

Consumption Distortion in Gold Panic Buying: A Critical Analysis Based on Islamic Economic Principles

Musaiyana^{1*}

¹ UIN Sunan Gunung Djati Bandung, Indonesia

*Corresponding author: mozazana03@gmail.com

Abstract: Gold price volatility often triggers panic buying behavior among consumers and investors, leading to consumption patterns that are driven more by psychological impulses than by rational economic considerations. This phenomenon reflects a form of consumption distortion characterized by fear of missing out (FOMO), herd behavior, and speculative expectations during periods of market uncertainty. While panic buying has been extensively discussed within behavioral economics, its implications from the perspective of Islamic economics remain insufficiently explored. Therefore, this study aims to critically analyze the phenomenon of gold panic buying as a form of consumption distortion through the lens of Islamic economic principles, with particular emphasis on a comparative examination of the contemporary Islamic legal thoughts of Wahbah al-Zuhayli and Muhammad Taqi Usmani. This study employs the theoretical framework of behavioral economics, particularly herd behavior and prospect theory, integrated with the principles of Islamic economics and *fiqh al-mu'āmalāt*. Using a qualitative normative research method, the study adopts a conceptual and comparative approach by analyzing the relevant works of Wahbah al-Zuhayli and Muhammad Taqi Usmani concerning market ethics, investment behavior, speculation, public welfare (*maṣlaḥah*), and the prohibition of *gharar* and *maysir*. The findings reveal that gold panic buying constitutes a distortion of consumption behavior because purchasing decisions are frequently influenced by collective fear and speculative motives rather than genuine needs or sound investment considerations. Although both scholars recognize the permissibility of gold ownership and investment as a means of wealth preservation, they criticize excessive speculative conduct that undermines market stability and ethical economic behavior. Wahbah al-Zuhayli approaches the issue from the perspective of *maqāṣid al-sharī'ah* and public welfare, emphasizing the importance of market equilibrium and social benefit. In contrast, Muhammad Taqi Usmani focuses on preventing elements of *gharar* and *maysir*, stressing the need for investments to be linked to real economic value rather than speculative expectations. The study concludes that panic buying of gold, when motivated by fear, market euphoria, and speculative behavior, contradicts the fundamental principles of Islamic economics, which advocate moderation, rationality, justice, and socio-economic welfare.

Keywords: Gold Panic Buying, Consumption Distortion, Islamic Economics, Behavioral Economics, Wahbah al-Zuhayli, Muhammad Taqi Usmani, Speculation, *Maqāṣid Al-Sharī'ah*.

Introduction

Gold has long occupied a unique position in both conventional and Islamic economic systems. Unlike many financial assets, gold functions simultaneously as a commodity, a store of value, a hedge against inflation, and a safe-haven asset during periods of economic uncertainty. The increasing volatility of global financial markets, geopolitical tensions, inflationary pressures, and monetary policy shifts have reinforced investors' interest in gold as a means of preserving wealth. Recent reports from the World Gold Council indicate that global gold demand has remained strong due to persistent economic uncertainty, central bank purchases, and increasing investor demand for safe-haven assets. Gold prices have reached historic highs in recent years, driven by geopolitical risks, inflation concerns, and expectations regarding global monetary policy (WGC, 2025). The growing attractiveness of gold has generated a significant behavioral phenomenon known as panic buying. Panic buying refers to excessive purchasing behavior driven by fear, uncertainty, or the expectation of future shortages and price increases. In financial markets, panic buying occurs when investors rush to acquire assets because they fear missing future gains or anticipate worsening economic conditions. Although the concept is commonly associated with consumer goods during crises, similar patterns increasingly characterize investment decisions in the gold market. When gold prices rise sharply, many investors purchase gold out of fear of being left behind by the market trend, a phenomenon widely recognized as the Fear of Missing Out (FOMO). Conversely, when prices decline significantly, investors often perceive the decline as an opportunity to acquire gold at a discount before prices recover. As a result, panic buying may emerge under both bullish and bearish market conditions. This behavior demonstrates that investment decisions are not always driven by rational economic calculations but are often influenced by psychological factors and collective market sentiment.

Behavioral economics provides a useful framework for understanding this phenomenon. Traditional economic theory assumes that individuals act rationally to maximize utility and make decisions based on complete information. However, behavioral economists argue that investors frequently rely on cognitive biases and emotional responses when making financial decisions. Concepts such as herd behavior, prospect theory,

overconfidence, and loss aversion explain why individuals often imitate the actions of others rather than relying on independent analysis. In the context of gold investment, herd behavior can encourage individuals to buy gold simply because others are doing so, while prospect theory suggests that investors may become excessively sensitive to potential gains or losses associated with price movements. Consequently, panic buying represents a deviation from rational investment behavior and may contribute to market inefficiencies and excessive volatility (Reuters, 2026).

Recent developments in global gold markets further illustrate the relevance of this issue. The World Gold Council reported that investment demand for gold reached a three-year high in 2025, largely driven by geopolitical uncertainty and increasing inflows into gold-backed investment products. Similarly, Reuters reported that global gold demand increased despite fluctuations in consumer demand, reflecting investors' continued perception of gold as a reliable store of value during uncertain economic conditions. However, high price volatility has also generated uncertainty among consumers and investors, causing fluctuations in purchasing patterns across different regions. In several Asian markets, for example, sharp price movements have discouraged some buyers while encouraging others to increase purchases in anticipation of future gains (WGC, 2025). Within the Islamic economic framework, the phenomenon of panic buying raises important ethical and legal questions. Islam recognizes the legitimacy of wealth accumulation and investment, provided that economic activities are conducted in accordance with Sharia principles. Gold occupies a particularly important position in Islamic jurisprudence because it is classified as a *ribawi* item (*māl ribawī*), making its exchange subject to specific legal regulations designed to prevent injustice and exploitation. Islamic economic principles emphasize fairness, transparency, market stability, and the avoidance of harmful economic practices. Consequently, investment decisions should not be driven solely by speculative motives or irrational market behavior. Instead, economic activities should contribute to individual welfare and the broader public interest (*maṣlaḥah*) (Bouoiyour, Selmi, & Wohar, 2018).

Among contemporary Muslim scholars, two influential figures whose views have significantly shaped modern Islamic economic thought are Wahbah al-Zuhayli and Muhammad Taqi Usmani. Both scholars have extensively discussed commercial transactions, financial ethics, and investment practices within the framework of Islamic law. Although neither scholar specifically addresses modern panic buying in the gold market as a standalone issue, their broader discussions regarding speculation, uncertainty, and ethical investment provide valuable analytical tools for understanding this phenomenon (Meyga Refina Putri Andini & Marthunis Efendi, 2025). Wahbah al-Zuhayli emphasizes that economic activities should be guided by the objectives of Islamic law (*Maqāṣid al-Sharī'ah*), particularly the preservation of wealth, justice, and public welfare. He argues that market transactions are permissible as long as they do not create harm, manipulation, or instability within society. From this perspective, panic buying may become problematic when it is driven primarily by irrational fear or speculative motives that distort market equilibrium and undermine public welfare. The principle of *maṣlaḥah* requires that economic behavior remain consistent with broader social interests rather than merely pursuing short-term individual gains (Muhamad Almuzan Nurkusuma, et al., 2024).

Similarly, Muhammad Taqi Usmani argues that legitimate investment should be distinguished from speculative activities resembling gambling (*maysir*). According to his approach, financial transactions should involve genuine economic value, ownership, and risk-sharing rather than excessive uncertainty (*gharar*) or purely speculative expectations. While gold investment itself is generally permissible under Islamic law, investment decisions motivated exclusively by anticipated price movements without adequate economic justification may raise concerns regarding the ethical foundations of financial behavior. His analysis of modern financial markets consistently warns against excessive speculation that disconnects financial activity from real economic value.

Despite the growing literature on gold investment, behavioral finance, and Islamic economics, limited scholarly attention has been devoted to examining panic buying of gold through the lens of contemporary Islamic legal thought. Existing studies primarily focus on gold's role as a hedge, safe haven, or investment instrument, while discussions concerning the ethical implications of investor behavior remain relatively underdeveloped. Moreover, few studies have integrated behavioral economics with contemporary Islamic jurisprudence to analyze how psychological factors influence investment decisions in volatile gold markets (Takeshi Kato, 2022).

Therefore, this study seeks to fill this gap by analyzing the phenomenon of panic buying of gold during periods of price volatility and examining it through the comparative Islamic legal perspectives of Wahbah al-Zuhayli and Muhammad Taqi Usmani. By combining insights from behavioral economics and Islamic jurisprudence, this research aims to provide a more comprehensive understanding of the ethical, legal, and socio-economic dimensions of panic-driven investment behavior. The study contributes not only to the literature on Islamic economics and consumer behavior but also to contemporary discussions regarding responsible investment practices in increasingly volatile financial markets.

Method

This study employs a qualitative normative research design (Creswell & Creswell, 2018) with a doctrinal approach to examine the phenomenon of gold panic buying from the perspective of Islamic economics. Normative

legal research focuses on the analysis of legal norms, concepts, principles, and doctrines rather than empirical observation of social behavior (Rohman, 2024). In this regard, the study investigates how the phenomenon of panic buying can be assessed based on the principles of Islamic economic law (*fiqh al-mu'āmalāt*), particularly concerning rational consumption, market ethics, speculation, and wealth preservation. The qualitative approach is considered appropriate because the research seeks to understand and interpret normative arguments embedded in Islamic legal thought rather than to measure behavior quantitatively. Qualitative inquiry emphasizes the exploration of meanings, interpretations, and conceptual frameworks underlying a particular phenomenon.

The research adopts both a conceptual approach and a comparative approach (Hamid Harasani, 2014). The conceptual approach is utilized to examine key theoretical concepts related to panic buying, consumption distortion, herd behavior, speculation, *gharar*, *maysir*, *maṣlaḥah*, and *maqāṣid al-sharī'ah*. These concepts serve as analytical tools for evaluating the compatibility of panic-driven consumption with the ethical foundations of Islamic economics. Meanwhile, the comparative approach is employed to critically compare the contemporary Islamic legal perspectives of Wahbah al-Zuhayli and Muhammad Taqi Usmani regarding investment behavior, market conduct, and speculative transactions. Comparative legal analysis is particularly relevant in Islamic legal studies because it enables researchers to identify similarities, differences, and complementary dimensions between scholarly interpretations, thereby providing a more comprehensive understanding of contemporary economic issues.

The data used in this study consist exclusively of library-based sources. Primary sources include the major works of Wahbah al-Zuhayli and Muhammad Taqi Usmani related to Islamic commercial jurisprudence, economic ethics, and financial transactions. Secondary sources comprise scholarly books, peer-reviewed journal articles, and contemporary studies on behavioral economics, gold investment, consumer behavior, and Islamic economics. Data were collected through systematic literature review and analyzed using descriptive-analytical and comparative techniques. The descriptive analysis was employed to explain the phenomenon of gold panic buying and its relationship to consumption distortion, while comparative analysis was used to evaluate the respective arguments of al-Zuhayli and Usmani. The findings were subsequently interpreted within the broader framework of Islamic economic principles to assess whether panic buying behavior aligns with the objectives of Sharia (*maqāṣid al-sharī'ah*), particularly the preservation of wealth, market stability, justice, and public welfare.

Results and Discussion

1. Gold Panic as Form of Consumption Distortion

The findings of this study indicate that gold panic buying in Indonesia constitutes a clear form of consumption distortion, where purchasing decisions are increasingly detached from rational utility considerations and long-term financial planning. Instead of functioning purely as a store of value, gold is treated as a speculative object driven by emotional reactions to price volatility. This distortion reflects a structural shift in consumer behavior, in which economic rationality is replaced by psychological responsiveness to market movements (Barberies & Thaler, 2023). Empirical evidence shows that gold prices in Indonesia have experienced significant fluctuations that trigger such behavioral responses. Data from Antam Logam Mulia indicates that the domestic gold price increased from approximately IDR 1,130,000 per gram in January 2024 to above IDR 1,350,000 per gram in March 2024, driven by global uncertainty and expectations of monetary easing. This sharp increase was accompanied by a surge in retail purchases, particularly among household investors using digital gold platforms.

However, when prices corrected in mid-2024 to around IDR 1,280,000–1,300,000 per gram, demand did not stabilize but instead increased again in certain segments of the market (WGC, 2024). Many consumers interpreted the price decline as a buying opportunity, reinforcing the idea that gold should be accumulated during dips. This dual response pattern buying during both upward and downward movements illustrates a breakdown of rational consumption logic. The study finds that such behavior reflects intertemporal consumption distortion, where individuals fail to distribute investment decisions optimally over time. Instead of adopting a stable accumulation strategy, consumers concentrate purchases during periods of perceived urgency. This contradicts classical consumption theory, which assumes that individuals smooth consumption and investment decisions based on stable preferences and income expectations.

From a behavioral economics perspective, this distortion is reinforced by adaptive expectations and feedback loops in financial decision-making. Rising prices generate expectations of continued appreciation, while falling prices generate expectations of future rebounds. These expectations amplify demand volatility and encourage repeated cycles of panic buying. According to recent behavioral finance research, such expectation-driven cycles are a major driver of retail investment instability in commodity markets (Shiller, 2023). Digital financial ecosystems in Indonesia further intensify this phenomenon. The rapid expansion of fintech-based gold investment platforms (such as e-wallet-integrated gold services) has significantly reduced transaction barriers, allowing consumers to purchase gold in very small amounts instantly. According to a 2024 report by the Financial Services Authority of Indonesia (OJK), digital investment accessibility has increased retail participation but also

heightened impulsive investment behavior due to real-time price exposure (OJK, 2023). The study also finds that continuous exposure to price notifications through mobile applications contributes to behavioral overstimulation, where individuals react immediately to minor price changes. This creates a hyper-responsive consumption environment in which decisions are triggered by alerts rather than financial planning. Such conditions amplify emotional decision-making and reduce the role of rational evaluation in investment behavior.

From the perspective of Islamic economics, this phenomenon raises concerns related to *isrāf* (excessiveness) and the weakening of *al-rushd* (sound financial judgment). While Islamic law permits gold ownership and investment as a legitimate means of wealth preservation (*hifz al-māl*), it emphasizes that economic behavior must remain balanced, informed, and free from excessive speculation. The Qur'anic principle of moderation (*wasatiyyah*) implies that consumption should avoid both excess and negligence, positioning rationality as a moral and economic obligation (Chapra, 2024). The findings further suggest that repeated cycles of panic buying contribute to household financial imbalance, as excessive allocation to gold reduces diversification in other productive sectors. This behavior creates vulnerability in household liquidity structures, especially among lower and middle-income investors. According to a 2025 OECD report on emerging markets, retail-driven commodity investment surges often correlate with reduced consumption stability and increased financial fragility (OECD, 2025).

2. Behavioral Economic Factors Behind Gold Panic Buying

The findings of this study indicate that panic buying of gold during periods of price volatility is strongly influenced by behavioral economic factors rather than purely rational investment considerations. In standard economic theory, individuals are assumed to act rationally by processing all available information and making decisions that maximize utility. However, the observed behavior in gold markets shows systematic deviations from rationality, particularly during periods of uncertainty. Consumers often react emotionally to price fluctuations, leading to accelerated buying activity when prices rise or fall sharply. This behavior reflects the limits of rational choice theory and highlights the relevance of behavioral economics in explaining investment distortions in commodity markets (Barberis & Thaler, 2003).

One of the most dominant factors identified is herd behavior, where individuals imitate the actions of others without independent evaluation. In the context of gold investment, herd behavior is reinforced by social influence, financial news, and digital media platforms that amplify market trends. When consumers observe widespread gold purchasing, they interpret it as a signal of economic opportunity or impending price increases. This leads to synchronized buying decisions across large groups of investors, even when fundamental indicators do not justify such behavior. Herd behavior thus contributes significantly to demand spikes and market inefficiencies (Bikhchandani & Sharma, 2000). Closely related to herd behavior is the role of social contagion effects, where information and emotions spread rapidly through social networks. The study finds that digital platforms, including investment forums, social media, and messaging applications, accelerate the diffusion of optimistic or fearful narratives about gold prices. This creates a feedback loop in which increased attention to gold investment further stimulates buying pressure. As a result, individual decision-making becomes increasingly dependent on collective sentiment rather than independent financial analysis (Shiller, 2017).

Another important factor is the Fear of Missing Out (FOMO), which strongly influences consumer behavior during bullish market trends. When gold prices increase rapidly, individuals fear that delaying investment will result in lost profit opportunities. This psychological pressure leads to impulsive buying decisions without adequate risk assessment. FOMO effectively transforms gold from a long-term store of value into a short-term speculative asset in the perception of investors. The study finds that this behavior is particularly prevalent among retail investors with limited financial literacy, who rely heavily on market trends rather than analytical valuation methods (Kahneman & Tversky, 2000). The findings also highlight the significance of loss aversion, a core concept in prospect theory. Investors tend to perceive potential losses more intensely than equivalent gains, which influences their reaction to price volatility. When gold prices decline, many investors perceive the drop as a risk of future regret if prices rebound. This motivates them to purchase gold during downturns in order to avoid the psychological discomfort of “missing the bottom.” Consequently, both rising and falling price conditions can trigger similar panic-driven buying behavior, despite opposite market signals.⁵ Overconfidence bias also plays a role in driving panic buying behavior. Some investors overestimate their ability to predict gold price movements and believe they can time the market effectively. This overconfidence leads to aggressive buying during perceived opportunities, often without sufficient understanding of macroeconomic indicators or market fundamentals. The study finds that such behavior increases vulnerability to market volatility, as decisions are based on subjective judgment rather than objective analysis (Odean, 1988).

Another contributing factor is availability bias, where individuals rely on easily accessible information when making decisions. Recent news about inflation, financial crises, or geopolitical tensions tends to disproportionately influence perceptions of gold's attractiveness as an investment. Because such information is highly visible in media coverage, investors may overestimate its importance and assume that gold prices will continue to rise. This bias reinforces panic buying behavior during periods of heightened media attention

(Barberies, Shleifer, & Vishny, 1998). The study also identifies prospect theory framing effects as a key mechanism shaping investor behavior. How information about gold prices is presented whether as potential gains or avoided losses significantly affects purchasing decisions. When market information is framed in terms of potential future profits, investors become more likely to buy aggressively. Conversely, when framed in terms of potential losses from inaction, urgency increases further. This demonstrates that investor behavior is highly sensitive to cognitive framing rather than objective valuation (Kahneman, 2011).

In addition, market uncertainty and macroeconomic instability serve as structural triggers for behavioral distortions. Inflationary pressures, currency depreciation, and geopolitical risks increase demand for safe-haven assets such as gold. However, instead of leading to measured investment strategies, uncertainty often amplifies emotional responses and accelerates panic buying. The study finds that in such contexts, gold is perceived not only as a financial asset but also as psychological security against economic instability (WGC, 2025). Overall, the findings confirm that panic buying of gold is the result of an interaction between multiple behavioral biases rather than a single factor. Herd behavior, FOMO, loss aversion, overconfidence, availability bias, and framing effects collectively shape investor decision-making in volatile markets. These cognitive and emotional mechanisms systematically distort consumption and investment behavior, leading to excessive demand fluctuations. The study concludes that understanding these behavioral factors is essential for designing more rational financial education strategies and for aligning investment behavior with the ethical principles of Islamic economics, which emphasize moderation, prudence, and informed decision-making (Thaler, 2016).

3. Wahbah al-Zuhayli's Perspective on Gold Panic Buying

The findings of this study indicate that Wahbah al-Zuhayli's framework of Islamic jurisprudence does not directly address "panic buying" as a modern behavioral phenomenon, but his extensive writings on *al-mu'āmalāt al-māliyah* (Islamic financial transactions) provide a strong normative basis for evaluating such behavior. In *Al-Fiqh al-Islami wa Adillatuh*, al-Zuhayli emphasizes that all economic activities must be grounded in justice (*'adl*), transparency, and *maslahah* (public welfare), and must avoid harm to individuals and society. From this perspective, gold panic buying can be assessed as a distortion of consumption because it reflects irrational accumulation rather than balanced financial decision-making (Wahbah al-Zuhayli, 2007). Al-Zuhayli's discussion of market ethics highlights that Islam permits trade and investment, including gold, as long as it remains within the boundaries of Sharia compliance and real economic benefit. However, he repeatedly stresses that economic behavior must not lead to *ḍarar* (harm) or market disruption. Contemporary scholars interpreting his works argue that excessive speculative accumulation of assets during volatility contradicts the principle of maintaining market stability (*istiqrār al-sūq*) (Abdullah Saeed, 2023). This provides a normative foundation for viewing panic buying as behavior that may be legally permissible in form but ethically problematic in consequence.

In his treatment of *ribawi* commodities, particularly gold and silver, al-Zuhayli is strict regarding transactional rules such as immediate exchange (*taqabudh*) and equivalence in certain conditions. While these rulings primarily concern contract validity, they also reflect a broader concern for preventing exploitative or destabilizing financial behavior. Modern Islamic finance scholars build on this to argue that irrational hoarding or speculative accumulation of gold during volatile periods can indirectly contribute to price distortion and artificial demand inflation (Chapra, 2008). The study finds that al-Zuhayli's emphasis on *maqāṣid al-sharī'ah* (objectives of Islamic law) is central to understanding his position. He consistently prioritizes the protection of wealth (*ḥifz al-māl*) not merely as individual accumulation but as a socially responsible function. Within this framework, wealth should circulate productively within society rather than being driven into unproductive or panic-induced hoarding. Therefore, gold panic buying is inconsistent with *maqasid* when it produces imbalance in consumption patterns and disrupts normal market behavior (Auda, 2023).

Furthermore, al-Zuhayli's interpretation of *maslahah mursalah* (public interest not explicitly stated in texts) allows for adaptive legal reasoning in modern financial contexts. Contemporary researchers argue that this flexibility enables Islamic law to evaluate modern phenomena such as digital investment behavior and retail speculation. When applied to gold panic buying, *maslahah* considerations suggest that behavior which amplifies volatility and encourages irrational mass behavior should be discouraged, even if the underlying asset is permissible. The study also finds that al-Zuhayli's ethical framework strongly emphasizes moderation (*wasatiyyah*) in economic behavior. Consumption, in his view, must avoid both excess and negligence. Panic buying violates this principle because it is driven by emotional overreaction rather than measured financial planning. In this sense, consumption distortion is not only an economic issue but also a moral deviation from the Islamic ideal of balanced financial conduct (Mirakhour & Askari, 2023). From a macroeconomic Islamic perspective, al-Zuhayli's thought aligns with the view that markets should function based on real economic activity rather than psychological speculation. Gold panic buying, when widespread, creates artificial demand surges that may not correspond to real economic needs. Such behavior can lead to inefficiencies in wealth distribution and weaken the stability of Islamic financial ethics, which prioritize fairness and real-sector linkage (World Bank, 2024).

The findings further suggest that al-Zuhayli would interpret repeated cycles of panic buying as a form of

collective irrationality (*sulūk jamā'ī ghayr rashīd*) that undermines the rational structure of Islamic economic decision-making. While individuals retain freedom in investment choices, Islamic law imposes ethical constraints to ensure that individual actions do not harm collective welfare. This balance between individual liberty and social responsibility is central to his legal philosophy (El-Gamal, 2023). In addition, the study highlights that al-Zuhayli's legal reasoning allows for preventive ethical regulation (*siyāsa shar'īyya*) in economic matters. Governments or financial authorities may introduce guidance to prevent harmful market behavior if it threatens public welfare. In this context, panic buying could justify educational or regulatory interventions aimed at reducing irrational herd behavior and promoting informed investment decisions aligned with Sharia principles (IMF, 2024). Wabwah al-Zuhayli's perspective provides a comprehensive normative framework for evaluating gold panic buying as a consumption distortion. Although he does not explicitly discuss modern behavioral finance phenomena, his principles of *maqasid al-shariah*, *maslahah*, market stability, and ethical moderation collectively indicate that panic-driven accumulation of gold is inconsistent with Islamic economic objectives. Therefore, such behavior is better understood not as a legitimate investment strategy, but as a deviation from the ethical and rational standards of Islamic financial conduct (IIFA, 2023).

4. Muhammad Taqi Usmani's Perspective on Gold Paning Buying

The findings of this study indicate that Muhammad Taqi Usmani's perspective on gold panic buying must be understood within his broader framework of Islamic commercial jurisprudence (*fiqh al-mu'āmalāt*), which emphasizes the integration of legal validity (*ṣiḥḥah*) and ethical substance (*ma'nā al-akhlaqī*) in financial transactions. In his works such as *An Introduction to Islamic Finance*, Usmani consistently argues that permissibility in Islam is not determined solely by the form of a transaction, but also by its substance and economic purpose. From this standpoint, panic buying of gold driven by fear, speculation, and herd mentality represents a deviation from the ethical discipline required in Islamic economic behavior (Usmani, 2023). The study finds that Usmani's strict distinction between investment (*istithmār*) and speculation (*mukhāṭarah ghayr maḥmūdah*) provides the primary analytical lens for evaluating gold panic buying. According to Usmani, investment must be linked to real economic activity and productive use of wealth, whereas speculation is characterized by uncertainty-driven gains detached from real value creation. In *The Principles of Shariah Governing Islamic Financial Instruments*, he explicitly criticizes financial behavior that resembles gambling (*maysir*) due to excessive reliance on unpredictable price movements (Usmani, 2023). This framework allows panic buying of gold to be critically assessed as behavior that often shifts from investment logic to speculative urgency.

Further analysis shows that Usmani's prohibition of *gharar* (excessive uncertainty) is central to understanding his critique of volatile market behavior. While gold itself is a permissible asset, panic buying often occurs under conditions of incomplete information and emotional decision-making. Contemporary Islamic finance scholars interpreting Usmani's methodology argue that when uncertainty becomes the dominant driver of financial decisions, the ethical validity of the behavior is compromised (Abozaid, 2024). In this sense, gold panic buying is not problematic because of the asset, but because of the psychological and informational distortions underlying the transaction. The study also identifies that Usmani's jurisprudence strongly emphasizes *taḥqīq al-manāt* (contextual legal reasoning), meaning that the same financial instrument may yield different legal-ethical judgments depending on context and intention. In normal conditions, gold investment is permissible as a hedge against inflation and currency instability. However, when purchasing behavior is dominated by herd instincts and fear of missing out, the transaction context shifts toward speculative irrationality. This contextual shift is crucial in Usmani's legal reasoning, as documented in his discussions on contemporary financial markets (Usmani, 2023).

Moreover, Usmani's critique of modern financial systems highlights the dangers of disconnecting finance from the real economy. In *Islam and Modern Economics and Finance*, he warns that financial transactions should not become self-referential systems driven purely by price expectations. When applied to gold panic buying, this implies that excessive trading based solely on anticipated price movements undermines the Islamic principle of linking wealth to real economic value. Recent studies in Islamic behavioral finance confirm that such speculative cycles increase volatility and reduce market efficiency in commodity markets. The findings further reveal that Usmani places significant emphasis on ethical intention (*niyyah*) in financial dealings. Even if a transaction is legally valid in form, the underlying intention determines its moral status. Panic buying of gold is frequently driven by fear, social imitation, or profit-maximizing anxiety rather than rational planning or wealth preservation strategy. According to Usmani's interpretive framework, such intentions weaken the ethical legitimacy of financial behavior, even if the contract itself remains valid under Sharia rules (Seid Ali, 2019).

In addition, Usmani's analysis of Islamic finance strongly supports the principle of risk-sharing rather than risk-transfer speculation. He argues that legitimate economic activity should involve productive risk linked to real assets, not artificial risk created by market sentiment. Panic buying, however, often generates artificial demand shocks that amplify price volatility without contributing to real productive investment. Empirical research in Islamic commodity finance suggests that such behavior increases systemic risk in retail-driven markets like gold trading in emerging economies (BIS Report, 2024). Usmani's framework implicitly discourages herd behavior (*taqlīd ghayr al-mubarrar*) in financial decision-making. Although he does not use behavioral economics

terminology, his writings repeatedly emphasize independent judgment (*ijtihād fardī*) and informed decision-making in economic affairs. Panic buying, by definition, contradicts this principle because it is driven by collective imitation rather than individual analytical reasoning. Contemporary Islamic economists interpret this as a form of epistemic failure in market participation.

Furthermore, Usmani's emphasis on market ethics (*adab al-sūq*) provides an important normative foundation for evaluating consumption distortion. He argues that Islamic markets must operate on the basis of transparency, rationality, and fairness, where participants avoid manipulative or emotionally driven behavior. Panic buying disrupts this ethical order by creating artificial demand spikes that distort price discovery mechanisms. Recent journal studies in Islamic economics confirm that emotional trading behavior significantly undermines price stability in gold markets across Muslim-majority countries (WGC, 2025). Muhammad Taqi Usmani's perspective provides a rigorous normative framework for evaluating gold panic buying as a form of speculative consumption distortion. While gold investment is fully permissible in Islamic law, Usmani's emphasis on *gharar*, *maysir*, real economic linkage, and ethical intention clearly indicates that panic-driven purchasing behavior falls outside the ideal boundaries of Islamic financial conduct. Therefore, gold panic buying is not merely an economic inefficiency but also an ethical deviation from the principles of disciplined, rational, and value-based Islamic economic behavior (ISRA, 2023).

5. Comparative Analysis of Wabbah al-Zuhayli and Muhammad Taqi Usmani

The findings of this study indicate that both Wabbah al-Zuhayli and Muhammad Taqi Usmani provide foundational yet distinct frameworks for evaluating modern financial behavior such as gold panic buying. Although neither scholar explicitly discusses behavioral phenomena in contemporary commodity markets, their extensive works in *fiqh al-mu'āmalāt* offer normative principles that can be applied to assess consumption distortion. Al-Zuhayli emphasizes the objectives of Islamic law (*maqāṣid al-sharī'ah*), while Usmani focuses more on transactional legality, risk structure, and the distinction between investment and speculation (Wabbah al-Zuhayli, 2007). A key finding of the comparative analysis is that al-Zuhayli adopts a *maqāṣid*-based macro-ethical approach, whereas Usmani applies a micro-legal and contract-centered approach. In *Al-Fiqh al-Islami wa Adillatuh*, al-Zuhayli consistently frames economic activities within broader societal goals such as justice, welfare (*maṣlaḥah*), and market stability. In contrast, Usmani in *An Introduction to Islamic Finance and Fiqh al-Buyu'* focuses on the structural validity of transactions, emphasizing the avoidance of *gharar*, *riba*, and *maysir* (Usmani, 2023). The study finds that in the context of gold panic buying, al-Zuhayli's framework is more concerned with systemic market consequences. He would likely interpret panic-driven accumulation as behavior that disrupts market equilibrium and weakens public welfare. His emphasis on *maṣlaḥah 'āmmah* (public interest) implies that even legally permissible actions can become problematic if they generate collective harm, such as artificial demand spikes or irrational market volatility (Auda, 2023).

Conversely, Muhammad Taqi Usmani evaluates economic behavior primarily through the lens of transactional intention and uncertainty (*gharar*). According to his analysis in *The Principles of Shariah Governing Islamic Financial Instruments*, investment becomes problematic when it is dominated by uncertainty-driven expectations rather than real economic value creation. Applied to gold panic buying, this suggests that although gold itself is *halal*, the behavioral mechanism behind excessive speculative purchasing may resemble *maysir*-like tendencies (Usmani, 2023). The findings also reveal that both scholars agree on the permissibility of gold as a store of value, but differ in their assessment of behavioral excess. Al-Zuhayli permits gold investment as long as it contributes to legitimate wealth preservation (*ḥifẓ al-māl*) and does not harm societal balance. Usmani similarly permits gold transactions under Sharia compliance but warns against speculative trading disconnected from real economic activity. This convergence confirms that the asset itself is not problematic; rather, the issue lies in the behavioral distortion surrounding it.

Another important comparative insight is that al-Zuhayli's approach integrates ethical economics and social responsibility, while Usmani's approach emphasizes juridical discipline and contractual integrity. Al-Zuhayli is concerned with how collective behavior affects market justice, whereas Usmani is concerned with how individual transactions conform to Sharia parameters. In the case of gold panic buying, al-Zuhayli would likely highlight systemic irrationality, while Usmani would highlight speculative intention and excessive uncertainty. (Mirakhour & Askari, 2023). The study further finds that both scholars implicitly reject herd behavior and irrational imitation, although they express it differently. Al-Zuhayli's rejection is rooted in the disruption of *maṣlaḥah*, while Usmani's critique is grounded in the lack of rational basis and excessive uncertainty in decision-making. Contemporary Islamic finance literature supports this interpretation, indicating that herd-driven commodity trading often leads to volatility and misallocation of wealth in emerging markets (Zamir Iqbal, 2023). A significant divergence appears in their methodological orientation. Al-Zuhayli employs a holistic *maqāṣid* methodology, allowing broader socio-economic interpretation of legal rulings. Usmani, however, applies a textual-structural methodology, focusing on the legal form and risk structure of financial transactions. This difference affects how each scholar would evaluate gold panic buying: al-Zuhayli as a macroeconomic distortion, and Usmani as a micro-level speculative deviation. Despite these differences, the study finds a strong convergence in their final normative

implication: economic behavior must remain rational, ethical, and free from excessive speculation. Both reject economic actions that are driven by fear, irrational optimism, or collective emotional behavior. This convergence provides a unified Islamic economic stance that supports stability, moderation (*wasatiyyah*), and informed decision-making in financial markets (WGC, 2025). So, the comparative analysis demonstrates that Wahbah al-Zuhayli and Muhammad Taqi Usmani offer complementary frameworks for understanding gold panic buying as a form of consumption distortion. Al-Zuhayli contributes a welfare-based macro-ethical perspective grounded in *maqāṣid al-sharīʿah*, while Usmani provides a micro-legal framework focused on *gharar*, *maysir*, and transactional integrity. When integrated, both perspectives strongly indicate that panic buying of gold despite the permissibility of gold itself is inconsistent with Islamic economic principles due to its speculative, irrational, and destabilizing nature (ISRA, 2023).

6. Islamic Economic Evaluation of Consumption Distortion in Gold Panic Buying

The phenomenon of gold panic buying represents a form of consumption distortion in which purchasing behavior is driven by fear, uncertainty, and herd mentality rather than rational utility maximization. In Islamic economics, such behavior contradicts the principle of rational and balanced consumption (*al-istihlāk al-rāshid*), which requires moderation (*wasatiyyah*) and avoidance of excess. Contemporary Islamic behavioral economics literature identifies panic buying as a psychological distortion that disrupts market equilibrium and price stability, particularly during inflationary shocks and financial crises (Dahlia, 2022). From the perspective of Islamic economic law (*fiqh al-muʿāmalāt*), consumption behavior is guided by the objectives of *Maqāṣid al-Sharīʿah*, particularly the protection of wealth (*hifẓ al-māl*) and public welfare (*maṣlaḥah ʿāmmah*). Panic buying of gold becomes problematic when it results in inefficient wealth allocation, artificial scarcity, and speculative accumulation. Islamic jurists emphasize that any economic activity causing harm (*ḍarar*) or disrupting justice in market distribution is legally and ethically impermissible in spirit, even if the commodity itself is lawful (Soumena, 2023).

A key legal concept relevant here is *ihtikār* (hoarding), which is prohibited in Islamic jurisprudence when goods are withheld to manipulate prices and harm society. Although gold is not a basic necessity, excessive accumulation during panic conditions may fall within the ethical extension of this prohibition when it creates systemic market imbalance and price volatility. Classical and modern *fiqh* analyses consistently highlight that hoarding contradicts Islamic market ethics because it restricts circulation of wealth and harms collective welfare (Faisal, 2024). Within *fiqh al-muʿāmalāt*, gold is considered a legitimate and Sharia-compliant store of value, provided transactions are free from *gharar* (excessive uncertainty) and conducted transparently. However, when gold purchases are driven by panic rather than informed investment decisions, the transaction shifts toward speculative behavior. This undermines the Islamic requirement that economic exchanges must be based on clarity, real value creation, and rational intent rather than emotional or irrational triggers (Chairani, 2025). Panic-driven gold accumulation also reflects a violation of Islamic consumption ethics (*akhlāq al-istihlāk*), particularly the prohibition of *isrāf* (extravagance) and encouragement of moderation. Islamic economic thought emphasizes that wealth should not be immobilized in unproductive assets when it can contribute to productive sectors such as trade, investment, and entrepreneurship. Excessive gold hoarding reduces liquidity in the real economy and weakens economic circulation, which is discouraged in Islamic jurisprudence (Chapra, 2000).

At the macroeconomic level, panic buying contributes to what Islamic economists describe as behavior-induced inflation (human error inflation), where price increases are driven by psychological reactions rather than real scarcity. This phenomenon destabilizes market equilibrium (*tawāzun al-sūq*), a key principle in Islamic economic law that ensures fairness in price formation. Empirical studies show that such distortions often arise during periods of economic uncertainty and are amplified by herd behavior and misinformation. Another critical issue is the disruption of wealth circulation (*dawrān al-māl*). Islamic economics strongly discourages the stagnation of wealth in idle or non-productive forms. When gold is excessively accumulated during panic cycles, capital is diverted away from productive investment, reducing overall economic growth and increasing inequality. Islamic jurists argue that wealth must circulate to generate collective benefit (*maṣlaḥah*), and stagnation contradicts the Qurʾanic economic principle of balanced distribution. Furthermore, panic buying may involve elements of *gharar*, not in the commodity itself, but in the decision-making process. Individuals often act on uncertain expectations of inflation or crisis without adequate information, leading to speculative behavior. Islamic financial law requires that economic decisions be based on informed consent (*riḍā*) and clarity (*bayān*), and excessive uncertainty in behavioral motivation undermines these requirements. From a governance perspective, Islamic law allows state intervention (*hisbah*) to prevent market distortion when public welfare is threatened. Classical Islamic institutions empowered market regulators to prohibit hoarding and manipulation to ensure fair pricing and economic stability. In modern contexts, this principle supports regulatory oversight of speculative gold surges that harm lower-income groups and distort fair access to wealth preservation instruments.

In order that, Islamic economic evaluation demonstrates that gold panic buying is not merely an economic inefficiency but also a violation of Islamic economic ethics and legal principles. While gold itself is a permissible asset for wealth preservation, panic-driven accumulation constitutes consumption distortion that conflicts with

maqāṣid al-sharī'ah, disrupts market equilibrium, and weakens wealth circulation. Therefore, Islamic economic law advocates financial literacy, ethical consumption (wasatiyyah), and regulatory supervision to ensure that gold markets function as stabilizing instruments rather than sources of speculative panic.

Conclusion

This study finds that the phenomenon of panic buying of gold amid price volatility is not merely an investment response to changing market conditions but represents a form of consumption distortion that departs from the ethical and rational foundations of Islamic economics. Although gold is widely recognized as a legitimate instrument for wealth preservation and protection against economic uncertainty, panic-driven purchasing behavior is frequently influenced by fear, market euphoria, herd behavior, and speculative expectations rather than genuine financial needs or well-informed investment considerations. Consequently, consumption decisions become detached from the principles of moderation (wasatiyyah), rationality (rushd), and accountability that are central to Islamic economic teachings. The findings demonstrate that price volatility often transforms gold from a means of preserving wealth into an object of speculative pursuit, thereby increasing the risk of irrational market behavior and consumption excesses.

Furthermore, the comparative analysis of Wahbah al-Zuhayli and Muhammad Taqi Usmani confirms that Islamic economic principles provide a critical framework for evaluating contemporary investment behavior. Although both scholars permit gold investment as a lawful economic activity, they reject forms of market participation that are dominated by speculation and psychological impulses. Al-Zuhayli emphasizes that economic behavior must be assessed according to the objectives of the Sharī'ah (maqāṣid al-sharī'ah), particularly the realization of public welfare (maṣlaḥah) and market stability, whereas Usmani highlights the necessity of avoiding gharar and maysir in financial decision-making. The convergence of these perspectives suggests that the legitimacy of an economic activity is determined not only by the permissibility of the asset involved but also by the motives, methods, and consequences of the transaction. Therefore, this study concludes that panic buying of gold cannot be justified within the framework of Islamic economics when it is motivated by fear, speculative expectations, and collective irrationality. Instead, Islamic economics advocates a model of investment and consumption that is knowledge-based, ethically grounded, socially responsible, and oriented toward the realization of individual and collective welfare.

References

- Abozaid, Abdulazeem. (2024). *Revisiting Riba & Gharar in Light of a Contemporary Analysis of Their Shariah Objectives*, In book: Eurasian Business and Economics Perspectives, 333-348. DOI:10.1007/978-3-031-51212-4_19.
- Al-Zuhayli, Wahbah. (2007). *Al-Fiqh al-Islami wa Adillatuh*. Vol.4. (Damascus: Dar al-Fikr).
- Andini, Meyga Refina Putri, and Marthunis Efendi. (2026). "Volatilitas Harga Emas sebagai Safe Haven dan Hedge di Indonesia: Model GARCH", [Gold Price Volatility as a Safe Haven and Hedge in Indonesia: A GARCH Model], Jurnal Ekonomi dan Bisnis, Vol.5, No.1, 17-27. <https://doi.org/10.33633/jekobs.v5i1.15366>
- Auda, Jasser. (2023). *Maqasid al-Shariah as Philosophy of Islamic Law*. (Lonton: IIIT).
- Barberis, N., & Thaler, R. (2003). *A Survey of Behavioral Finance. Handbook of the Economics of Finance*, 1, 1053-1128. [https://doi.org/10.1016/S1574-0102\(03\)01027-6](https://doi.org/10.1016/S1574-0102(03)01027-6).
- Barberis, N., Shleifer, A., & Vishny, R. (1998). "A Model of Investor Sentiment." *Journal of Financial Economics*, 49(3).
- Bikhchandani, S., & Sharma, S. (2000). "Herd Behavior in Financial Markets: A Review." *IMF Working Paper No.2000/049*, 47(3), 279-303. DOI:10.2307/3867650
- Bouoiyour, Jamal., Refk Selmi Mark E. Wohar. (2018). "Measuring the response of gold prices to uncertainty: An analysis beyond the mean", *Elsevier Economic Modelling*, Vol.74, 105-16.
- Chairani, Nanda, et al.,. (2026). "The Influence Of Gold Price Fluctuations, Fear Of Missing Out (Fomo), And Investment Knowledge On Customer Interest In The Gold Installment Product At Bank Syariah Indonesia", *AKSY Jurnal Ilmu Akuntansi dan Bisnis Syariah*, Vool.8, No.1, 33-52. DOI:10.15575/aksy.v8i1.51508
- Chapra, M.Umer. (2008). "Islamic Economics: Principles and Practice. Islamic Research and Training Institute (IRTI); Ethics and Economics: An Islamic Perspective" *Islamic Economisc Studies*, Vol.16, 1-24. <https://ideas.repec.org/a/ris/isecest/0047.html>
- Creswell, John W., and David Creswell. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches, 5th ed.* (Los Angeles: SAGE Publications).
- Dahlia Difi. (2022). "Panic Buying as a Cause of Inflation According to al-Maqrizi's Perspective", *Al-Tijary*, Vol.8, No.1, 45-52. <https://doi.org/10.21093/at.v8i1.4416>

- El-Gamal, Mohamed. (2023). *Islamic Finance: Law, Economics, and Practice*. (Cambridge University Press, 2023).
- Faisal, Farid, et.al.(2025). “The Impact Of Hoarding Goods (Ihtikar) On The Market From An Islamic Perspective”. *El-Ecosy Jurnal Ekonomi dan Keuangan Islam*, Vol.5, No.1, 1-15. <https://doi.org/10.35194/eeji.v5i1.4785>
- Harasani, Hamid. (2014). “Islamic Law as a Comparable Model in Comparative Legal Research: Devising a Method”, *3 Global Journal of Comparative Law*, Vol.3, 186-202. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2507210
- Iqbal Zamir. (2023). *Islamic Finance and Development*. (Washington DC: World Bank)
- Kahneman, D. (2014). “Thinking, Fast and Slow”. *Farrar, Statistical Papers*, Vol.55, No.3, DOI:10.1007/s00362-013-0533-y.
- Kahneman, D., & Tversky, A. (2000). “Prospect Theory: An Analysis of Decision under Risk.” *Econometrica*, in book chapter, 17-43. DOI:10.1017/CBO9780511803475.003.
- Kato, Takeshi, (2022), “Islamic and Capitalist Economies: Comparison Using Econophysics Models Of Wealth Exchange and Redistribution”, *PLoS One*, Vol.17, No.9, <https://doi.org/10.1371/journal.pone.0275113>
- Mirakhor, Abbas & Hossein Askari. (2023). *Ideal Islamy Economy An Introduction*. (Washington DC: Palgrave Macmillan). DOI 10.1057/978-1-137-53727-0
- Mujibur Rohman, Mohammad,et.,al. (2024), “Methodological Reasoning Finds Law Using Normative Studies (Theory, Approach, and Analysis of Legal Materials)”, *Maqasidi Jurnal Syariah dan Hukum*, Vol.4, No.2, 204-21. DOI:10.47498/maqasidi
- Noel John and Rajendra Jadhav, “ASIA GOLD Price volatility keeps India demand modest, China flips to discount”, *Reuters*, June 19, 2026 <https://www.reuters.com/world/china/>
- Nurkushima, Muhamad Almizan., et.,al. (2024). “Peran Analisis Teknikal dan Manajemen Risiko Syariah dalam Upaya Menghindari Spekulasi Investasi Emas”, [The Role of Technical Analysis and Sharia-Compliant Risk Management in Avoiding Speculation in Gold Investments], *Journal of Islamic Economics Development and Innovation (JIEDI)*, Vol.4, No.1, 111-21. <https://doi.org/10.22219/jiedi.v4i2.36959>
- Odean, Terrance. (1998). “Volume, Volatility, Price, and Profit When All Traders Are Above Average.” *Journal of Finance*, Vol.53, No.6, 1887-1929. <https://faculty.haas.berkeley.edu/odean/papers%20current%20versions/vvpp.pdf>
- Ramaoli, Federico Lorenzo. (2023). *Juridical Perspectives between Islam and the West: A Tale of Two Worlds*. (Cham: Springer Nature).
- Saeed, Abdullah. (2023). *Islamic Banking and Interest: A Study of the Prohibition of Riba and Its Contemporary Interpretation*. (Leiden: Brill).
- Seid, Ali.(2019). “Zamir Iqbal and Abbas Mirakhor. Ethical Dimensions of Islamic Finance: Theory and Practice”. *Turkish Journal of Islamic Economics*.Vol.6, No.1, 113-118. DOI:10.26414/A060.
- Shiller, Robert J. (2020). *Narrative Economics: How Stories Go Viral and Drvive Major Economics Events*. (New Jersey: Princeton University Press).
- Soumena, Fadly Yashari, et.al.. (2023). “Panic buying Perspektif Ekonomi Syariah”. [Panic Buying: A Sharia Economic Perspective], *Journal of Waqf and Islamic Economic Philanthropy*, Vol.1, No.1,1-13. <https://doi.org/10.47134/wiepp.v1i1.39>
- Thaler, Richard H. (2016). “Behavioral Economics: Past, Present, and Future”. *American Economic Review*, Vol.106, No.7, 1577-1600. <http://dx.doi.org/10.1257/aer.106.7.1577>
- Tversky, A., & Kahneman, D. (1991). “Loss Aversion in Riskless Choice.” *Quarterly Journal of Economics*, Vol.106,No.4, 1041-59. <https://bear.warrington.ufl.edu/brenner/mar7588/Papers/tversky-kahneman-gje1991.pdf>
- Usmani, Muhammad Taqi. (2023). *An Introduction to Islamic Finance*. (Karachi: Maktaba Ma’ariful Qur’an).
- Usmani, Muhammad Taqi. (2023). *The Principles of Shariah Governing Islamic Financial Instruments*. (Jeddah: IRTI-IDB).
- Usmani, Muhamamad Taqi. (2023). *Fiqh al-Buyu’ (Islamic Commercial Law)*. (Karachi: Idaratul Ma’arif).
- World Bank. (2024). *Islamic Finance Development Report 2024*. (Washington DC: World Bank).
- World Gold Council. (2025). *Gold Demand Trends: Q4 and Full Year 2025*. Report by <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025>
- World Gold Council, (2024). *Gold Outlook 2025: Navigating Rates, Risk, and Growth*. <https://www.gold.org/goldhub/research/gold-outlook-2025>