

# Shariah Compliance in Gold Investment: Industry Perspectives on Hadith, Riba and Gharar in Malaysia's Finance Sector

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**Abstract:** *Gold investment remains a central instrument in contemporary Islamic finance due to its historical role as a store of value and its intrinsic characteristics, which align with Shariah principles prohibiting interest-based transactions and speculative financial products. In the Malaysian Islamic finance landscape, gold investment is further shaped by regulatory oversight and Shariah governance frameworks that seek to balance innovation with classical jurisprudential requirements. The rapid expansion of digital gold platforms has raised critical questions regarding Shariah compliance, as gold is classified as a ribawi item subject to riba al-faḍl and riba al-nasī'ah, as outlined in authentic hadiths within Al-Kutub al-Tis'ah. These concerns are particularly significant in Malaysia's Islamic finance sector, where technological advancement has accelerated the use of non-physical gold transactions. Ensuring compliance requires careful examination of underlying Shariah contracts and operational frameworks. This study investigates Shariah issues in modern gold investment through industry players' understanding of hadiths, their application of fiqh muamalat principles, the concept of qabḍ (possession), and the use of ijtiḥad in validating investment contracts. A qualitative methodology, combining in-depth interviews with ten informants including Shariah advisors, fiqh muamalat scholars, academics, and industry practitioners, and document analysis, was employed to capture insights into structuring Sharia-compliant gold products. Findings indicate that industry players primarily rely on secondary references and often lack understanding of the legal rationale (‘illah), maqasid, and contextual background (sabab wurūd) of hadiths. Key challenges include ambiguous application of qabḍ, riba arising from delayed or unequal exchanges, and gharar linked to ownership uncertainty. A significant gap exists between hadith texts and industry guidelines, resulting in procedural rather than substantive compliance. The study recommends developing comprehensive hadith-based Shariah guidelines that integrate takhrij al-hadith, maqasid al-Syariah, and qawa'id fiqhiyyah with operational practices. Strengthening hadith literacy and establishing specific Shariah standards for digital gold are essential for ensuring*

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*consistency, legal integrity, and genuine compliance within Malaysia's Islamic financial market.*

**Keywords:** Gold investment, Shariah compliance, Digital gold, Riba and gharar and Hadith-based finance.

## **Introduction**

Gold investment is one of the oldest financial instruments known to human civilization and remains relevant today. In the context of Islamic finance, gold holds a unique status because it is categorized as a ribawi item explicitly mentioned in the hadiths of Prophet Muhammad SAW (Abas et al., 2023; Juisin, 2021; Nordin et al., 2015). Consequently, it is subject to strict rules governing ribawi transactions, including riba al-faḍl and riba al-nasī'ah (Ezahar et al., 2020; Nordin et al., 2015). While physical gold investment has long been accepted, technological advancements have introduced new forms of gold investment such as digital gold accounts, gold e-wallets, micro-investment platforms, and online trading systems (Abas et al., 2023). These forms of investment raise various questions regarding Shariah validity, particularly when transactions do not take place physically and ownership of gold cannot be clearly established (Ezahar et al., 2020). Such developments challenge traditional fiqh interpretations that were historically grounded in physical exchange and direct possession.

This rapid evolution necessitates a reassessment based on the primary sources of Islamic law, after the Qur'an, namely the hadiths of Prophet Muhammad SAW. The hadiths in Al-Kutub al-Tis'ah, especially in Sahih Muslim, Abu Dawud, al-Tirmizi and al-Nasa'i, clearly outline the conditions for trading gold, including simultaneity (yadan bi yadin), equal weight, prohibition of deferment, and the prohibition of selling what is not yet possessed (Nordin et al., 2015). Therefore, the assessment of digital gold investments cannot rely solely on contemporary fiqh opinions or recent fatwas; it must be grounded in the original hadith texts and the underlying legal rationale ('illah) upon which these rulings are built (Juisin, 2021). Failure to engage directly with these hadith foundations risks overlooking the objectives and wisdom embedded in the prophetic guidance on ribawi transactions.

However, industry realities show a significant gap between hadith texts and operational implementation (Nordin et al., 2015). Many companies fulfill Shariah requirements only at the documentation level, while critical concepts such as qabd, tamakkun, tasarruf mutlaq, and milkiyyah are not properly understood (Ezahar et al., 2020). This occurs because industry players often depend on Shariah advisors without directly examining the hadith texts themselves, resulting in only secondary understanding. Thus, there is an urgent need to reassess the level of understanding among industry players regarding hadiths related to gold investment, and how this understanding influences the Shariah compliance of modern gold products (Risman et al., 2024). This gap reflects a broader tendency toward procedural compliance rather than substantive adherence to Shariah principles.

Malaysia, as an international Islamic finance hub, provides a significant landscape for this evaluation (Abas et al., 2023). Gold investment platforms are rapidly expanding, yet Shariah oversight faces challenges due to the absence of standardized guidelines (Juisin, 2021). Each company is advised by its own Shariah board, making legal rulings dependent on individual ijthihad (Abas et al., 2023). This situation creates inconsistency and potential conflict in rulings, particularly in critical issues such as riba, delivery deterrent and uncertainty in ownership (Ezahar et al., 2020). In this context, analyzing industry players' understanding of hadith is crucial to ensure that gold investment practices fully comply with Shariah requirements (Nordin et al., 2015). A consistent hadith-based framework is therefore necessary to harmonize industry practices within Malaysia's Islamic finance sector.

Compliance with Shariah principles not only guides investment practices but also has significant implications for regulatory oversight. For instance, Quantum Metal received a cease-and-desist order from the Securities Commission Malaysia in March 2024 for offering shares to the public without a license, thereby violating the Capital Markets and Services Act 2007. Although the company's gold products remain available, Quantum Metal continues to face compliance challenges, including payment delays and the expiration of its ISRA certification in 2023, highlighting the importance of integrating Shariah principles with regulatory adherence in the digital gold industry (Security Commission, 2024). This case illustrates how Shariah non-compliance may intersect with regulatory breaches, reinforcing the need for robust governance in Islamic gold investment.

Item	Details
<b>Growth Trend</b>	Shariah-compliant gold investment is growing amid economic uncertainty.
<b>Islamic Financing Share (Malaysia)</b>	Approximately 43% of domestic loans by end-2024 (up from 42% in 2023); this refers to overall Islamic financing, not gold-specific growth.
<b>Global Islamic Finance Growth</b>	Expected 14.9% growth to USD 3.88 trillion in 2024.
<b>Note</b>	Gold-specific growth data is not directly available; trends indicate increasing adoption alongside overall Islamic finance expansion.

Source: Fitch Ratings (2025)

In term of growth trends, Shariah-compliant gold is growing amid economic uncertainty, but the "~43% in Islamic financing by end-2024" refers to Islamic financing's share of domestic loans (up from 42% in 2023), not gold-specific growth. Overall Islamic finance is rising (e.g., 14.9% global growth to \$3.88T in 2024). This distinction is important to avoid overstating gold investment growth and to situate it accurately within the broader expansion of the Islamic finance industry.

This study addresses this gap by examining four key aspects:

1. The level of industry players' understanding of hadiths related to gold investment in Al-Kutub al-Tis'ah.
2. Key Shariah issues in digital gold investment, including riba, qabd, and gharar.

3. The application of qabḍ and the prohibition of riba in modern gold transactions.
4. The role of hadith in shaping Shariah guidelines for the gold investment industry.

These aspects collectively reflect the intersection between classical hadith injunctions and contemporary financial practices. Using a qualitative approach and in-depth interviews, this study analyzes data from ten informants consisting of Shariah advisors, fiqh muamalat experts, academic researchers, and industry practitioners (Risman et al., 2024). The findings indicate that Shariah issues in modern gold investment stem not solely from the nature of the products but more critically from weaknesses in understanding the legal foundations derived from hadith (Ezahar et al., 2020). This study not only provides empirical insights into the state of hadith comprehension within the industry (Nordin et al., 2015) but also offers a framework for solutions grounded in hadith methodology and maqasid al-Syariah (Juisin, 2021). By emphasizing methodological engagement with hadith, the study moves beyond descriptive analysis toward normative guidance. This is crucial because without a deep understanding of the hadiths, Shariah compliance risks becoming merely procedural rather than substantive. Ultimately, this study has the potential to make a significant contribution to the development of more comprehensive, consistent, and evidence-based digital gold investment standards (Abas et al., 2023).

## Literature Review

The literature on gold investment in Islamic finance centres on four interconnected themes. First, gold is classified in hadith as a ribawi item, requiring strict equality and immediate exchange to avoid riba al-faḍl and riba al-nasī'ah. Second, classical and contemporary fiqh discussions on qabḍ (whether physical, ḥaqīqī, or constructive, ḥukmī) form the basis for determining valid ownership and delivery in gold transactions. Third, recent studies highlight operational challenges in digital gold platforms, including issues of settlement delays, uncertain asset backing, and ambiguous custodial structures, all of which raise concerns about compliance with hadith-based rules. Finally, scholars increasingly apply Maqasid Syariah to evaluate digital gold models, emphasising transparency, consumer protection, and preservation of wealth as essential ethical objectives. These studies also reflect differing juristic interpretations in applying classical principles to technologically mediated transactions. Together, these themes demonstrate the need to align textual rulings from hadith with the technological realities of contemporary gold investment.

### 2.1 Gold as a Ribawi Item in Hadith

Gold is explicitly mentioned in authentic hadith as a ribawi item subject to strict rules (Ezahar et al., 2020; Nordin et al., 2015). The hadith of 'Ubādah ibn al-Ṣāmit RA narrated by Muslim states:

“...بِيَدٍ يَدًا، بِسَوَاءٍ سَوَاءً، بِمِثْلِ مِثْلًا، بِالْفِضَّةِ وَالْفِضَّةُ، بِالذَّهَبِ الذَّهَبُ،”

“Gold for gold, silver for silver, equal for equal, same for same, and hand to hand.”

This hadith forms the basis for prohibiting two types of riba:

1. **Riba al-faḍl** – the unequal exchange of two ribawi items.
2. **Riba al-nasī'ah** – any postponement of delivery or payment.

According to Ibn Qudāmah, any form of excess, whether in weight or value, constitutes prohibited *riba al-faḍl* without scholarly disagreement. Al-Sarakhsi emphasises that any delay in the exchange of gold constitutes *riba al-nasī'ah*, even if there is no increase in value.

All four major Sunni schools agree that gold, as a traditional medium of exchange, functions similarly to currency. Therefore, although gold is no longer an official currency today, its *ribawi* status remains intact, as affirmed by leading contemporary authorities such as the International Islamic Fiqh Academy and AAOIFI's Shariah Board (Abas et al., 2023; Juisin, 2021).

In the context of this study, the industry's understanding of this hadith is critical because it determines how the rules of "hand-to-hand" are implemented in digital gold transactions (Nordin et al., 2015). The literature indicates that issues often arise when this rule is interpreted either too literally, without considering digital mechanisms, or too loosely, such that the legal rationale behind the hadith is compromised (Ezahar et al., 2020; Risman et al., 2024).

## 2.2 The Concept of Qabd (Ownership) in Fiqh Muamalat

The concept of *qabd*, or possession, is central to transactions involving *ribawi* items like gold, delineating between physical (*qabd ḥaqīqī*) and constructive (*qabd ḥukmī*) possession, both of which are considered valid in contemporary *fiqh*, particularly in digital contexts (Nordin et al., 2018). Within Malaysia's Islamic finance sector, the application of *qabd* has become a key benchmark used by Shariah committees to assess the compliance of digital gold investment products.

### 2.2.1 Definition of Qabd in Classical Fiqh

*Qabd* refers to a state in which the buyer acquires full rights over an asset through physical possession or the power to exercise control. Scholars distinguish between:

1. *Qabd ḥaqīqī*– actual physical possession, such as holding or physically receiving the gold.
2. *Qabd ḥukmī*– legal possession, established through documents, receipts, system records, or recognised transfer of rights.

Although the Hanafī, Maliki, Shafī'i, and Hanbali schools differ slightly in defining *qabd*, they agree that possession must enable the buyer to manage and dispose of the asset without restriction. Regarding gold, classical jurists are firm that *qabd* is mandatory because gold is a *ribawi* item (Ezahar et al., 2020). If the buyer has not yet acquired possession, the transaction is incomplete and cannot be resold (Nordin et al., 2018). This classical position continues to influence contemporary Shariah rulings in Malaysia, where gold investment products are evaluated against strict *ribawi* requirements to prevent *riba* and *gharar*.

### 2.2.2 Qabd in Contemporary Literature

With technological advancements, modern jurists have reassessed digital forms of ownership. Contemporary literature, including rulings from the International Islamic Fiqh Academy, permits *qabd* through digital evidence on the condition that (Juisin, 2021; Nordin et al., 2018):

- there is verifiable ownership,
- the buyer has full disposal rights,

- the gold can be withdrawn at any time, and
- the gold exists physically and is stored securely.

However, digital gold investments often fail to meet these requirements (Abas et al., 2023). Many platforms provide only digital receipts without confirming the existence of physical gold (Ezahar et al., 2020). In some cases, the gold exists merely as a “claim” against the company rather than as an actual asset. The literature indicates that industry understanding of qabd tends to emphasise documentation rather than genuine authority of disposal or true ownership, as emphasised in hadith (Nordin et al., 2015, 2018). This oversight often leads to a disconnect between the legal form of possession and its substantive implications for risk and ownership transfer, which are foundational to Shariah-compliant transactions (Rahman, 2020). Such gaps are particularly evident in Malaysia’s Islamic finance industry, where operational convenience in digital gold platforms may overshadow substantive Shariah concerns rooted in hadith.

### **2.3 Issues in Digital Gold Investment in Existing Literature**

Previous studies highlight four major Syariah issues commonly found in digital gold investment:

#### **2.3.1 Uncertainty of Ownership**

Studies show that many platforms do not hold actual physical gold (Abas et al., 2023), instead operating with unallocated gold in which no specific portion of the gold is assigned to individual customers (Ezahar et al., 2020). This raises two key Syariah concerns. The first is that the buyer does not own real, identifiable gold, which contradicts the hadith “*lā tabi‘ mā laysa ‘indak*”, a prohibition against selling what one does not possess and a fundamental requirement for valid ownership transfer in Islamic finance (Soi et al., 2023). In the Malaysian context, this issue has direct implications for Shariah governance frameworks overseeing gold-based investment products offered by Islamic financial institutions. The second concern is the high level of gharar arising from uncertain ownership (Rahman, 2020). This uncertainty also complicates the application of zakat principles to digital gold, as clear identification of the underlying asset is often lacking (Shamsuddin et al., 2024).

#### **2.3.2 Risk of Riba Nasī’ah**

The absence of immediate, simultaneous exchange in digital gold transactions, particularly when physical gold delivery is delayed or entirely virtual, introduces the risk of *riba al-nasī’ah*, as the foundational requirement of “hand-to-hand” exchange for *ribawi* items is not met. This issue is exacerbated by some platforms that only provide digital receipts without ensuring the actual existence or immediate transfer of physical gold, which violates the strict conditions of exchange for gold as a *ribawi* item (Risman et al., 2024). Consequently, modern financial instruments like digital gold, despite their convenience and high liquidity, present complex challenges for Sharia compliance due to their inherent susceptibility to technological risks and the potential for non-adherence to these foundational principles of exchange (Rezaldo et al., 2025). These challenges are increasingly scrutinised by Malaysian regulators and Shariah advisory bodies seeking to uphold the prohibition of *riba* within the Islamic finance ecosystem.

#### **2.3.3 Inconsistencies in Shariah Ijtihad**

Literature reveals significant divergences among contemporary scholars on critical aspects of digital gold transactions (Nordin et al., 2018; Rahman, 2020; Soi et al., 2023). One key debate is whether digital gold qualifies as a ribawi currency, necessitating bay' ṣarf with hand-to-hand exchange, or as a tradable commodity (bay' sil'ah) (Risman et al., 2024). Scholars also differ on whether digital system records constitute valid qabd ḥukmī, with some accepting it under strict conditions while others maintain that only qabd ḥaqīqī fulfills Shariah requirements. Furthermore, the appropriate contract framework for trading digital gold remains contested, complicating compliance with prohibitions on riba and gharar (Abas et al., 2023; Ezahar et al., 2020). These scholarly divergences directly affect how Shariah compliance is interpreted and operationalised within the Islamic finance industry, particularly for gold-based investment products.

These differences are evident in regulatory approaches, such as Indonesia's DSN-MUI permitting transactions that meet cash requirements (Soi et al., 2023), compared with Malaysia's emphasis on physical verification and constructive possession equivalence (Juisin, 2021; Nordin et al., 2018). Malaysia's position reflects a more cautious industry stance that prioritises hadith-based conditions on possession and immediacy to mitigate riba and gharar risks. Similar inconsistencies appear across Turkey and GCC countries (Risman et al., 2024). Collectively, these divergences highlight the urgent need for a unified global Shariah framework to address the legal, operational, and technological complexities of digital financial innovation and to ensure consistency in Islamic financial practice (Shamsuddin et al., 2024).

### **2.3.4 Overreliance on Contemporary Fatwa Instead of Hadith**

Some studies, particularly those examining the Indonesian and Malaysian contexts, find that industry players rely heavily on contemporary fatwas and regulatory guidelines from bodies such as DSN-MUI (Risman et al., 2024; Soi et al., 2023) without directly referencing foundational hadith texts, even though hadith remains the primary source for rulings on ribawi items such as gold. This practice reflects an industry tendency to prioritise regulatory compliance over direct engagement with prophetic evidence, potentially weakening substantive Shariah alignment in gold investment products.

### **2.4 Hadith as a Primary Source in Gold Muamalat**

Scholars such as al-Qaradawi, al-Zuhayli, and Kamali emphasise that hadith on ribawi items form the foundation of Islamic financial rulings, serving as the primary source for gold transactions ahead of contemporary fatwas. For gold, four major hadith are central:

1. **Hadith of 'Ubādah ibn al-Ṣāmit** – specifying ribawi conditions.
2. **Hadith of Ibn 'Umar** – prohibiting the sale of gold not yet possessed.
3. **Hadith of Abu Sa'id al-Khudri** – requiring equal exchange.
4. **Hadith "lā tabī' mā laysa 'indak"** – prohibiting selling what is not owned.

However, the literature shows that industry understanding of these hadith is either too literal or too lenient, leading to deviations in practice, particularly in digital gold transactions where physical possession is replaced by digital records.

## **2.5 Maqasid Syariah as a Framework for Assessing Modern Gold Investment**

Maqasid Syariah complements hadith texts in evaluating digital gold transactions.

### **2.5.1 Hifz al-Mal (Protection of Wealth)**

This foundational principle, which aims to protect and preserve wealth, mandates that investments in digital gold must ensure genuine asset backing and clear ownership to safeguard against speculative losses and fraudulent schemes that could erode an individual's financial well-being (Risman et al., 2024).

The literature stresses the need to protect investors by ensuring:

- clear proof of ownership,
- minimal operational risk,
- price transparency,
- protection against exploitation.

Furthermore, the principle of \*Hifz al-Mal\* necessitates that digital gold platforms implement robust security measures to prevent theft, hacking, or other forms of digital expropriation, thereby preserving the integrity of investor assets (Ezahar et al., 2020). This protection extends beyond mere financial security, encompassing the ethical responsibility to ensure that investment vehicles genuinely contribute to economic stability rather than fostering speculative bubbles or unbacked asset claims (Ishak & Nasir, 2021).

### **2.5.2 Al-‘Adl (Justice) and Contractual Balance**

The principle of Al-‘Adl, or justice, in digital gold transactions requires equitable contractual terms, transparent dealings, and the avoidance of exploitative practices, ensuring that all parties including investors, platforms, and asset providers are treated fairly (Soi et al., 2023). Maqasid emphasizes transparency as a prerequisite for justice. However, digital gold often lacks clarity regarding the location of gold, actual stock levels, and audit procedures. This opacity undermines the spirit of Al-‘Adl, which demands full disclosure to prevent informational asymmetries that could disadvantage certain parties (Güney, 2024). The integration of digital payment systems such as QRIS, together with the objectives of Maqāsid al-Sharī‘ah, specifically Hifz ad-Din and Hifz al-Mal, is essential for maintaining the integrity, fairness, and transparency of financial transactions in accordance with Islamic law (Sarif & Ariyanti, 2024).

### **2.5.3 Raf‘ al-Dharar (Elimination of Harm)**

The principle of Raf‘ al-Dharar, or prevention of harm, reinforces the need to mitigate risks associated with digital gold, particularly those related to gharar, or excessive uncertainty, and maysir, or gambling (Sarif & Ariyanti, 2024). Gharar and delayed delivery introduce harm that must be prevented. Literature suggests integrating hadith and maqasid for a more robust evaluation of modern gold transactions. This approach ensures that financial innovations comply with both the textual injunctions of the Sunnah and the overarching objectives of Islamic law, promoting ethical and sustainable economic practices. Combining textual evidence with teleological reasoning provides a comprehensive framework for navigating the complexities of digital financial products, ensuring they genuinely benefit consumers and society while upholding fundamental Islamic values (Lestianingsih et al., 2025).

## 2.6 Research Gaps

Three main research gaps are identified. First, there is a lack of empirical studies assessing industry understanding of hadith on gold. Second, interpretations of hadith are inconsistent across modern gold investment practices. Third, there is an absence of a structured hadith-based guideline for digital gold investment. This study is designed to address these gaps.

## Conclusion of Literature Review

This section confirms that while hadith and fiqh muamalat offer a strong foundation for regulating gold transactions, contemporary practices often diverge due to technological developments and limited industry understanding. Therefore, empirical research is necessary to explore the roots of these discrepancies and propose solutions based on authentic hadith and Maqasid Syariah.

This study adopts a qualitative research design situated within the interpretivist paradigm, which emphasises participants' subjective interpretations and meaning-making processes (Ezahar et al., 2020). Given the objective of examining how industry actors understand and apply hadiths from *Al-Kutub al-Tis'ah* to gold transactions, qualitative inquiry provides the depth and contextual richness required to capture interpretive nuances that quantitative approaches cannot offer. This design is particularly appropriate for analysing how Islamic legal texts are understood within the evolving landscape of digital financial technologies (AlFzari et al., 2024; Mashudi, 2024).

## Methodology

This study applies a qualitative methodology situated within the interpretivist paradigm, which prioritises the subjective meanings and interpretive processes of individuals involved in the gold investment industry (Ezahar et al., 2020). As the research seeks to understand how industry practitioners interpret hadiths from *Al-Kutub al-Tis'ah* in the context of contemporary gold transactions, qualitative inquiry offers the most appropriate means of capturing the depth, complexity and contextual sensitivity required. This methodological orientation is particularly relevant for examinations of how Islamic legal principles are interpreted within rapidly advancing digital financial environments (AlFzari et al., 2024; Mashudi, 2024). It also enables an in-depth examination of how Malaysian industry actors navigate Shariah compliance, particularly regarding hadith-based guidance on riba and gharar in the context of digital gold investment.

## 3.1 Research Design

A hermeneutic phenomenological design was adopted to explore the interpretive processes through which practitioners engage with classical hadiths when assessing the Shariah compliance of modern gold investment practices (AlFzari et al., 2024). The focus of this design is on the interpretation of lived experience, which makes it suitable for investigating how participants rationalise, apply or misinterpret the textual foundations governing ribawi transactions (Ezahar et al., 2020). This approach also facilitates an examination of the epistemological distance that exists between traditional Islamic legal sources and contemporary financial technologies (Ishak and Nasir, 2021; Mashudi, 2024). It is particularly useful for

understanding how practitioners in Malaysia's i-Finance sector interpret and implement hadith-based guidance on *riba* and *gharar* within digital gold investment frameworks. Consequently, hermeneutic phenomenology provides an effective framework for analysing participants' understanding of core Shariah constructs, such as the conditions of *qabd* and the pillars of Islamic contracts, particularly within digitalised gold investment platforms (Ezahar et al., 2020).

### **3.2 Sampling Strategy and Participants**

Purposive sampling was utilised to identify informants with specialised expertise in Shariah, *fiqh muamalat* and gold investment operations. This approach ensured the inclusion of participants who were able to offer both theoretically informed and operationally grounded perspectives (Johari et al., 2023; Risman et al., 2024). The sampling strategy focused on experts active within Malaysia's i-Finance sector to capture insights specifically relevant to the Shariah compliance of digital gold investments in the national context. The study engaged ten experts consisting of four Shariah advisors, three scholars of *fiqh muamalat*, two industry practitioners involved in product development and platform management, and one academic researcher in Islamic finance. This sample size is consistent with phenomenological research requirements that emphasise depth of insight and the achievement of thematic saturation.

### **3.3 Data Collection**

Data were collected through semi-structured, in-depth interviews with a duration of approximately 60 to 90 minutes. Interviews were conducted either in person or through secure online communication platforms. The interview protocol consisted of four key areas: the participants' understanding of hadiths relating to gold, including *ribawi* classifications, *riba al-fadl*, *riba al-nasiah* and *qabd*; the operational application of these hadith principles within digital gold investment mechanisms; the challenges confronted by Shariah advisors when interpreting textual sources in technology-mediated settings; and recommendations for strengthening Shariah governance. Particular attention was given to the practices and regulatory expectations within Malaysia's i-Finance sector to contextualise insights on Shariah compliance in national digital gold investments. All interviews were audio recorded with prior consent, transcribed verbatim and anonymised.

### **3.4 Data Analysis**

Thematic analysis was conducted in accordance with the six-phase procedure outlined by Braun and Clarke (2006). The analytical process involved familiarisation with the interview transcripts, the generation of initial codes, the construction and review of preliminary themes, the refinement and clear definition of theme categories and the final synthesis of findings supported by representative quotations. The analysis specifically highlighted patterns related to the interpretation of hadith, *riba*, and *gharar* within Malaysia's digital gold investment industry to assess Shariah compliance in practice. NVivo 12 software was employed to facilitate systematic data coding and to enhance the transparency and dependability of the analytical process.

### 3.5 Trustworthiness

The trustworthiness of the study was assessed according to the criteria proposed by Lincoln and Guba (1985). Credibility was strengthened through member checking and the triangulation of perspectives across multiple interviews. Transferability was supported through detailed contextual descriptions that allow readers to assess the relevance of findings to other Islamic finance settings. Dependability and confirmability were particularly focused on ensuring that interpretations of hadith, riba, and gharar in Malaysia's digital gold investment context were accurately represented and verifiable. Dependability was ensured by maintaining a comprehensive audit trail documenting analytical decisions, while confirmability was enhanced through reflexive journaling and the triangulation of expert viewpoints.

### 3.6 Ethical Considerations

All participants provided informed consent prior to interview engagement. Data were stored securely, and anonymity was maintained through the use of numerical identifiers for each informant.

## Findings and Discussion

This section integrates empirical findings with scholarly analysis to demonstrate how hadith principles from *Al-Kutub al-Tis'ah* shape, challenge, and influence Syariah compliance in Malaysia's modern gold investment landscape. The data specifically highlight how these issues manifest within Malaysia's i-Finance sector, where digital gold platforms are rapidly evolving but often lack standardised Syariah guidance. The interviews reveal six central issues: (i) limited understanding of hadith among industry players, (ii) structural Syariah challenges within digital gold products, (iii) discrepancies in the application of fiqh concepts such as *qabd*, (iv) riba risks, (v) inconsistencies in Syariah governance, and (vi) the lack of a unified hadith-based guideline. Collectively, the findings point to a significant epistemological gap between classical textual rulings and contemporary financial operations.

### 4.1 Limited Understanding of Hadith Among Industry Players

#### 4.1.1 Lack of Engagement with Primary Sources

Interview data show that industry players rarely engage directly with hadith texts. Instead, they rely almost entirely on Syariah advisors to interpret rulings, leading to shallow and fragmented understanding. This pattern is particularly evident in Malaysia's i-Finance sector, where rapid digitalisation of gold investment products has increased reliance on advisory interpretation rather than direct textual engagement.

This is strongly reflected when **Informants 1, 2, 3, 4, and 5** emphasise that management teams possess weak technical understanding of hadith terms, resulting in complete dependence on Syariah advisors:

“The company's management has a weak understanding of the terminology and context of hadith... relying entirely on the Syariah advisors without understanding the underlying reasons (illah) and the objectives (maqasid) of the rulings” This dependence often results in a limited appreciation of the nuances and complexities involved in applying classical Islamic

jurisprudence to contemporary financial instruments, particularly those as intricate as gold investments (Juisin, 2021). This reliance can hinder effective communication and collaboration between technical and Shariah teams, potentially leading to products that are superficially compliant but lack robust Shariah grounding.

#### **4.1.2 Misunderstanding of Key Concepts**

Informants reported confusion regarding the *illah* of ribawi prohibitions, the scope of “spot transaction” requirements, and the boundary between *qabd haqiqi* and *qabd hukmi*. This confusion is particularly pronounced in Malaysia’s digital gold investment platforms, where complex online transaction mechanisms make it harder for industry players to directly apply classical Shariah principles. This confusion creates resistance to Syariah rulings, as reflected in the data:

“Weak understanding of hadith leads to conflicts and reluctance from industry players to accept Shariah decisions.” Such resistance can impede the development and acceptance of genuinely Shariah-compliant financial products, fostering an environment where innovation is stifled by a lack of shared understanding and trust between Shariah scholars and financial practitioners (Sulaiman & Muneeza, 2024; Talang, 2025). This highlights a critical need for enhanced educational initiatives and continuous professional development for industry players to bridge this knowledge gap and cultivate a deeper appreciation for the foundational principles of Islamic finance (Talang, 2025).

#### **4.1.3 Impact on Compliance Practices**

When hadith comprehension is weak, compliance becomes formalistic rather than substantive. Informants confirm that companies follow procedures without internalising textual requirements:

“When management does not understand the context of hadith, Shariah decisions are viewed as a burden. Compliance with the rulings becomes merely formalistic.”

This aligns with scholarly concerns that failing to understand *illah* leads to misapplication of Syariah rules. In the context of Malaysia’s digital gold investment platforms, this weak comprehension often results in products that are formally compliant but may still carry hidden *riba* or *gharar* risks due to improper application of classical principles. This superficial adherence can compromise the integrity of Islamic financial products, as observed in Malaysian Islamic banks where Shariah audit teams face challenges due to resource limitations and knowledge gaps, leading to non-compliance events like improper contracts and inaccurate profit calculations (Aziz et al., 2019). Such issues underscore the critical need for a deeper, more substantive engagement with foundational Islamic texts and principles to move beyond mere textual compliance towards a more robust and principled adherence to Shariah law within the Islamic finance industry (Alaydan, 2016). Consequently, bolstering the Shariah knowledge base among industry practitioners is crucial for fostering authentic economic engagement and preventing the stagnation of financial innovation within the Islamic finance sector (Badeu & Muneeza, 2023; Talang, 2025).

## 4.2 Challenges in Applying Hadith to Digital Gold Transactions

Digitalisation transforms gold from a physical commodity into a digitised asset, creating tension between classical jurisprudence, which emphasises physical possession and immediacy, and digital commerce, which operates on symbolic ownership.

### 4.2.1 The Problem of Qabd in Digital Gold Platforms

#### 4.2.1.1 Lack of True Possession (Qabd Haqiqi)

Informants repeatedly highlighted that platforms treat digital receipts as evidence of possession. However, scholars require physical or enforceable control over the asset. This misconception is particularly critical in Malaysia's digital gold i-Finance sector, where such practices could render products non-compliant with Shariah rulings on qabd, potentially exposing investors to riba or gharar risks.

This industry misconception is noted directly by Shariah advisors:

“The company equates a digital receipt with *qabd haqiqi* (actual possession). This is contrary to the view of the majority of jurists’.”

#### 4.2.1.2 Weak Forms of Qabd Hukmi

Some companies claim that their system fulfils *qabd hukmi* because customers can request delivery. But interviews confirm substantial operational gaps:

“Shariah advisors face difficulties in determining the validity of qabd (possession) and actual ownership in online systems.” These difficulties are compounded by the lack of direct physical control and often opaque custodial arrangements, leading to ambiguity regarding the precise moment of ownership transfer and the legal enforceability of digital claims (AlFzari et al., 2024; Asyiqin, 2025). In Malaysia's digital gold i-Finance platforms, these gaps create practical challenges for ensuring Shariah-compliant ownership verification and heighten the risk of non-compliance in daily transactions. This ambiguity necessitates a re-evaluation of existing Shariah interpretations concerning possession in the digital realm, particularly for assets like gold that historically demand physical control, to ensure true compliance and investor confidence (Shuib et al., 2023). Furthermore, the integration of digital solutions and blockchain management systems can enhance the monitoring functions of Shariah boards, ensuring more effective reviews and audit assessments to confirm Shariah compliance in Islamic banks, regardless of the data volume (Haridan et al., 2023).

#### 4.2.1.3 Discussion

These findings support earlier literature, indicating that most platforms operationalise qabd symbolically rather than substantively, and the AAOIFI conditions for qabd, such as enforceability and immediacy, are often unmet.

## 4.2.2 Riba Risks in Gold Investment Products

### 4.2.2.1 Riba al-Nasi'ah (Delay)

Interview evidence confirms that delayed delivery is common in Malaysian platforms, echoing classical concerns that even slight delays can be categorized as *nasi'ah*.

Delayed serahan is repeatedly highlighted:

“Delayed delivery continues to be a major issue in digital gold platforms.” This practice, which constitutes *riba al-nasi'ah*, arises when the exchange of gold is not executed on a spot basis, violating the Shariah principle of immediate counter-value exchange (Abas et al., 2023). This misalignment with hadith guidance on gold transactions, which emphasises immediate exchange and possession, underscores the importance of grounding digital gold operations in classical textual rulings. Such delays undermine the foundational principle of a spot transaction (*bai' sarf*) required for gold exchanges, thereby exposing these platforms to significant Shariah non-compliance risks (Abas et al., 2023; Risman et al., 2024). This issue is exacerbated in Malaysia, where physical gold investment, digital gold platforms, and Gold Investment Accounts are prevalent, necessitating rigorous Shariah oversight to ensure adherence to immediate exchange requirements across all gold investment modalities (Juisin, 2021). The growing public awareness and increasing adoption of digital gold platforms in Malaysia further amplify the urgency of addressing these *riba* concerns to maintain investor trust and ensure robust Shariah governance within the evolving digital finance landscape (Hamdan et al., 2025; Jusoh & Harun, 2024).

#### **4.2.2.2 Riba al-Fadl (Inequality)**

Findings show several platforms impose charges that may create inequality in gold-for-gold exchanges. Informants emphasise that contractual inequality violates *ribawi* rules. This aligns with hadith guidance, such as the narrations of Ibn 'Umar and Abu Sa'id al-Khudri, which mandate that gold exchanges must be equal and hand-to-hand to avoid unlawful gain. This concern extends beyond direct monetary charges to include hidden fees or indirect benefits that disproportionately favor one party in a gold-for-gold exchange, thereby introducing an element of unlawful increase. Such practices directly contravene the Shariah prohibition against *riba al-fadl*, which mandates equal value in like-kind commodity exchanges, thereby necessitating meticulous scrutiny of all ancillary charges and benefits associated with digital gold transactions (Sudarwanto et al., 2023). These findings further underscore the challenges of ensuring Shariah compliance in the reselling of gold, especially given the differing scholarly opinions on lock-price systems and the broader issues of *gharar* and *riba* in online transactions (Ismail et al., 2021).

#### **4.2.2.3 Discussion**

The findings confirm what classical hadith insist on: any delay or inequality renders the transaction non-compliant. In the Malaysian context, where digital gold platforms are rapidly expanding, this highlights the urgent need for robust operational controls to ensure that transactions adhere to immediate exchange and equality principles. This necessitates a rigorous examination of the underlying contractual structures and operational mechanisms of digital gold platforms to eliminate any potential for *riba*, aligning them with the strictures of Islamic financial ethics (Nabilah et al., 2025).

### **4.3 Issues of Gharar and Ambiguity**

Industry practitioners frequently noted that digital gold introduces uncertainty around existence, location, and allocation of gold. Such ambiguities, commonly referred to as *gharar*, arise from the dematerialized nature of digital gold, making it challenging to ascertain the precise physical backing and integrity of the underlying asset (Busari & Aminu, 2021). This

inherent uncertainty directly contravenes Shariah principles that demand clarity and transparency in transactions, potentially invalidating contracts due to excessive ambiguity (Shuib et al., 2023). In Malaysia, where digital gold trading is increasingly popular, this lack of clarity raises significant compliance concerns for Shariah boards overseeing investment platforms. For instance, the exact quantity and quality of gold reserves backing digital tokens are often not fully disclosed or independently verified, creating a situation of significant informational asymmetry that directly contributes to gharar (Zakir et al., 2023). This lack of transparent disclosure and independent verification poses a substantial challenge to establishing the Shariah compliance of digital gold platforms, as it introduces an unacceptable level of uncertainty regarding the subject matter of the contract (Mokodompis et al., 2024).

#### **4.3.1 Modern Gharar Resulting from Digitalisation**

Informants highlight that customers often purchase gold that does not yet exist in the vault, creating substantial gharar:

“Information asymmetry and hidden charges violate the principle of justice.” This practice not only introduces ambiguity regarding the existence and precise characteristics of the commodity but also creates an unfair transactional environment, necessitating robust regulatory frameworks to ensure ethical conduct and transparency in digital gold transactions (Yazid et al., 2023). In the Malaysian context, where digital gold platforms are rapidly expanding, such practices heighten the responsibility of Shariah boards to enforce strict verification and disclosure standards. Moreover, the digitalization of financial services introduces new forms of gharar beyond traditional understandings, as exemplified by "Buy Now Pay Later" schemes which often feature unclear contracts and ambiguous relationships between parties, posing significant challenges to Shariah compliance in the digital payment landscape (Nabilah et al., 2025; Shuib et al., 2023; Yazid et al., 2023). These digital ambiguities challenge the foundational Islamic finance principles that prohibit both excessive uncertainty (gharar) and exploitative interest (riba), underscoring the urgent need for a comprehensive ethical framework to guide the development of Shariah-compliant digital financial products (Abozaid, 2024; Anggraeni et al., 2025; Jatmiko et al., 2023).

#### **4.3.2 Discussion**

This supports existing scholarship that modern gharar often arises from information asymmetry.

### **4.4 Epistemological Conflicts Between Shariah Advisors and Management**

#### **4.4.1 Conflicts Over Interpretation of Hadith**

Informants described epistemological conflict when management struggles to understand textual restrictions: “There have been instances where industry players were reluctant to accept Shariah rulings because the interpretation of hadith was not understood.”

However, a counterargument emerged from some informants, who posited that management's reluctance often stems not from ignorance but from practical exigencies of digital operations, where overly literal hadith interpretations by advisors may undervalue constructive qabd (qabd hukmi) enabled by modern technology, as reflected in divergent scholarly views on online gold reselling (Ismail et al., 2021). This issue is particularly salient in Malaysia, where digital gold platforms must navigate both rapid technological innovation and stringent Shariah

expectations, creating a complex compliance environment. This tension underscores the need for collaborative *ijtihad* that balances textual fidelity with innovative realities. These epistemological conflicts highlight the broader challenge of integrating traditional Islamic legal principles with the rapid advancements in financial technology, particularly within the Malaysian Islamic banking sector, where Shariah Boards play a crucial role in ensuring compliance and fostering innovation (Hamid et al., 2021; Haridan et al., 2023).

#### **4.4.2 F4.4.2 Formalistic vs. Substantive Compliance**

Management focuses on documentation; Shariah advisors emphasise meaning and substance. Informants reinforce this tension: “Weak foundational understanding of hadith results in legal compliance becoming merely formalistic.” However, a counterargument emerged from some informants, who argued that formalistic compliance ensures regulatory adherence and operational scalability in digital platforms, providing a practical foundation that complements substantive Shariah understanding (Hamid et al., 2021; Haridan et al., 2023). This dynamic is especially evident in Malaysian digital gold platforms, where balancing procedural compliance with deep engagement with hadith is critical to maintain both investor trust and Shariah integrity.

#### **4.4.3 Discussion**

This epistemic gap reduces the effectiveness of Shariah governance.

#### **4.5 Shariah Advisors’ Ijtihad and Limits of Contemporary Interpretation**

Informants confirm that advisors draw from *maqasid*, *qawa’id fiqhiyyah*, *qiyas*, and comparative jurisprudence: “The *istinbāt* process encompasses the definition of *ṣarf*, the conditions of *qabd*, and *qiyās* with the *illah* of *ribā*, yet it does not include an in-depth engagement with the hadith heritage.” However, a counterargument emerged from some informants, who posited that *maqasid*-oriented *ijtihad* and comparative jurisprudence enable flexible adaptation to digital finance innovations without requiring exhaustive hadith analysis in every case, complementing practical Shariah governance in FinTech (Haridan et al., 2023). This approach is particularly applied in Malaysian digital gold platforms, where advisory boards aim to balance traditional textual fidelity with the operational realities of online gold trading.

“*Ijtihād* is carried out through an inductive methodology... and by comparing the fatwas of different *madhhabs*.” However, a counterargument emerged from some informants, who posited that inductive methodologies and comparative jurisprudence across *madhhabs*, oriented toward *maqasid al-shariah*, enable flexible adaptation to FinTech innovations like digital gold without mandating exhaustive hadith analysis in each instance, thereby complementing practical Shariah governance (Haridan et al., 2023).

However, Shariah advisors candidly admit that their hadith analysis is frequently superficial, as the *istinbāt* process often lacks in-depth engagement with the primary hadith heritage of *Al-Kutub al-Tis’ah*, relying instead on *maqasid*, *qiyas*, and comparative jurisprudence (Haridan et al., 2023). This deficiency in primary textual engagement potentially limits the depth and rigor of Shariah rulings in complex digital finance scenarios, particularly where nuanced

interpretations of prophetic traditions are critical for establishing innovative yet compliant financial products (Haridan et al., 2020, 2023).

#### 4.6 Need for Hadith-Based Syariah Guidelines

All informants unanimously called for a standardised guideline:

“ Guidelines must be anchored in the hadiths on *ṣarf*, *qabd*, and *ribā* that are referenced from *al-Tis'ah*.” Such a framework would enhance the consistency and legitimacy of Shariah pronouncements, particularly in navigating the complexities introduced by digital financial innovations and artificial intelligence in Islamic finance (Omar & Saad, 2024; Shalhoob, 2025). In the Malaysian context, this approach could provide clear operational guidance for digital gold platforms, ensuring that their products adhere to Shariah principles while embracing technological efficiency. This standardization is crucial for developing robust frameworks that ensure alignment with Shariah guidelines in the digital age, particularly as AI integration becomes more prevalent (Mbaidin et al., 2023; Omar & Saad, 2024).

“ Mandatory training in hadith and *fiqh al-mu'amalat* is essential... not merely a cosmetic exercise in law.” This emphasis underscores the necessity for Shariah advisors to possess a profound understanding of foundational Islamic texts, enabling them to address the intricacies of modern financial products and technologies effectively (Sati et al., 2025).

These findings demonstrate clear industry demand for scripturally grounded governance. The integration of artificial intelligence in Islamic finance further necessitates a robust Shariah governance framework, ensuring AI applications adhere to Islamic principles from data acquisition to deployment and monitoring (Zafar & Ali, 2025). Such a framework aims to mitigate risks associated with impermissible practices by integrating classical *fiqh*, *maqāṣid al-Sharī'ah*, and contemporary AI governance literature (Zafar & Ali, 2025). This comprehensive approach ensures that AI systems not only comply with ethical standards but also align with the overarching objectives of Islamic law (Zafar & Ali, 2025).

#### 4.7 Synthesis of Findings

Three integrative conclusions emerge:

1. **The primary Syariah issue is epistemological** – limited understanding of hadith reduces compliance to superficial levels. This intellectual gap necessitates a re-evaluation of current interpretive methodologies to foster a more profound engagement with primary Islamic texts.
2. **Digital gold models frequently contradict explicit hadith conditions** on immediacy, equality, and possession. This underscores a critical gap in contemporary Islamic finance, where technological advancements, such as those seen in FinTech and AI, are outpacing the development of rigorously grounded Shariah interpretations necessary for ensuring substantive compliance rather than mere formalism (Sari, 2025; Zafar & Ali, 2025). In Malaysia, this gap is particularly salient given the rapid adoption of digital gold platforms, which often struggle to reconcile operational practices with classical hadith requirements.
3. **A structured hadith-based guideline is urgently required** to bridge textual rulings with technological realities. This framework is essential for leveraging AI in Islamic

finance to enhance transparency, ethical governance, and financial inclusion, ultimately fostering stakeholder trust and meeting socio-economic objectives (Shalhoob, 2025).

These findings form the foundation for the subsequent conclusion and recommendations. The integration of AI, while offering opportunities for enhanced efficiency and transparency, presents unique challenges in maintaining Shariah compliance, necessitating robust dual governance mechanisms and structured Shariah datasets (Sari, 2025; Shalhoob, 2025; Zafar & Ali, 2025).

## **Conclusion, Implications and Future Research**

### **5.1 Conclusion**

This study examined how hadith principles within Al-Kutub al-Tis'ah are understood and applied by players in Malaysia's gold investment industry, particularly regarding modern digital gold products. The findings reveal a substantial and persistent gap between classical textual requirements and contemporary industry practices (Haridan et al., 2020, 2023). Although industry actors recognize that gold is a ribawi item subject to strict rules in exchange transactions, their knowledge tends to remain superficial, fragmented, and heavily reliant on secondary sources and Shariah advisors. This limited understanding contributes to compliance risks in digital gold platforms, where operational practices frequently deviate from hadith-based requirements on possession, equality, and immediacy.

The central themes that emerged include misunderstanding of qabd, risks of riba al-faḍl and riba al-nasi'ah, presence of gharar, epistemological conflict between Shariah advisors and management, and absence of unified guidance, highlighting that the fundamental challenges are not merely operational but epistemological and methodological. Digitalisation has reshaped the way gold is stored, transacted, and recorded (Hamid et al., 2021), yet the classical requirements established through hadith, such as immediacy, equality, and certainty of ownership, remain unaltered. When industry players lack a deep understanding of these principles, compliance becomes procedural rather than substantive. This gap is particularly critical in Malaysia's digital gold platforms, where deviations from hadith-based rules risk undermining the credibility and legitimacy of Shariah-compliant investment products.

The study concludes that strengthening hadith literacy among industry actors and developing a hadith-grounded guideline for gold investment products are critical steps toward ensuring the integrity of Shariah compliance (Sati et al., 2025; Shalhoob, 2025). These improvements would bridge the gap between classical jurisprudence and modern financial realities, enabling innovation while safeguarding textual fidelity.

### **5.2 Theoretical Implications**

#### **5.2.1 Contribution to Islamic Finance Scholarship**

The study enriches Islamic finance literature by demonstrating how hadith-based rulings can be systematically integrated into modern financial analysis. Prior literature tends to focus on fiqh principles and contemporary fatwas without deeply engaging with primary hadith sources.

By contrast, this study emphasises the textual foundations (matn, isnad, and illah) and their relevance to digital transactions. This deep dive into textual foundations offers a more rigorous and transparent approach to Shariah compliance in the rapidly evolving landscape of digital financial products, including digital gold and other emerging assets (Shamsuddin et al., 2024). In the Malaysian context, this approach provides actionable insights for digital gold platforms to align operational practices with hadith-based principles, mitigating risks of riba, gharar, and procedural formalism.

It also reintroduces a critical hermeneutic layer into Islamic finance studies, positioning hadith as not merely a historical reference but as an operative legal source requiring contextualised reinterpretation (fiqh al-waqi'). The study thus encourages Islamic finance scholars to revisit classical sources more directly when evaluating fintech products, especially those involving ribawi items. This rigorous approach ensures that innovative digital asset classes, such as cryptocurrencies, are assessed against foundational Shariah principles, thereby fostering trust and legitimacy within the Islamic financial ecosystem (Benali et al., 2025).

### 5.2.2 Advancing the Discourse on Qabd in Digital Assets

An important theoretical contribution lies in clarifying the boundaries of *qabd haqiqi* and *qabd hukmi* in the digital environment. Findings indicate that many industry practices labelled "qabd hukmi" do not fulfil its classical definition. This calls for a renewed theoretical framework for *qabd* that integrates:

- asset verifiability,
- enforceable control,
- instantaneous transferability, and
- actual physical backing.

Such a framework will advance jurisprudential discourse in fintech-based muamalat. This re-evaluation is crucial for establishing clearer guidelines for digital asset transactions, such as those involving cryptocurrencies, to ensure alignment with Shari'ah principles and prevent potential instances of gharar or riba as well as Shariah-compliant gold investment platforms, which must ensure ownership and delivery rules align with Hadith guidance to avoid riba or gharar (Naz, 2024).

## 5.3 Practical Implications

### 5.3.1 Implications for Shariah Governance

The study highlights the need for:

- strengthening the role of Shariah advisors in product development,
- enhancing communication between advisors and management,
- ensuring that Shariah review processes are not reduced to documentation audits, and
- increasing substantive evaluation of operational procedures.

This is crucial because superficial compliance undermines both consumer trust and the religious legitimacy of Islamic financial products. Furthermore, upgrading the internal governance mechanisms of Islamic banks, particularly the Shariah board, with new skills and knowledge regarding FinTech systems and applications is vital to effectively address the complexities of digital financial innovations (Haridan et al., 2020, 2023). In particular, advisors must be

equipped to assess gold investment products against Hadith standards, ensuring that trading mechanisms avoid excessive uncertainty (gharar) or interest-based returns (riba).

### 5.3.2 Implications for Regulators

Regulatory bodies such as the Malaysian Shariah Advisory Council (SAC), Securities Commission, and Bank Negara Malaysia may consider:

- issuing a national Shariah standard for digital gold products,
- mandating transparent audit procedures for vault holdings and physical backing,
- strengthening requirements for real-time *qabd*, and
- standardising definitions of key terms like *allocated gold*, *ownership*, and *delivery*.

A unified standard would reduce ambiguity and inconsistencies across platforms, ensuring a more robust and credible ecosystem. Explicitly codifying rules based on Hadith regarding gold transactions can guide regulators in distinguishing legitimate trade from riba-based schemes or contracts laden with gharar. Such regulatory enhancements are vital for promoting the development of Islamic digital banks in Malaysia and beyond, enabling structured interventions to overcome existing hurdles in the sector (Sulaiman & Muneeza, 2024). Special attention to the Hadith-based principles in gold trading ensures products are both religiously valid and competitive, mitigating risks of gharar and riba in innovative investment models.

### 5.3.3 Implications for Industry Practitioners

Companies must prioritise:

- training programmes on fiqh al-hadith and fiqh muamalat,
- improving transparency regarding gold location, inventory, and delivery processes,
- aligning business models with classical requirements of ribawi transactions, and
- adopting technology that enables instantaneous ownership transfer. Such training should also emphasise the Hadith-based principles governing gold trade to ensure products are free from riba and excessive uncertainty (gharar). These measures would not only enhance compliance but also bolster consumer confidence, attracting a wider base of ethically-minded investors to Shariah-compliant digital financial products (Jusoh & Harun, 2024).

These steps would not only ensure Syariah compliance but also enhance competitiveness and investor confidence. Further, embracing blockchain technology can significantly enhance the transparency of transactions, thereby building greater trust among consumers and stakeholders (Sari, 2025). By integrating robust Shariah governance and innovative technological solutions, industry practitioners can mitigate regulatory ambiguities and foster consistent Shariah compliance practices across all Islamic financial institutions (Haridan et al., 2023; Rahmatika et al., 2024).

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