions as an essential Shariah and economic safeguard. It transforms blockchain technology from merely generating high-risk virtual assets into a robust financial infrastructure capable of supporting stable cryptocurrencies aligned with the principles of Islamic finance. Such backing ensures intrinsic value, eliminates excessive uncertainty, and ultimately serves the objectives of Shariah by safeguarding wealth and promoting financial stability.

## CONCLUSION

In conclusion, this study asserts that real economic backing is an absolute ontological prerequisite to ensure cryptocurrencies and blockchain innovations fully comply with Shariah principles. Conventional cryptocurrencies like Bitcoin suffer from a severe "ontological deficit" because they exist purely as cryptographic data without any tangible physical entity, lack intrinsic value, and are not supported by any robust financial coverage. This foundational deficiency directly plunges these cryptocurrencies into extreme price volatility and exposes them to clear Shariah-prohibited elements, namely *gharar* (excessive uncertainty) and *maysir* (gambling or zero-sum speculation).

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To restore the legitimacy of cryptocurrencies as valid Islamic financial instruments, a paradigm shift is required to restructure cryptocurrencies so that they meet the criteria of *māl mutaqawwam* (legally recognized wealth). The findings of this study outline several practical solutions:

- Physical Existence and Real Value: Cryptocurrencies must not merely be virtual abstractions; instead, they must be linked to assets that offer legitimate intrinsic value.

- Financial Backing (Tangible Assets): Cryptocurrencies must be backed by tangible financial guarantees, particularly gold, physical commodities, or recognized international fiat currencies. This material backing acts as a mechanical stabilizing mechanism that neutralizes sudden price shocks and curbs excessive market speculation.

The integration of real economic backing into cryptocurrencies is not merely a technical risk-mitigation tool, but a strategic initiative to revive the essence of the classical Islamic monetary tradition (such as the historical use of the gold dinar and silver dirham) in the form of modern financial technology (fintech). This approach aligns perfectly with the Maqasid al-Shariah, particularly the objective of preservation of wealth, as it functions to prevent sudden systemic collapses, facilitates regulatory oversight, and protects users' wealth from excessive uncertainty and inflation.

Ultimately, while blockchain technology is fundamentally a permissible innovation, its monetary application will only be legitimate if coupled with financial asset guarantees (asset-backed tokenization). Such restructuring is critical to transform cryptocurrencies from high-risk speculative betting tools into a stable and fair digital financial infrastructure that serves the real productive economy and promotes societal welfare in line with Islamic finance principles.

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