Tasharruf: Journal Economics and Business of Islam Vol. 11, No. 1 (2026): 60-77
Website: http://journal.iain-manado.ac.id/index.php/TJEBI/index
ISSN 2528-0325 (online) ISSN 2528-0317 (print)

PERFORMANCE AND SHARIA ASSESSMENT OF ISLAMIC COIN (ISLM): EVIDENCE FROM FORECASTING, RISK-ADJUSTED RETURNS AND REGULATORY ANALYSIS

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ABSTRACT

The growth of Sharia-compliant crypto assets has prompted the need for an empirical study on the feasibility of Islamic Coin (ISLM) as a Sharia-compliant investment instrument. This study aims to analyze the performance of Islamic Coin (ISLM) as a Sharia-compliant investment asset through risk-adjusted return measurements, volatility forecasting, and a normative review of Sharia compliance and regulations. The study employed a mixed methods approach with a sequential explanatory design. The quantitative analysis utilized daily time series data for the period December 2023–October 2025 using the Sharpe index, independent t-test, and the Autoregressive Integrated Moving Average (ARIMA) model. The qualitative analysis employed a normative-juridical approach based on fatwas, maqasid al-shariah, and the Sharia governance framework. The results show that Islamic Coin (ISLM) has the highest Sharpe value compared to Sharia-compliant stocks and gold, indicating a potentially better return relative to risk. However, statistical difference tests showed no significant difference between the three instruments, so ISLM's superiority is relative and not supported inferentially. The ARIMA (7,1,0) model produced a good level of forecasting accuracy with a MAPE value of 3.06%, although high volatility indicates persistent speculative risk. From a normative perspective, Islamic Coin (ISLM) has the potential to conditionally comply with Sharia principles as long as it meets the transparency, underlying asset, and adequate Sharia governance aspects. This study concludes that Islamic Coin (ISLM) is more appropriately positioned as a complementary instrument (satellite asset) in a Sharia portfolio rather than as a superior investment asset, with its suitability determined by risk management and the integrity of Sharia governance.

Keywords: Islamic-Crypto; ARIMA; Sharpe Index; Gold; Shariah Stocks.

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ABSTRAK

Pertumbuhan aset kripto berbasis syariah mendorong kebutuhan kajian empiris mengenai kelayakan Islamic Coin (ISLM) sebagai instrumen investasi yang sesuai prinsip syariah. Penelitian ini bertujuan menganalisis kinerja Islamic Coin (ISLM) sebagai aset investasi syariah melalui pengukuran risk-adjusted return, peramalan volatilitas, serta kajian normatif terhadap kepatuhan syariah dan regulasinya. Penelitian menggunakan pendekatan mixed methods dengan desain sequential explanatory. Analisis kuantitatif menggunakan data time series harian periode Desember 2023–Oktober 2025 melalui pengukuran indeks Sharpe, uji beda rata-rata (independent t-test), dan model Autoregressive Integrated Moving Average (ARIMA). Adapun analisis kualitatif menggunakan pendekatan normatif-yuridis berbasis fatwa, maqashid al-shariah, dan kerangka sharia governance. Hasil penelitian menunjukkan Islamic Coin (ISLM) memiliki nilai Sharpe tertinggi dibanding saham syariah dan emas, yang mengindikasikan potensi return relatif terhadap risiko yang lebih baik. Namun demikian, uji beda statistik menunjukkan tidak terdapat perbedaan signifikan antar ketiga instrumen, sehingga keunggulan ISLM bersifat relatif dan tidak didukung secara inferensial. Model ARIMA (7,1,0) menghasilkan tingkat akurasi peramalan yang baik dengan nilai MAPE sebesar 3,06%, meskipun volatilitas tinggi menunjukkan risiko spekulatif yang tetap kuat. Dari sisi normatif, Islamic Coin (ISLM) berpotensi memenuhi prinsip syariah secara kondisional sepanjang memenuhi aspek transparansi, underlying asset, serta tata kelola syariah yang memadai. Penelitian ini menyimpulkan bahwa Islamic Coin (ISLM) lebih tepat diposisikan sebagai instrumen pelengkap (satellite asset) dalam portofolio syariah daripada sebagai aset investasi superior, dengan kelayakannya ditentukan oleh manajemen risiko dan integritas tata kelola Syariah.

Kata Kunci: Islamic-Crypto; ARIMA; Indeks Sharpe; Emas; Saham Syariah.

INTRODUCTION

The ongoing controversy surrounding the halal status of crypto has prompted various countries to adopt different stances in response to the development of these digital assets. The following countries have decided to ban the use of digital currencies: Egypt, Iran, and Turkey. However, several countries have officially permitted crypto, including Malaysia, the UAE (United Arab Emirates), Saudi Arabia, and Qatar. The National Sharia Council decrees in these countries explicitly permit the use of cryptocurrencies in a decentralized manner, free from government interference or regulation, as they adhere to the principles and values of the common good in the economy. Based on the spirit of halalness, which aligns with the values of goodness based on Islamic economics, a group of crypto activists subsequently introduced a new variant of crypto assets that prioritizes compliance with Sharia principles, called the Islamic Coin ISLM. Thus, ISLM becomes an alternative for individuals or groups wishing to transact crypto assets while maintaining compliance with ethical values and Islamic law. As a digital asset based on Islamic law, *Islamic-Coin* ISLM is designed to provide added value to the community, especially Muslims worldwide, by adhering to the principles of interest-free, usury-free, and being categorized as a halal cryptocurrency instrument.

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Blockchain , known as the HAQQ *blockchain* , was officially released in May 2022 and only traded on crypto exchanges in late 2023, when public sentiment responded positively, resulting in a 67% growth (Investing.com, 2025) . However, the following session saw a *bearish trend* in mid-2024, with a drop of around 30%. The following session, the public began to perceive optimistic signals from the ISLM coin, which experienced a bullish movement following the market *trend* , countering Bitcoin and Ethereum, which had long been outstanding (Figure 1).

Figure 1. Growth Chart of Islamic-coin, *Bitcoin* and Ethereum 2024-2025

Source: Coingecko.com (2025)

A comparison of the growth of these three crypto assets provides an initial overview of the increasingly complex dynamics of the digital market and demonstrates how *Islamic Coin* (ISLM) is beginning to form its own movement pattern amidst the dominance of major crypto assets like Bitcoin and Ethereum. A comparative study of digital assets with several other financial instruments was conducted by Barry & Bakar. They calculated the performance of Bitcoin and Ethereum using the Sharpe measurement formula for Islamic stocks, gold, and mutual funds, with common cryptocurrencies (Bitcoin and Ethereum). They proved that digital financial assets (Bitcoin and Ethereum) outperformed the returns of Islamic stocks, gold, and mutual funds (Barry & Bakar, 2024) . Meanwhile, studies on the volatility of Islamic Crypto (Islamic Coin/ISLM) are still very limited, particularly using systematic technical and time series analysis. Islamic crypto offers an alternative, but academic studies examining its suitability and stability as a halal investment instrument are still minimal. Therefore, empirical research examining the value proposition of Islamic Crypto within the framework of *maqash al- shariah*

compared to non-Sharia crypto assets is still rare. While many previous studies have stated that gold is *a safe haven* with Bitcoin/Ethereum (Ghazali et al., 2013; Salisu et al., 2020); Not many have systematically tested Islamic Crypto compared to gold metal investments.

The use of time series models is relevant for cryptocurrency data because its characteristics are characterized by high volatility, erratic price spikes, and a tendency towards heteroscedasticity, thus requiring a forecasting model capable of capturing these dynamics (Damodar N. Gujarati, 2013). Previous research has shown that cryptocurrency volatility is generally much higher than that of fiat currencies, with even the most stable crypto assets experiencing multiple volatility compared to the most volatile fiat currencies (Naimy, V., Haddad, O., Fernández-Avilés, G., & El Khoury, 2021). Based on these characteristics, the Autoregressive Integrated Moving Average (ARIMA) model is deemed relevant for use in modeling the price dynamics of Islamic Coin (ISLM). Therefore, the urgency of this research lies not only in examining financial performance but also in the need to test the consistency between claims of Sharia compliance and economic behavior. However, previous studies still reveal several important gaps. First, there is an object gap, where most previous studies have focused on Bitcoin, Ethereum, or general cryptocurrencies as objects of analysis for safe havens, portfolio diversification, and risk-return tradeoffs. Meanwhile, Islamic Coin (ISLM), as a representative of Sharia-compliant crypto, has received very limited empirical research. This is despite the conceptual and institutional characteristics of ISLM differing from conventional crypto assets. Second, there is a method gap, where previous research has generally limited itself to comparing investment performance using the Sharpe ratio or volatility analysis, but rarely integrates time series forecasting models such as ARIMA with Sharia-compliant assessments within a single analytical framework.

As a result, previous studies have tended to separate econometric evaluations from normative assessments, thus failing to provide a comprehensive understanding of the suitability of Islamic crypto as a Sharia-compliant investment asset. Third, there is a context gap: limited research connecting econometric evidence with Islamic regulatory governance, particularly in the context of integrating fatwas, maqasid al-shariah, and the positive regulatory framework for digital assets. Yet, the link between market performance and regulatory legitimacy is a central aspect in the development of digital innovation-based Islamic financial instruments. Building on this gap, this study offers a novel approach by integrating risk-adjusted return-based performance

analysis, ARIMA forecasting modeling, and normative-regulatory assessment within a single analytical framework. This study contributes by integrating risk-adjusted performance analysis, ARIMA forecasting, and normative Shariah-regulatory assessment within a single analytical framework. This integration provides both theoretical and methodological contributions, as it allows the evaluation of Islamic coins not only in terms of return and volatility, but also in terms of Shariah legitimacy and policy implications.

Theoretically, this research contributes to broadening the discourse on Islamic digital finance, particularly in the evaluation of Islamic digital assets from an economic and governance perspective. Practically, the research findings are expected to provide input for investors in forming sharia portfolios, while also being considered by regulators in formulating a sharia-compliant digital asset oversight framework. Based on these arguments, this study aims to: (1) analyze the performance of Islamic Coin (ISLM) compared to sharia-compliant stocks and gold based on risk-adjusted returns; (2) test the volatility dynamics and price forecasting accuracy of ISLM using the ARIMA model; and (3) evaluate the feasibility of ISLM as a sharia-compliant investment instrument through normative and regulatory assessments.

RESEARCH METHOD

This study uses a mixed methods approach with a sequential explanatory design, integrating quantitative and qualitative analysis in stages to obtain a comprehensive evaluation of the feasibility of Islamic Coin (ISLM) as a sharia-compliant investment instrument. This approach was chosen because the research problem not only requires examining economic performance and price dynamics but also requires a normative assessment of sharia compliance and regulatory legitimacy. Thus, this study positions econometric evidence and normative argumentation as two complementary, rather than separate, dimensions of analysis.

Data Collection and Sources: This study utilizes several data sources, including daily Islamic Crypto (ISLM) price data, the global Islamic stock index (DJIM), global gold prices, and sukuk (TSBI) yields. All data was collected from credible online financial sources and will be processed for return analysis and time series forecasting using the ARIMA method. Before analysis, the data will be cleaned and quality tested (stationarity and normality tests) to ensure reliable estimation and forecasting results. The results of this analysis are expected to provide an

empirical picture of the return dynamics and risk levels of relevant assets in the context of Islamic Crypto and its benchmark instruments.

Table 1. Research Data Sources

Data Type	Source	Objective
Quantitative data	Daily crypto islmic ISLM Price data is sourced from www.coinmarket.com Global Islamic index (DJIM) data souced form www.investing.com Saudi Arabian sukuk (TSBI) yield data is sourced from: https://www.investing.com/indices/sukuk---bonds-historical-data	Return analysis & forecasting (ARIMA)
Quantitative data	Ijtima'Ulema, AAOIFI, IFSB, fuqaha studied, scientific articles	Analysis of halal & sharia governance

Source: Compiled by the authors based on data retrieved CoinMarketCap, Investing.com, AAOIFI, IFSB and Ijtima Ulama document (2023-2025)

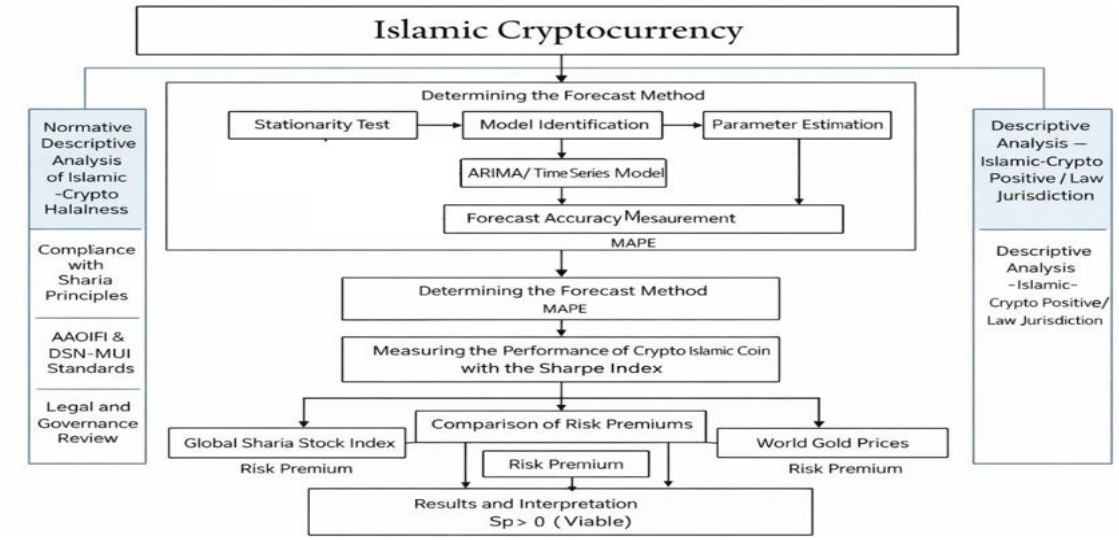
a) Research Population and Sample

The population in this study is all daily price data for Islamic crypto ISLM from 2023 to 2025, documented sequentially (time series). This study used a time-based sampling technique, selecting samples based on a specific time period deemed representative of market conditions during the study period, namely from the launch of ISLM crypto on December 5, 2023, to the data processing period of this study, October 3, 2025. This technique is used in time series research because all data within the specified time period is considered a relevant sample and does not require random sampling.

b) Data Analysis Technique

To clarify the relationship between the quantitative analysis and normative assessment stages in this study, the research analytical framework is visualized in Figure 2. This framework shows that the evaluation of Islamic Coin (ISLM) relies not only on econometric testing through ARIMA forecasting, risk-adjusted return measurements, and risk premium comparisons, but is also integrated with Sharia compliance assessments and a positive regulatory framework. Thus, this figure represents the synthesis flow between economic feasibility and conditional Sharia feasibility as the conceptual basis of the research.

Figure 2. Integrated Analytical Framework for Economic Performance and Conditional Shariah Feasibility Assessment



Sources: Developed by the authors based on econometric and Shariah governance literature

The research conceptual framework in Figure 2 illustrates the integration of econometric analysis and Sharia normative assessment into a single, integrated evaluation framework. In the quantitative dimension, the research begins with modeling the price dynamics of Islamic Coins through the stages of stationarity testing, model identification, parameter estimation, and forecast accuracy evaluation using the ARIMA approach. The forecast results are then linked to investment performance measurements using the Sharpe index and a comparison of risk premiums for global Sharia stocks and gold. In the qualitative dimension, this framework incorporates a normative assessment based on Sharia compliance principles, AAOIFI standards, DSN-MUI fatwas, and a review of positive legal jurisdictions as a basis for evaluating the Sharia legitimacy of Islamic Coins. Thus, this figure emphasizes that the research does not position econometric analysis and normative assessment as separate approaches, but rather as a synthetic basis for assessing the economic feasibility and conditional Sharia feasibility of Islamic Coins. The first stage is a quantitative analysis aimed at evaluating the investment performance and volatility dynamics of Islamic Coin (ISLM).

The first stage is a quantitative analysis aimed at evaluating the investment performance and volatility dynamics of Islamic Coin (ISLM). The data used are daily time series data on the price of Islamic Coin (ISLM), the global Islamic stock index (Dow Jones Islamic Market), global

gold prices, and global sukuk yields as the risk-free rate, with an observation period from December 5, 2023, to October 3, 2025. This period was selected using a time-based sampling approach, as all observations within the research period are treated as a sample representing the dynamics of the digital asset market since ISLM began trading.

The quantitative analysis is conducted in three main stages. First, investment performance is measured using the Sharpe Ratio to assess risk-adjusted returns and compare the relative position of Islamic Coin against Islamic stocks and gold. The Sharpe index was chosen because it captures the trade-off between return and risk and is relevant for evaluating instrument efficiency from a portfolio perspective.

Second, to test whether performance differences between instruments are statistical or merely descriptively indicative, an independent means comparison test (independent t-test) is used. This test aims to provide inferential validation of the Sharpe measurement results so that interpretations of outperform or underperform are not based solely on average values.

Third, the study uses an Autoregressive Integrated Moving Average (ARIMA) model to analyze volatility dynamics and predict Islamic Coin price movements. ARIMA was chosen based on the characteristics of cryptocurrency data, which tends to exhibit non-stationary patterns, high volatility, and a tendency toward a random walk. Before model estimation, stationarity testing was performed using Augmented Dickey-Fuller (ADF), model order identification using ACF-PACF, and model accuracy evaluation using RMSE, MAE, and MAPE indicators. This series of procedures was used not solely for technical purposes, but to ensure the obtained model has adequate predictive validity in explaining Islamic Coin price behavior.

The second stage is a qualitative analysis using a normative-juridical approach aimed at evaluating Islamic Coin's compliance with Sharia principles and a positive regulatory framework. This analysis utilizes data sources including the 2021 Ijtima Ulama fatwa, AAOIFI standards, the Islamic Financial Services Board (IFSB) framework, and fiqh muamalah literature related to *maal (maqasid al-shariah*), *maqasid al-shariah*, and sharia governance. The analysis utilizes content analysis and a conceptual approach to assess whether Islamic Coins meet the characteristics of transparency, underlying assets, avoidance of *gharar*, *maysir* (risk of gambling), and sharia governance principles.

The integration of these two approaches occurs during the results synthesis stage, where quantitative findings are used to assess economic feasibility, while normative findings are used

to evaluate sharia legitimacy. Through this synthesis, the study not only examines whether Islamic Coins have competitive investment performance but also whether that performance is supported by sharia compliance principles and adequate governance. Within this framework, the interplay between econometric evidence and normative arguments forms the primary basis for assessing the suitability of Islamic Coins as sharia investment instruments.

This study also considers potential biases arising from extreme volatility and exogenous shocks common in the crypto market. Therefore, the results of the forecasting and performance measurement models are interpreted carefully by placing speculative risks, liquidity constraints, and regulatory dynamics as part of the analytical context.

RESULT AND DISCUSSION

RESULT

a. Volatility and Forecasting Dynamics of ISLM

Estimates show that Islamic Coin (ISLM) exhibits high volatility, a common feature of emerging digital assets, characterized by extreme return fluctuations and a leptokurtic distribution. These findings confirm that ISLM's price behavior is not stable but is influenced by speculative sentiment, limited market depth, and sensitivity to external shocks. In this context, the stationarity test results, which show integrated data at order I(1), indicate that ISLM's price movement follows a random walk pattern, making the use of an ARIMA model relevant for capturing short-term dynamics.

Table 2. Augmented Dickey Test result

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-25.46597	0.0000
Test critical values:	1% level	-3.439896	
	5% level	-2.865643	
	10% level	-2.569012	

Source: Author’s calculation based on data processed using Eviews 10 (2025)

ARIMA (7,1,0) modeling yielded a fairly good level of forecasting accuracy with a MAPE value of 3.06 percent. This finding indicates the model is able to adequately explain short-term mean price dynamics, although the Theil U2 value, which is close to one, indicates

that the model's predictive ability has not substantially exceeded that of the naive model (random walk benchmark).

This condition is important to interpret critically, because good statistical accuracy does not necessarily indicate fundamental asset stability, but rather reflects the model's ability to capture short-term historical patterns.

Table 3. ARIMA (7,1,0) Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000162	0.000159	-1.014598	0.3107
AR(7)	-0.178952	0.018991	-9.423066	0.0000
SIGMASQ	1.57E-05	2.67E-07	58.70851	0.0000
Equation Model : $Yt=-0.000162-0.178952yt-7+\varepsilon t$				**$Var(\varepsilon_t) = 1.57 \times 10^{-5}$**

Source: Author's calculation based on data processed using Eviews 10 (2025)

Table 4. Several Model Valuation Indicators

Indicator	Value
RMSE	0.003758
MAE	0.001793
MAPE (Symmetric)	3.06%
Theil U2	1.001069
Bias proportion	0.000012
Variance proportion	0.001744
Covariance proportion	0.998235

Source: Author's calculation based on data processed using Eviews 10 (2025)

From an investment perspective, these results indicate that Islamic Coin (ISLM) has limited predictive potential for short-term tactical decisions, but is not yet robust enough to be used as the basis for long-term strategic projections without considering other exogenous factors, such as regulatory changes, market adoption, and global crypto industry sentiment. Therefore, the primary contribution of these results is not the claim of superiority of the predictive model, but rather evidence that ISLM's price behavior exhibits volatile dynamics that are still speculative and require caution in interpreting its investment viability.

b. High Return–High Volatility Paradox

Empirical findings show that Islamic Coin (ISLM) has the highest Sharpe value compared to Islamic stocks and gold, which descriptively indicates the potential for higher

risk-adjusted returns. However, these results raise an academically important paradox: high performance coincides with extreme volatility. In other words, relatively high returns do not reflect stable investment efficiency, but may be a consequence of the inherent speculative nature of crypto assets.

This high return–high volatility paradox is reinforced by the results of a difference test, which found no significant difference between ISLM, Islamic stocks, and gold. This means that ISLM's superiority in the Sharpe measure is more accurately understood as a relative advantage within the research sample, rather than robust evidence that ISLM is an inferentially outperforming instrument. This finding actually challenges the common assumption that high returns automatically indicate a superior asset.

Table 5. Performance of Financial Instruments With Sharpe Measurement

Alternative	N	Min	Max	Mean	Std. Deviation
Crypto ISLM	480	-52.367	122.53	0.82143	0.9745
Sharia Stocks	480	-33.0667	50.133	-0.0833	1.0533
Gold	480	-7.8922	6.936	0.2713	1.0156

Source: Author's calculation based on data processed using Eviews 10 (2025)

From a portfolio theory perspective, this situation positions Islamic Coin more appropriately as a satellite asset than a core asset. As a satellite asset, ISLM has the potential to increase portfolio upside returns, but its proportion should be limited and combined with defensive assets such as gold to mitigate drawdown risk. This implication strengthens the argument that the viability of Islamic Coin as an investment instrument is determined not only by returns but by the balance between potential profits, volatility, and portfolio diversification.

This finding also contributes to the Islamic cryptocurrency literature by demonstrating that the narrative that "Islamic crypto outperforms conventional assets" is not always supported by inferential evidence. Instead, the research results point to a more moderate understanding: Islamic Coin has the potential to be attractive as an investment alternative, but cannot yet be positioned as a superior instrument compared to Islamic stocks or gold.

c. Conditional Shariah Feasibility of Islamic Coins

Beyond economic performance, the feasibility of Islamic Coin (ISLM) cannot be reduced to a binary classification of halal or haram, but is more appropriately understood as conditional. This study argues that the legitimacy of Islamic crypto as a Sharia-compliant on the extent to which its economic structure, governance mechanism, and market behavior remain consistent with core Sharia principles. This proposition becomes particularly relevant when juxtaposed with the empirical finding that ISLM exhibits relatively strong risk-adjusted return while simultaneously displaying substantial volatility. In this context, speculative instability itself becomes part of the Shariah question, because excessive uncertainty may challenge the principles of produnce and fairness in muamalah.

From a regulatory perspective, the legal position of crypto assets in Indonesia provides a necessary, but not sufficient, basis for Sharia legitimacy. The recognition of crypto assets as tradable digital commodities under BAPPEBTI Regulation No. 5 of 2019 and the transition of supervisory authority to the Financial Services Authority under Law No.4 of 2023 strengthen institutional legitimacy and investor protection (Soerjadi & Kusmiadi, 2024). However, positive legal recognition does not automatically imply Sharia permissibility. Rather, regulation functions as an enabling governance infrastructure through which Sharia compliance can be monitored, audited, and enforced.

Within Islamic legal reasoning, this study finds that the permissibility of Islamic crypto is contingent upon several substantive conditions repeatedly emphasized in both fatwa discourse and contemporary literature. First, the existence of a clear and halal underlying asset is central to reducing gharar and ensuring value legitimacy (Abadi et al., 2023; Ananda & Irsan, 2025). Second, transparent and equitable token distribution reflects the Islamic principles of justice and risk-sharing, distinguishing compliant structures from speculative transfer mechanisms (Iqbal & Mirakhor, 2011). **Third,** incentive mechanisms embedded in staking or validation should avoid resembling fixed-interest returns and instead align with productive participation structures analogous to ju‘ālah or mudarabah (Wartoyo & Haerisma, 2022). **Fourth**, Shariah governance itself, including oversight through advisory boards and smart contract auditing, is critical in ensuring that compliance is operational rather than merely declarative (AAOIFI, 2021). These criteria suggest that Sharia feasibility in digital assets should be treated not as a static legal status, but as a graded evaluative

condition. Based on this synthesis, the study advances the concept of conditional Shariah feasibility, namely the proposition that Islamic crypto may qualify as a Sharia investment instrument only under bounded conditions of governance integrity, transparency, underlying asset legitimacy, and controlled speculative exposure. This conceptualization departs from absolutist permissibility claims by recognizing that Sharia legitimacy is partly endogenous to how the asset behaves economically and institutionally.

The significance of this concept lies in its ability to bridge econometric evidence with normative reasoning. Rather than treating legal compliance and market performance as separate domains, conditional Shariah feasibility positions them as mutually interacting dimensions in assessing Islamic digital assets. In this sense, the concept contributes not only to Islamic finance literature but also to emerging debates on Sharia governance in digital markets, particularly where innovation evolves faster than jurisprudential consensus (Hamzani & Wildan, 2023).

DISCUSSION

1. Forecasting and Volatility Dynamics of Islamic Coin (ISLM)

The empirical analysis demonstrates that Islamic Coin (ISLM) exhibits pronounced volatility, a trait commonly observed among nascent digital assets. Statistical evaluation through the Augmented Dickey-Fuller test confirms the series is integrated at order I(1), implying that ISLM prices follow a stochastic *random walk* process. Such characteristics suggest that the short-term price dynamics of ISLM are predominantly driven by market sentiment, speculative activity, and external shocks, rather than underlying economic fundamentals. Applying the ARIMA (7,1,0) model to daily price data from December 2023 to October 2025 yields a Mean Absolute Percentage Error (MAPE) of 3.06%, indicating that the model captures historical patterns effectively. Nevertheless, the Theil U2 statistic, approaching unity, indicates that the predictive power does not substantially surpass that of a naïve benchmark, reinforcing the notion that statistical accuracy does not equate to fundamental stability. The model successfully depicts short-term tendencies and autocorrelation structures, particularly the influence of price movements seven days prior. Despite this, the high volatility inherent to ISLM necessitates a cautious interpretation; while ARIMA can guide tactical trading decisions, it should not be relied upon for long-term

strategic investment planning without consideration of exogenous factors such as regulatory shifts, market adoption rates, and global cryptocurrency sentiment. In essence, the forecasting analysis underscores that ISLM's price trajectory is susceptible to abrupt fluctuations, reflecting both its emergent status and the speculative behavior that characterizes the Islamic digital asset market.

2. Risk-Adjusted Returns and Portfolio Implications

The performance assessment using the Sharpe ratio reveals that ISLM achieves the highest risk-adjusted return among the evaluated instruments, outperforming both Sharia-compliant equities and gold in descriptive terms. This ostensibly positions ISLM as a promising investment vehicle in terms of maximizing returns relative to risk exposure. However, rigorous statistical tests indicate that the differences between ISLM, Sharia stocks, and gold are not statistically significant, implying that ISLM's perceived superiority is relative rather than inferentially robust. This phenomenon embodies the high return–high volatility paradox: while investors may observe substantial returns, these gains are accompanied by considerable price fluctuations, challenging the notion of stable investment efficiency. From a portfolio theory perspective, such a profile suggests that ISLM is optimally positioned as a satellite asset rather than a core holding. Its inclusion can enhance the upside potential of a diversified Sharia-compliant portfolio but must be balanced with defensive instruments, such as gold, to mitigate drawdown risk. This insight is critical for investors seeking to integrate Islamic cryptocurrencies into conventional or Sharia-compliant portfolios. Moreover, the findings contribute to the broader discourse on Islamic digital assets by highlighting that elevated returns do not necessarily signify superior financial efficiency. Instead, the results advocate a measured approach: ISLM offers an alternative avenue for portfolio diversification and incremental gains but cannot be considered inherently superior to established Sharia-compliant assets without factoring in volatility and risk-adjusted performance metrics

3. Conditional Shariah Feasibility and Regulatory Analysis

The normative assessment reveals that ISLM's compliance with Sharia principles is inherently conditional rather than absolute. Unlike conventional binary classifications of permissibility, Islamic cryptocurrencies must be evaluated against structural, governance, and behavioral criteria. Regulatory recognition under BAPPEBTI Regulation No. 5 of 2019

and the Financial Services Authority's supervisory transition under Law No. 4 of 2023 provides foundational legitimacy, yet legal status alone does not equate to Sharia permissibility. Critical conditions include the existence of a legitimate underlying asset to mitigate excessive uncertainty (*gharar*), transparent and equitable token distribution to uphold justice and risk-sharing, and incentive structures aligned with productive participation, mirroring mechanisms such as *ju'ālah* or *mudarabah*. Additionally, operational Sharia governance, encompassing advisory oversight and smart contract auditing, ensures that compliance is enforceable rather than declarative. The concept of conditional Sharia feasibility therefore situates legal, economic, and ethical considerations in an integrated framework. Importantly, the empirical observation of ISLM's high risk-adjusted returns alongside persistent volatility informs this evaluation: speculative instability directly affects the ethical assessment of fairness and prudence in financial transactions. This integrated approach reconciles econometric evidence with normative Sharia reasoning, offering a nuanced perspective that bridges regulatory compliance, investment performance, and moral legitimacy in the evolving landscape of Islamic digital finance.

CONCLUSION

This research shows that Islamic Coin (ISLM) has potential as an alternative investment instrument in a sharia-compliant portfolio, but its viability cannot be assessed solely based on its relatively high returns. Risk-adjusted return measurements indicate that ISLM has the highest Sharpe value compared to sharia-compliant stocks and gold, but statistical difference tests do not demonstrate any inferentially significant superiority. This finding confirms that high returns do not automatically represent investment superiority, especially when accompanied by extreme volatility and high speculative risk.

Based on these findings, this research proposes a conceptual novelty in the form of the high return–high volatility paradox, a condition where an asset exhibits the potential for relatively high returns but simultaneously faces instability that limits its viability as a superior investment instrument. This concept implies that the evaluation of digital assets, particularly Islamic crypto, should not be solely based on return indicators but must simultaneously consider the paradoxical relationship between performance and risk.

Furthermore, the results of the normative-regulatory analysis indicate that Islamic Coin (ISLM) is not appropriately positioned dichotomously as a fully halal or non-halal instrument, but rather is more appropriately understood through the concept of conditional Shariah feasibility. This concept emphasizes that the sharia-compliant nature of Islamic crypto is conditional, dependent on the fulfillment of transparency principles, the existence of underlying assets, the avoidance of gharar and maysir elements, and the existence of credible Sharia governance. This conceptualization serves as a research contribution in bridging econometric evidence with normative Sharia reasoning.

In terms of prediction, the ARIMA (7,1,0) model with a MAPE accuracy of 3.06 percent indicates that ISLM price movements have adequate short-term predictability, although not enough to eliminate uncertainty caused by the highly dynamic crypto market. Therefore, Islamic Coin is more appropriately positioned as a satellite asset in a Sharia portfolio rather than a core investment asset.

Practically, these findings have implications for investors to treat Islamic crypto as a complementary instrument with strict risk management, and for regulators to strengthen the governance and oversight framework for Sharia-compliant digital assets. This study has limitations in the scope of one Sharia crypto object and a univariate ARIMA model, so further research is recommended to develop more complex volatility models, such as GARCH or optimal portfolio formation, as well as test the conceptual validity of the high return–high volatility paradox and conditional Sharia feasibility in other Sharia digital assets.

ACKNOWLEDGEMENTS

The authors gratefully acknowledge the Faculty of Islamic Economics and Business, Sultan Maulana Hasanuddin State Islamic University, for institusional support and access to scholarly resources that contributed significantly to this research. The authors also appreciate constructive feedback received during the development of this manuscript.

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