

Shariah Compliance in NFT Games: Addressing Ethical and Religious Considerations in Digital Gaming

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Abstract

This article analyses the compliance of NFT games such as Axie Infinity, Sandbox, and Cryptokitties with Islamic principles, focusing on key ethical concerns related to transparency, fairness, *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). This study employs a qualitative analysis approach to assess these games' elements from a Shariah perspective, drawing insights from various scholars and experts in Islamic economics. As the popularity of NFT games continues to grow, it is essential to address these challenges to ensure alignment with Shariah principles. The article outlines recommendations for improving NFT game platforms, including reducing transactional uncertainty, promoting responsible financial management, and strengthening regulatory oversight. By fostering collaboration with Shariah experts and educating players about the risks involved, NFT games can offer a more ethical and sustainable experience that respects both Islamic values and global standards. This article provides practical insights for developers, players, and regulators to create a positive, transparent, and compliant environment within the NFT gaming industry.

Keywords: NFT Games, Shariah Compliance, Riba, Gharar, Maysir

Introduction

The compliance of NFT games with Islamic principles can be subjective and depends on the interpretations of various scholars. Games like Axie Infinity, Sandbox, and Cryptokitties, which involve digital assets (NFTs), cryptocurrency trading, and economic elements, raise concerns from a Shariah perspective, particularly around the use of digital currencies, gambling, and speculation. If these games contain elements that contradict Islamic teachings, such as *riba* (interest), gambling, or unclear boundaries between *halal* (permissible) and *haram* (prohibited), some scholars may argue that participation is not permissible. Fatwas regarding video games and digital currencies vary, making it essential for Muslims to evaluate the Shariah compliance of such games before engaging.

Key aspects of compliance include transparency and fairness in transactions. Players emphasised the importance of clear pricing and risk assessment in making informed decisions. Islamic principles demand fairness and transparency in all dealings, ensuring no deceit or excessive *gharar* (uncertainty). However, the speculative nature of digital asset prices in NFT games may violate Shariah principles by introducing high levels of uncertainty. Players also recognised the risks and highlighted the need for caution and responsible financial management. Islam encourages avoiding wastefulness and investing in activities that provide real benefits.

Scholars like Mufti Taqi Usmani and Mohammad Hashim Kamali stress the importance of transparency, fairness, and avoiding interest in economic transactions. Speculation in NFT games can lead to excessive uncertainty, which is forbidden in Islam, while the volatility of cryptocurrencies adds further risk, potentially leading to unjust practices. In conclusion, while NFT games offer economic opportunities, they also pose risks. Ensuring Shariah compliance requires transparency, fairness, avoidance of interest, and responsible risk management to align with Islamic teachings.

Shariah Compliance in NFT Transactions

The issue of transaction compliance in NFT games from an Islamic perspective is a significant topic, especially in assessing whether transactions involving digital currencies within these games align with Islamic principles. One major concern is the principle of *riba* (interest), which is prohibited in Islamic teachings. Some NFT-based games may involve elements of *riba*, which contradicts Islamic laws that forbid interest in any transaction.

Generally, transactions in NFT games like Axie Infinity, which uses blockchain technology and Non-Fungible Tokens (NFTs) for its digital assets, do not involve the same type of *riba* as traditional financial transactions. The structure of NFTs avoids interest-based systems. However, the operation of games like Axie Infinity occurs through two main channels: directly via the official game website or through community intermediaries, often formed on platforms like Discord. Players typically gather in these communities to build relationships with other players (Muhaimeen, 2024).

Riba concerns may arise in community-led transactions. For players who struggle to understand the game's complex systems, they may purchase digital assets through community leaders. In cases where players cannot afford the initial purchase of Axies, they can join a scholarship program, where they lease Axies from other players and share the generated profits. However, this option is only available to a limited number of players for a specific period (Jaafar, 2021).

Problems with *riba* arise when community-based agreements involve fixed payments without regard to game outcomes. Some agreements might require players to pay a fixed amount to the scholarship provider, regardless of their in-game earnings. This creates uncertainty, where the lender's return is uncertain and cannot be predetermined like interest. In Islam, any form of uncertain or aleatory transactions (*gharar*), interest-based lending, or exploitative contracts are prohibited (Mevianti, 2023).

However, according to Muhaimeen (2024), Axie Infinity has introduced free Axies that can be downloaded via the “Axie Origin” app in the App Store. Previously, players needed to purchase three Axies to start playing, but now, they can begin the game without any initial NFT purchase. Nevertheless, only classic Axies can be bought and sold as NFTs to generate income.

Another key issue is the element of uncertainty (*gharar*). Games offering NFT transactions or loot boxes with uncertain rewards may be seen as containing *gharar*, which is not aligned with Islamic principles. Loot boxes, or mystery rewards, are acceptable if given as gifts, but when purchased with real money or in-game tokens, they may involve gambling elements. This issue has been previously discussed in relation to games like PUBG, where loot boxes purchased with real money were deemed impermissible under Islamic law. The act of buying loot boxes with real money constitutes gambling, as it relies entirely on luck (Adlie, 2021).

The principle of fairness in transactions is also critical. Loot boxes are problematic because they deny players the right to obtain desired items fairly. The outcome of opening these boxes is random and does not depend on the player's skill or effort, making such practices impermissible in Islam. In 2018, Belgian Justice Minister Koen Geens expressed concerns over video games like FIFA 17, CS: GO, and Overwatch, which used loot box systems. He warned that such systems resembled gambling and could lead to addiction. Geens urged game developers to remove loot boxes or face legal consequences, signaling Europe's first steps toward addressing loot boxes to protect players from gambling risks (Syafiq, 2019).

An essential aspect to consider is the purpose of digital currency usage within these games. If transactions are conducted for permissible purposes without involving elements against Islamic principles, they may be more acceptable from a Shariah perspective.

Shariah Compliance in NFT Game Contracts

From an Islamic perspective, it is crucial to examine the compliance of contracts (*muamalat*) within these games. When players buy and sell Axies, they engage in a transaction that involves the exchange of real-world currency for in-game digital assets. This transaction type falls under the category of *Bay' al-sil'ah bi al-naqd* (selling goods for cash). In Axie Infinity, this occurs when players spend real currency (e.g., Malaysian Ringgit) to buy the initial three Axies required to start playing, often converted into cryptocurrency like Ethereum.

According to Adlie (2021), the minimum price for an Axie at that time was around RM80, so purchasing the initial three Axies cost approximately RM240. To acquire Axies, players must first convert their local currency into cryptocurrency through platforms like Ronin Wallet or CoinUnited.io. From a *fiqh* perspective, this transaction falls under *Bay al-Sarf* (currency exchange), which requires adherence to certain conditions, such as clear pricing, immediate exchange, and avoidance of interest. However, these platforms are not yet recognized or regulated by Malaysia's legal institutions like Bank Negara Malaysia, and their compliance with Shariah principles, particularly regarding *riba*, is unclear.

Notably, Datuk Dr. Mohd Daud Bakar, Chairman of the Shariah Advisory Council at Bank Negara Malaysia, believes that most digital currencies do not qualify as currency (*al-naqd*) under Islamic law. While cryptocurrencies may function as a medium of exchange, they lack

the essential characteristics of a legitimate currency, such as the ability to store value and serve as a standard measure of value (Tajuddin, 2022). Therefore, transactions involving NFTs and cryptocurrencies may be better understood as barter exchanges, where goods (Axies) are exchanged for commodities (cryptocurrency or tokens like SLP).

Another critical contract within NFT games like Axie Infinity involves microtransactions related to loot boxes. Loot boxes offer random rewards that players can acquire either by earning them through gameplay or purchasing them with real money. The purchase of loot boxes is prohibited under Islamic law due to the gambling elements involved. However, if loot boxes are given as free rewards for completing missions, this can be classified as a gift contract (*hibah*), as no monetary exchange is involved.

The final contract that applies to Axie Infinity is the *ju'alah* (reward) contract, where players receive a specific reward after completing a task. In the context of Axie Infinity, this involves earning tokens (SLP) for completing daily tasks or missions. The *ju'alah* contract allows for clearly defined rewards in exchange for a specific task. Players can earn between 150 and 200 SLP per day, with 1 SLP valued at \$0.095 (~RM0.40), translating to a daily income of around RM60 (Jaafar, 2021).

Axie Infinity also offers a Scholarship system, where players who lack the capital to buy Axies can lease them from other players in exchange for a portion of the profits. This system resembles an *ujrah* (rental) contract, where players pay for the use of Axies or share profits with the lender. The agreement may also resemble a *musyarakah* (partnership) contract, where partners agree to share profits based on an agreed-upon ratio. However, the contract may become invalid if one partner guarantees a fixed profit, as this violates the principles of fairness in *musyarakah* contracts, potentially leading to *riba* (Azman & Nasir, 2015).

Shariah Analysis in NFT Games

The rapid growth of technology has led to numerous innovations, one of which is online gaming based on blockchain technology, using what we call Non-Fungible Tokens (NFTs). A Shariah analysis is necessary to evaluate the extent to which these games align with Islamic principles. This analysis focuses on two key aspects: the advantages and the risks or challenges associated with NFT games.

One of the primary advantages of NFT-based online games is the clarity of ownership. NFTs provide a legitimate and clear way for players to own assets within the game. Each token is unique, ensuring no disputes regarding ownership (Choudhury & Hasan, 2021). This clarity aligns well with Islamic principles that emphasize justice and transparency in transactions. NFT systems do not involve interest (*riba*) in transactions. The pricing of assets is transparent from the start, avoiding elements of unfairness or exploitation (Elghazouli, 2021). Since *riba* is prohibited in Islam, the absence of it in NFT transactions provides assurance for players concerned about adhering to Shariah principles. The transparency in transactions helps minimize risks associated with *riba*, which is considered exploitative in Islamic law.

Through blockchain technology, the ownership of assets is automatically recorded and recognized, avoiding ownership disputes common in conventional online games (Larson, 2020). This feature provides players with certainty about their asset ownership and reduces

the risk of conflict over asset rights. NFTs enable players to buy or sell assets at real market value, based on a fair marketplace (Haque & Rahman, 2021). This ensures that the value of assets is determined by actual market conditions, not through manipulation or fraud. This approach is consistent with Islamic economic principles that emphasize fairness and transparency in trade.

From a Shariah perspective, clear ownership, transactions without *riba*, and fair trading practices are significant advantages, aligning with Islamic values of justice, certainty, and ethical conduct. One of the primary concerns with NFT games is the potential for speculation or gambling. Some may argue that online games with NFTs involve speculation, as the value of assets can fluctuate rapidly depending on market conditions (Haque & Rahman, 2021). Speculation refers to activities involving guesses about asset value changes to make a profit, while gambling involves betting money or assets on uncertain outcomes. In NFT games, volatile market conditions and rapidly changing asset values may encourage players to engage in speculative activities akin to gambling.

However, other scholars view NFT games as legitimate forms of trade, particularly if conducted with awareness and without *riba* or unfair practices (Choudhury & Hasan, 2021). A critical assessment of speculative and gambling elements in NFT games is needed to ensure compliance with Shariah principles and to provide a clearer understanding for Muslim communities about the ethical and moral implications of participating in these games.

Another challenge in the Shariah analysis of NFT games is their alignment with moral and ethical values. There is a risk that online NFT games may promote content that does not align with Islamic values. Therefore, the moral suitability of game content must be emphasized (Khan, 2021). Concerns include how these games portray virtual worlds and interactions between players, with some games potentially featuring inappropriate behavior, such as violent language, unethical actions, or the promotion of unhealthy lifestyles. These elements raise concerns about their impact on the morality and values of players, especially younger generations.

The focus on moral suitability in game development is crucial to ensure that NFT games are not only entertaining but also respectful of Islamic values. Developers should create games that align with Shariah principles, contributing positively to the character development of players. Another significant challenge is user protection, especially regarding personal data breaches and fraud in transactions. Protecting personal information and ensuring transaction security is vital to maintaining justice and safety within the NFT ecosystem. In Islam, protecting individual rights and privacy is critical. Any breach of personal information or fraud in NFT transactions could undermine user trust and violate Shariah principles of justice and transparency (Ali, 2021). Therefore, strong protections and effective security measures must be implemented to ensure fairness and integrity in the NFT gaming ecosystem.

The development of NFT online games may involve the use of significant digital resources, which raises concerns about environmental sustainability. The creation and transaction of NFTs rely on blockchain technology, especially Proof of Work (PoW)-based blockchains like Ethereum, known for their high energy consumption. This excessive energy use contributes to a larger carbon footprint, which is not aligned with Islamic principles of environmental

stewardship (Goodrich, 2021). Islam emphasizes the importance of caring for the environment and avoiding resource waste. Therefore, players and developers of NFT games should consider adopting more energy-efficient blockchain technologies, such as Proof of Stake (PoS) or other green technologies that reduce environmental harm (Fauzi, 2020). This approach not only helps protect the environment but also ensures that practices within the NFT gaming ecosystem are aligned with Shariah principles, emphasizing responsibility toward the Earth.

NFT games present a range of advantages, such as clear ownership, transparent transactions without *riba*, and fair trading, which align well with Islamic principles. However, challenges related to speculation, gambling, moral content, user protection, and environmental sustainability require careful consideration. By addressing these challenges and ensuring compliance with Shariah principles, NFT games can potentially provide a positive experience for Muslim players while adhering to ethical and moral standards.

Assessing Compliance of NFT Games With Islamic Principles

This study reveals several key issues that need to be addressed when assessing the compliance of NFT games like Axie Infinity, Sandbox, and Cryptokitties with Islamic principles. It highlights critical elements such as transparency, fairness, and the avoidance of *riba* (interest), which must be considered by both players and game developers. The study found that transparency in transactions is crucial for ensuring compliance with Shariah principles. Many players recognize that uncertainty in the valuation of digital assets, like Axies in Axie Infinity, can introduce elements of *gharar* (excessive uncertainty), which is prohibited in Islam. The high volatility of asset prices and extreme speculation may result in unfair losses for unwary players.

The study also emphasizes the importance of avoiding *riba* in transactions involving cryptocurrencies. If profits are gained without balanced effort or risk, it could be categorized as *riba*, which goes against Islamic financial principles. The instability of cryptocurrency further increases this risk, where excessive speculation can lead to unfair dealings. Another key finding is that responsible financial management is often overlooked by some players. While NFT games offer the potential for profits, there is a high risk of wasteful spending if players are not careful with their investments. Engaging in unproductive or excessive transactions can result in significant losses, contrary to Islamic teachings on prudent financial management.

Overall, the study shows that while NFT games may offer exciting economic opportunities, they also pose risks that must be managed carefully to ensure compliance with Shariah principles. Players must be mindful of transparency, fairness, avoiding *riba*, and responsible financial management to ensure their activities in the NFT ecosystem align with Islamic teachings. Both players and developers should take steps to minimize these risks and ensure that these games can be enjoyed without violating Shariah principles.

NFT-based online games like Axie Infinity and Cryptokitties operate by allowing players to own unique digital assets represented as tokens on blockchain platforms like Ethereum. These NFTs provide ownership rights to players, who acquire them through various means, such as initial purchases, breeding, or in-game activities. Each NFT is distinguishable by its unique

metadata, making it a collectible digital asset that can be owned and managed within the game ecosystem (Chen & Bellavitis, 2019). Ownership of NFTs gives players certain rights, such as the ability to trade them in designated markets, use them in gameplay, or earn rewards based on their performance. This model of ownership not only enhances player engagement but also introduces an economic dimension to virtual assets, similar to real-world property ownership in a digital context (Buterin, 2018).

Economic participation in NFT games involves various activities, such as breeding unique Axies in Axie Infinity or acquiring rare digital art in Cryptokitties through auctions or direct purchases. These activities serve two purposes: enhancing the gaming experience and generating potential income for players (Kharif, 2021). Market dynamics in NFT games are influenced by both in-game mechanics and external market forces. Players interact through in-game marketplaces where they buy, sell, or auction NFTs based on perceived value, rarity, and utility. External platforms like OpenSea or Rarible also facilitate broader exposure and liquidity for NFTs, affecting their prices and accessibility.

The level of Shariah compliance in NFT games is influenced by several key factors such as risk awareness and education. Players who understand the risks of NFT games, such as price volatility and transaction costs, are more likely to make informed and cautious decisions. This awareness stems from knowledge about the speculative nature of NFTs and the potential for financial losses, aligning with Shariah principles that emphasize prudent and ethical behavior in economic activities (El-Gamal, 2006). Ensuring fairness and transparency in transactions is another critical determinant of Shariah compliance in NFT games. Platforms that operate with integrity and transparency foster trust among participants and uphold ethical standards. Clear pricing, terms of service, and dispute resolution mechanisms enhance the credibility of NFT transactions and reflect the principles of justice and accountability in Islamic finance (Hassan & Lewis, 2007).

The involvement of the community in promoting ethical values in NFT games is crucial for assessing Shariah compliance. Platforms that prioritize community-based principles like honesty, social responsibility, and respect for intellectual property rights contribute positively to Shariah-compliant efforts. Active participation in forums and governance structures that uphold these values encourages responsible behavior among players and platform operators (Kamali, 2000).

The level of Shariah compliance in NFT online games depends on critical factors such as risk awareness, fairness in transactions, and ethical community engagement. By fostering a culture of informed decision-making, implementing fair transactions, and encouraging ethical behavior, platforms can enhance their alignment with Islamic financial principles while promoting sustainable growth and trust in the digital economy. Continuous efforts to educate stakeholders, implement transparent governance structures, and foster ethical communities are essential for advancing Shariah compliance in NFT games. By prioritizing ethical values and responsible business practices, stakeholders can contribute to a regulatory environment that supports innovation while upholding the core principles of Islamic finance.

Conclusion

In conclusion, the growth of NFT games like Axie Infinity, Sandbox, and Cryptokitties presents both opportunities and challenges from a Shariah compliance perspective. While these games offer exciting economic possibilities through digital ownership and trading, they also raise important concerns related to transparency, fairness, *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). For NFT games to align with Islamic principles, it is crucial for developers to ensure clear transactions, responsible financial management, and fairness in pricing, while avoiding speculative risks and unjust practices.

By building upon these findings, the digital gaming industry can adopt a more structured and proactive approach to integrating Shariah-compliant frameworks, thereby fostering an inclusive and ethically sound ecosystem that caters to Muslim players without compromising religious principles. Educating players about the risks involved, diversifying asset portfolios, and implementing strong regulatory oversight are key steps towards ensuring Shariah compliance in NFT games. Through collaboration with Shariah experts and regulatory bodies, the NFT gaming industry can develop frameworks that uphold Islamic values, fostering a more ethical and transparent digital economy.

By addressing these challenges and embracing the recommended improvements, NFT game platforms can create a positive and sustainable environment that respects both ethical standards and religious principles, benefiting players and developers alike. Ultimately, this will contribute to the responsible growth of the NFT gaming industry while ensuring its alignment with the values important to Muslim communities and the wider global audience.

This study contributes significantly to the theoretical framework of Shariah compliance in digital economies by deepening the understanding of key Islamic financial principles such as *riba*, *gharar*, and *maysir* in the context of NFT gaming. It expands academic discussions on ethical governance, transparency, and fairness in virtual transactions while offering practical insights for game developers, players, and regulatory bodies. Contextually, this research is highly relevant to the growing intersection between blockchain technology and Islamic finance, providing guidance on how NFT-based gaming platforms can align with Islamic economic principles. By addressing these concerns, the findings of this study serve as a foundation for future research and policy recommendations aimed at fostering a more ethical and Shariah-compliant digital gaming ecosystem.

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