

Foreign Exchange Transactions (Sharf) in the Perspective of Fiqh Muamalah: Between Classical Traditions and the Challenges of the Contemporary Global Economy

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ABSTRACT

The rapid development of the global economy has increased the need for foreign exchange (Sharf) transactions across individuals, financial institutions, and nations. However, concerns about the permissibility of foreign exchange transactions from the perspective of Islamic law (fiqh muamalah) have become increasingly relevant. This study examines the sharia principles governing Sharf transactions, focusing on the application of fiqh muamalah to both classical and contemporary foreign exchange practices, particularly those involving digital technology. The research employs a descriptive qualitative method through a literature-based approach, exploring the views of classical and contemporary scholars, and analyzing the role of fatwas in ensuring compliance with sharia principles. The findings reveal that foreign exchange transactions must fulfill requirements such as immediate mutual exchange (taqabudh fi al-majlis) and avoid elements of usury (riba), uncertainty (gharar), and gambling (maysir). In the digital era, new challenges have emerged with the rise of financial instruments such as forex margin trading and cryptocurrency, requiring adaptive legal interpretations within the framework of fiqh muamalah to maintain sharia compliance. Thus, contemporary ijtihad and fatwas from sharia financial authorities are essential in guiding technology-based foreign exchange transactions to remain within Islamic legal boundaries.

Keywords: Foreign Exchange Transactions, Fiqh Muamalah, Sharf, Islamic Finance, Digital Technology.

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INTRODUCTION

The rapid development of the global economy has significantly increased the demand for cross-border currency transactions, or foreign exchange (Sharf), at the individual, institutional, and state levels. Currency exchange has become an essential element in international trade and cross-border investment, particularly due to exchange rate fluctuations that can greatly affect global economic stability. However, alongside advancements in conventional financial systems and innovations in financial technology, concerns have arisen regarding the permissibility (halal status) of foreign exchange transactions for Muslims, particularly in relation to Islamic legal principles (fiqh muamalah).

From the perspective of fiqh muamalah, foreign exchange transactions are governed by strict Sharia principles, primarily aimed at ensuring that such transactions are free from prohibited elements such as *riba* (usury), *gharar* (uncertainty), and *maysir* (speculation or gambling). As explained by Abdul Mujib (1996), *Sharf* transactions in Islamic jurisprudence involve the exchange of *ribawi* items, such as currencies, under the condition that delivery must be made on the spot to avoid *riba nasi'ah*—illegitimate gains derived from delayed exchange. This principle aligns with the hadith of Prophet Muhammad (peace be upon him), which explicitly forbids deferred currency exchanges, as elaborated in *al-'Uqud al-Maliyah al-Murakkabah* by Abdullah al-'Imrani (2006).

The practice of *Sharf* during the Prophet's era emphasized the importance of immediate exchange, whether involving the same or different currencies, to uphold transactional justice and prevent harm to any party. At that time, gold dinars and silver dirhams served as legitimate mediums of exchange, and currency exchanges were conducted based on equal value and immediate handover. Consequently, the foundational principles of *Sharf* outlined in fiqh muamalah remain relevant and adaptable, despite the evolution of the global financial system which now includes new forms of exchange such as fiat currencies, foreign currencies, and digital financial instruments—all of which require further regulation and scrutiny.

Nevertheless, in the context of modern global finance, many foreign exchange transactions have veered into speculative or gambling-like practices, as observed in Forex trading that often does not comply with Sharia requirements (Suhartono & Nurwahida, 2021). Currency trading through instruments such as margin trading, swaps, and forward contracts frequently disregard the principle of immediate exchange, a critical requirement in Islamic law. These practices may potentially involve elements of *maysir* (speculation), which is prohibited (Abdullah Al-Mushlih, 2004). With the rapid development of digital technologies, including Islamic banking applications and fintech platforms, the challenge of maintaining the integrity of foreign exchange transactions in accordance with fiqh principles is becoming increasingly complex.

Given these dynamics, a comprehensive understanding of the definition, historical context, types of currency trading, and fiqh perspectives on *Sharf* is essential. This is necessary to ensure that currency transactions conducted by Muslims adhere to applicable Islamic legal rulings, thereby promoting justice and divine blessing in all economic activities. Therefore, this study aims to provide deeper insights into the application of fiqh principles in modern foreign exchange transactions and explore the relevance of fiqh rules in regulating currency exchange amid the rapid advancement of the global financial system.

METHOD

This study employs a qualitative descriptive approach based on library research, aiming to explore, examine, and analyze the thoughts of classical and contemporary Islamic jurists (*fuqaha*) concerning the practice of foreign exchange transactions (*Sharf*) within the framework of Islamic law. This method is considered appropriate for investigating normative concepts found in fiqh muamalah literature and for assessing the Sharia principles used to determine the legitimacy of financial transactions, particularly in the context of currency exchange.

The data for this research were obtained through the examination of relevant primary and secondary sources. Primary sources include classical Islamic jurisprudence texts such as *Masadir al-Tasyri' al-Islami* by Abd al-Wahab Khalaf (1972), *Minh al-Mubin* by Abdul Hamid Hakim (1976), and *al-'Uqud al-Maliyah al-Murakkabah* by Abdullah al-'Imrani (2006). Secondary sources consist of contemporary works such as *Fiqh Ekonomi Keuangan Islam* by Abdullah Al-Mushlih and Shahalah ash-Shawi (2004), as well as

scholarly articles from reputable national and international journals addressing fiqh muamalah, Islamic financial systems, and the dynamics of foreign exchange transactions in the digital era.

Data collection was conducted through documentary analysis of these references, followed by analysis using thematic content analysis. This approach enables the researcher to identify key themes related to the fiqh rulings on foreign exchange transactions, including core principles such as *taqabudh fi al-majlis* (spot settlement), the prohibition of *riba fadhl* and *riba nasi'ah*, as well as elements of *gharar* (uncertainty) and *maysir* (speculation) in currency trading practices.

The analysis was carried out in a critical and systematic manner by evaluating the compatibility between fiqh principles and modern foreign exchange practices, including within the frameworks of digital financial systems, Islamic banking, and forex trading. Furthermore, the study also investigates the relevance of contemporary *ijtihad* (independent legal reasoning) regarding various new transactional contracts (*akad muamalah*) that have emerged due to technological advancements and economic globalization. This research not only emphasizes the normative aspects of Islamic law but also takes into account its practical implications for actors within the modern Islamic economy.

RESULTS AND DISCUSSION

Foreign Exchange (*Sharf*) in Fiqh al-Mu'āmalāt

In *fiqh al-mu'āmalāt*, foreign exchange transactions, or *Sharf*, refer to the exchange of one currency for another—either of the same type or of different types—under specific legal conditions to ensure the transaction is valid under Islamic law. Etymologically, *Sharf* derives from the Arabic term meaning “to exchange” or “to transfer” (Abu Hasan Ahmad Faris Bin Zakariya, 1970). As explained by Abdul Mujib (1996), *Sharf* occupies a unique position in Islamic jurisprudence as it involves *ribawi* items (*amwāl ribawiyyah*), which must comply with the requirement of immediate exchange (*taqābudh fi al-majlis*). If the currencies being exchanged are of the same type, they must be equal in value; if they are of different types, disparity in value is permissible as long as the transaction is conducted on the spot.

The fundamental principle in *Sharf* transactions is the avoidance of *riba*, whether in the form of *riba al-faḍl* (excess in like-for-like exchange) or *riba al-nasī'ah* (deferred exchange). Thus, foreign exchange transactions from the perspective of *fiqh al-mu'āmalāt* emphasize not only transactional efficiency but also justice and transparency between parties. Immediate delivery is a fundamental condition for the transaction's validity, in line with the teachings of Prophet Muhammad (peace be upon him), who prohibited deferred currency exchanges (Abdul Hamid Hakim, 1976).

Historical Context of Currency Exchange in Islam

Foreign exchange transactions have been known since the time of the Prophet Muhammad (SAW). During that period, gold dinars and silver dirhams served as legitimate mediums of exchange. This practice corresponds with the hadith of the Prophet: “Gold for gold, silver for silver, wheat for wheat, dates for dates, salt for salt—must be equal and hand-to-hand. If the commodities differ, sell as you wish, provided it is hand-to-hand” (Narrated by Muslim). This hadith affirms that currency exchange must be conducted immediately and in compliance with Shariah requirements.

In the classical period, *Sharf* not only included gold and silver exchanges but also applied to other *ribawi* commodities in interregional trade. Classical scholars such as Ibn Qudamah in *al-Mughnī* emphasized adherence to Sharia principles in currency exchange to prevent injustice or harm. As Islamic trade networks expanded and monetary systems became more complex—including the use of paper currency—*ijtihad* (independent legal

reasoning) was needed to ensure that foreign exchange transactions remained aligned with the objectives of Sharia (*maqāṣid al-sharī'ah*).

Permissible Forms of Currency Exchange under Sharia

In Islamic jurisprudence, two main forms of currency exchange exist: Immediate Sharf (Naqdi) and Deferred Sharf (Ajil). *Sharf Naqdi* refers to immediate exchange transactions where both currencies are handed over at the time of contract. This immediate settlement is vital to prevent *riba al-nasī'ah*, which may arise from delayed currency delivery (Abdul Mujib, 1996). For example, exchanging Indonesian Rupiah for U.S. Dollars at an official money changer constitutes a valid *Sharf* transaction.

Conversely, *Sharf Ajil* involves a delay in delivering either part or all of the exchanged currencies. This type of transaction is prohibited in *fiqh* due to the potential presence of *riba al-nasī'ah*. Margin-based forex trading that does not fulfill *taqābudh fi al-majlis* falls into this category and is impermissible under Islamic law.

According to Abd al-Wahab Khalaf (1972) in *Masadir al-Tashrī' al-Islāmī*, another foundational rule is that if the currencies exchanged are of the same type, the quantity must be equal without excess. If they are of different types, inequality in value is allowed as long as the exchange occurs on the spot. This distinction clearly separates Sharia-compliant *Sharf* transactions from speculative practices common in conventional forex markets.

Views of Classical and Contemporary Fiqh Scholars

Both classical and contemporary scholars agree that *Sharf* transactions must involve immediate delivery and avoid elements of *riba* and *gharar*. Classical scholars like Abdul Hamid Hakim (1976) in *Minh al-Mubin* emphasized the necessity of fairness, equal value for like commodities, and immediate delivery at the time of contract. These stipulations are rooted in the principle of *taqābudh fi al-majlis*, which aims to prevent exploitation.

Contemporary scholars such as Hammad Fakhriy Hammad (*Hukm Ijtimā' al-'Uqūd*) and Abdullah Al-Mushlih (2004) in *Fiqh al-Iqtisād wa al-Māl al-Islāmī* argue that while the core principles of *Sharf* remain unchanged, their application must be responsive to developments in the global financial system—especially in relation to digital financial instruments and electronic currency trading. In this context, *ijtihad* is essential to address new practices like margin and forex trading, which—if unregulated—can lead to speculative behavior prohibited by Islam.

The Evolution of Foreign Exchange Transactions in the Digital Financial System

The rapid evolution of digital financial systems has significantly impacted the practice of foreign exchange, which was once dominated by traditional mechanisms. Digital technology and cryptocurrency have transformed global currency trade, where transactions previously conducted in person now often occur online. According to Atmaja and Paulus (2022), Bank Indonesia's role in regulating payment system digitalization is crucial in adapting to rapid financial innovation. Furthermore, digital platforms offer convenience and security, driving the shift from physical cash to electronic money, although adoption challenges remain, particularly among small traders (Nandiroh et al., 2023).

However, this digital shift also presents challenges in applying *fiqh al-mu'āmalāt*. Margin-based forex trading, for example, often violates the principle of *taqābudh fi al-majlis* by allowing delayed ownership transfer. This contravenes Shariah requirements for immediate and real ownership in currency exchanges (Sofyanty et al., 2022). Sofyanty et al. also stress the importance of risk management to ensure Sharia compliance in these transactions.

Moreover, the rise of cryptocurrencies demands *ijtihad* from scholars to reconcile classical legal principles with modern realities. Najibulloh and Rahmalia (2024) highlight the potential role of blockchain technology in supporting Shariah-compliant financial systems by offering greater transparency and accountability in transactions. Through the

synergy of digital innovation and in-depth legal understanding, foreign exchange in digital finance can be conducted in a manner more consistent with Islamic principles.

Thus, while digitalization offers new opportunities in foreign exchange transactions, it also requires legal adaptation to ensure alignment with Shariah. Progressive thinking and institutional flexibility are essential for achieving effective implementation in today's increasingly complex financial world.

Cryptocurrency and Electronic Financial Instruments in the Perspective of Fiqh al-Mu'āmalāt

Cryptocurrency trading within the *fiqh al-mu'āmalāt* framework explores critical issues concerning its legality, legitimacy, and compliance with Shariah principles. Cryptocurrencies such as Bitcoin and Ethereum operate on decentralized blockchain technology, raising questions about their legal status under Islamic law, particularly in Muslim-majority countries with cautious attitudes toward novel financial instruments.

A key concern in cryptocurrency trading is the presence of *gharar* (uncertainty) and *maysir* (speculation). *Gharar* arises from the extreme volatility and unpredictable nature of cryptocurrency values (Yuneline, 2019; Wahid, 2023; Qurtubi et al., 2024). From the *Sharf* perspective, transactions must reflect fair value and real-time settlement, which are often unmet in electronically contracted crypto trades, rendering the transaction *bāṭil* and noncompliant (Wahid, 2023; Harahap, 2024).

In Indonesia, the Financial Services Authority (OJK) does not recognize cryptocurrency as legal tender (Wahid et al., 2023). Consequently, it is essential to assess the legal and religious implications of cryptocurrencies like Bitcoin. Some scholars argue that if considered an exchange medium, Bitcoin would be classified as a *ribawi* asset and subject to prohibitions when not meeting fair competition and transparency standards (Wahid et al., 2023).

In addition to legal and Sharia challenges, cryptocurrencies face regulatory and societal acceptance issues. The Commodity Futures Trading Regulatory Agency (Bappebti) currently oversees cryptocurrency as a commodity, indicating that regulatory frameworks are still evolving. These frameworks must be refined to comply with Shariah principles and prevent illicit activities like money laundering and tax evasion (Romadhon & Andriani, 2023). Islamic finance scholars remain divided, with some supporting conditional use, while others warn of inherent risks and uncertainties (Habibi & SW, 2024).

Furthermore, the potential use of Central Bank Digital Currencies (CBDCs) is being explored as an alternative. Scholars have begun assessing CBDCs through the lens of Islamic law, focusing on their capacity to meet core Shariah principles, such as the prohibition of *riba* and *gharar*, which cryptocurrencies often fail to uphold (Zuchroh, 2025; Arief & Triuwono, 2023). This opens up the possibility for more compliant digital instruments in the future of Islamic finance.

Considering all these factors, it becomes evident that cryptocurrency trading requires thorough and comprehensive analysis from the perspective of *fiqh al-mu'āmalāt* to determine its permissibility and proper application within Islamic legal boundaries.

Application of Fiqh Principles in Sharia Financial Systems in the Digital Era

In today's digital era, Islamic financial institutions face significant challenges in ensuring that all products and services offered comply with Sharia principles, particularly in the context of technology-based foreign exchange transactions. Practices such as margin trading in the forex market increase the risk of involvement in prohibited activities such as *riba* (usury), *gharar* (uncertainty), and *maysir* (speculation). Therefore, the application of relevant fiqh principles is essential to ensure Sharia compliance while optimizing the use of technology in financial transactions.

The principles of *maslahah mursalah* (public interest) and *sadd al-dhara'i* (preventing harm) are key guidelines in Indonesian fiqh, supporting the adaptation of

Islamic law to contemporary needs without neglecting its core values (Hasbiyallah et al., 2024). This aligns with the development of *usul al-fiqh*, which continues to adapt in addressing modern challenges, including the implementation of innovative Sharia-compliant financial products (Pakarti et al., 2023). Research has shown that a profound understanding of *fiqh* and *usul al-fiqh* contributes to the strengthening of religious practices and the legal structures aligned with Islamic values in society (Jailani et al., 2023).

In this context, Islamic financial institutions must establish clear guidelines for technology-based foreign exchange transactions. For example, a transparent approach grounded in the principle of *taqabudh fi al-majlis* (immediate and actual exchange) can help minimize the risk of Sharia violations ('Ilmi, 2023). The Sharia Supervisory Board (Dewan Pengawas Syariah/DPS) plays a crucial role in overseeing new products, ensuring all innovations conform to Sharia standards (Wani & Dar, 2022). This highlights the need for synergy between Sharia law and implementation policies to build a sustainable system in line with applicable regulations (Sanusi et al., 2020).

Moreover, it is essential to strengthen the *fiqh* framework that underlies Sharia legal policy in Indonesia, which should be based not only on legal norms but also on social dynamics and community needs (Mokodenseho et al., 2024). For instance, the development of *fiqh* principles in fatwas issued by the National Sharia Council—Indonesian Ulema Council (DSN-MUI) is key to ensuring that Sharia economic policies are accessible and beneficial to all sectors of society (Sanusi et al., 2020). Incorporating elements of legal adaptation and social dynamics into Sharia financial policies can contribute to the creation of a more inclusive and responsive welfare state (Solikhudin & Zainullah, 2022).

Amid the growing complexity of the digital era, the application of *fiqh* principles in the Sharia financial system becomes increasingly relevant to produce financial products that are not only innovative but also compliant with Sharia and beneficial to society. Islamic financial institutions are expected to continuously develop products that promote justice and avoid practices contrary to Islamic values, thus creating a fair and blessed financial environment.

Fiqh Muamalah Response to the Dynamics of Forex Trading in the Context of Economic Globalization

Foreign exchange (forex) trading has experienced tremendous growth over recent decades and is now one of the most vital instruments in the dynamics of the global economy. The forex market is the world's largest financial market, with transaction volumes exceeding USD 5 trillion per day (Islam et al., 2020; Luthfiah et al., 2024). Its massive scale and high liquidity make forex a central hub of global financial activity. However, its inherent complexity and volatility pose serious challenges from the perspective of Islamic economics, particularly regarding elements of uncertainty (*gharar*) and speculation (*maysir*) often associated with this instrument (Rahmat et al., 2021).

In this context, the application of *fiqh muamalah* principles becomes essential to ensure that all forex trading practices are conducted based on justice, transparency, and sustainability. Islamic financial institutions are responsible for actively managing risks arising from high exchange rate fluctuations and potential non-Sharia practices. One recognized approach in contemporary *fiqh* is the use of hedging strategies tailored to Sharia principles (Abdul-Rahim et al., 2019; 2022). These strategies typically involve financial instruments such as Sharia-compliant forward contracts and options, aimed at mitigating losses due to unpredictable exchange rate movements (Wahab et al., 2020).

The application of Sharia-based hedging becomes increasingly relevant in the digital era, where forex transactions are often conducted in real-time via online platforms that are highly vulnerable to speculation and market manipulation (Dedi, 2023). In this regard, it is crucial to ensure that every derivative instrument used does not contain elements of

riba, gharar, or maysir. Therefore, a rigorous Sharia validation process is required for every product and transaction mechanism used by Islamic financial institutions (Omar & Jones, 2015).

Furthermore, the challenges of forex trading in the era of globalization demand adaptive contemporary fiqh ijtiḥad rooted in maqasid al-sharia. Such ijtiḥad must consider not only the legal-formal aspects of transactions but also the social and ethical implications of common practices in the current forex market. For example, complex and opaque derivative contracts must be reviewed to align with the principles of transparency and fairness in fiqh muamalah (Sobri & Ahmad, 2022; Gallo, 2014). This reflects the need for a more dynamic fiqh approach capable of addressing the complexity of global transactions while remaining anchored in the universal values of Sharia (Dedi, 2023).

Overall, integrating fiqh principles into forex trading is a strategic move to build a more just and inclusive financial system. Reinforcing Sharia values in foreign exchange instruments is not only aimed at financial gain but also at ensuring an ethical and socially responsible market. Thus, Islamic financial institutions play a central role in shaping a sound, transparent, and Sharia-aligned forex trading governance structure (Luthfiah et al., 2024; Islam et al., 2020; Rahmat et al., 2021).

The Role of Fatwas in Managing Digital Sharia Finance in Foreign Exchange Transactions

Fatwas play a central role in the management of digital Sharia finance, particularly in the increasingly complex and technology-based context of foreign exchange transactions. In the digital transformation era, Islamic financial institutions face new challenges requiring legal clarity and normative guidance to ensure that transactional activities remain within Sharia boundaries. Fatwas issued by Sharia financial authorities such as the Indonesian Ulema Council (MUI), the National Sharia Council (DSN), and other international fatwa bodies must be adaptive and responsive to technological developments and global financial market fluctuations (Mufrih & Hadiroh, 2022; Suharlina et al., 2024). The presence of fatwas aligned with such developments is crucial for ensuring compliance with Islamic principles, particularly in avoiding gharar (uncertainty) and maysir (speculation) (Supriadi & Ismawati, 2020; Djumadi, 2023).

In implementing Sharia muamalah principles in forex transactions, a deep understanding of fatwa content is urgently needed. Fatwas act as ethico-legal frameworks that define the boundaries and legality of transactions while filtering out practices inconsistent with maqasid al-sharia. Contemporary fiqh muamalah studies provide detailed elaboration on the use of digital financial instruments in the forex market, especially in mitigating exchange rate risks and preventing losses due to non-compliant practices (Masruroh, 2021; Mubarroq & Latifah, 2023).

One practical approach highlighted in contemporary fatwas is Sharia hedging strategies, which offer alternatives for managing exchange rate risk without violating fiqh principles. These strategies typically involve instruments such as forward contracts and options modified to meet Islamic legal requirements (Suharlina et al., 2024; Djumadi, 2023). Using this approach, Islamic financial institutions can reduce the negative impact of forex market volatility while maintaining Sharia integrity. Therefore, all forms of transactions and instruments used by Islamic financial institutions must explicitly refer to binding and valid fatwas (Ayatik et al., 2022; Djumadi, 2023).

In addressing the growing complexity of digital transactions, contemporary fiqh ijtiḥad is indispensable. Scholars are expected to re-evaluate new financial practices and instruments, aligning them with the core values and universal principles of Islam. This includes assessing complex contracts, opaque mechanisms, and derivative products commonly used in modern forex trading (Mufrih & Hadiroh, 2022; Mubarroq & Latifah, 2023). This approach must consider not only legal-formal aspects but also the ethical and social dimensions of each transaction (Ayatik et al., 2022; Lenap, 2019).

Overall, integrating fatwas into the digital Sharia financial system should be understood as a key strategy for creating a sustainable, just, and accountable financial market. The application of fatwas aims not only to ensure Sharia compliance but also to strengthen public trust, reduce the risk of loss from non-compliant practices, and support the stability of the Sharia forex market. This initiative contributes to building an Islamic financial governance system that prioritizes not only material gain but also social justice and the blessings of transactions (Masruroh, 2021; Mubarroq & Latifah, 2023).

CONCLUSION

Foreign exchange transactions (*Sharf*) in *fiqh muamalah* represent a component of the Islamic economic system that upholds justice, transparency, and compliance with Sharia principles, particularly the prohibitions against *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). In classical Islamic tradition, the exchange of dinar and dirham was conducted directly and in cash—a principle that remains relevant today. However, globalization and the rise of digital financial systems have introduced new and complex forms of transactions, such as margin trading and speculative derivatives, which often deviate from core Sharia values.

This study demonstrates that *fiqh muamalah* possesses inherent flexibility through *ijtihad*, allowing it to respond to contemporary realities, including forex trading and the use of digital financial instruments such as cryptocurrency and Sharia-compliant hedging. Such *ijtihad* must always be guided by the objectives of Sharia (*maqāṣid al-sharī'ah*), namely the realization of justice, public benefit, and the protection of the Muslim community within economic activities.

The implementation of dynamic *fiqh* principles, coupled with the normative guidance of fatwas that are responsive to contemporary developments, constitutes the foundation for constructing an ethical and robust Islamic financial system in the digital age. In this regard, synergy among scholars, financial institutions, and regulatory authorities is essential to ensure that innovations in digital financial products remain within Sharia boundaries.

Therefore, foreign exchange transactions in the modern financial system require not only technical adaptation but also the reaffirmation of Islamic spiritual and ethical values. A contextualized approach to *fiqh muamalah* serves as a crucial tool for preserving the integrity of economic dealings and contributing to the establishment of a global financial system that is more just, transparent, and sustainable.

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