

# TRANSACTIONS OF CRYPTOCURRENCY IN THE PRESPECTIVE OF ISLAMIC FINANCE AND ECONOMICS

## Abstract

Cryptocurrency has become one of the current growing fintech trends in Indonesia, this situation is clearly visible from its users, which continue to increase from year to year. We often encounter this cryptocurrency in various modern economic activities. This research on finance aims to provide knowledge and understanding of cryptocurrency, especially looking at it from the perspective of Islamic economics. This research uses secondary data obtained from literature data or what is known as library research. Based on the discussion and analysis above regarding cryptocurrency transactions when viewed from the view of Islamic economic law, several findings can be outlined, including, As a digital financial transaction system, cryptocurrency basically uses relatively new technology, while the nature of its legality still needs to be studied more deeply, but it is not a form of violation. In Indonesia itself, the government has not taken a definite stance on the existence of the Cryptocurrency, so people are still allowed to use it even so, this type of cryptocurrency public investment has very high risks compared to other investments, because its value is difficult to predict or has uncertainty. Meanwhile, when viewed from an Islamic economic perspective, transactions using cryptocurrencies are classified as having no clarity in terms of both quality and quantity so that they have an element of *gharar*. The concept of Bitcoin as a transaction tool according to the Indonesian Ulema Council is *haram*, because Bitcoin itself contains *gharar* or uncertainty and is not in accordance with the provisions in Indonesia, especially in terms of existing legislation. *Gharar* in this case is because there are several main factors that are taken into consideration, including that the inventor (owner) is unclear, until now there is no authority or financial authority in a country that provides certainty regarding the validity of this transaction, intrinsically it has no value, in The economic system does not have legitimacy, volatility is high, from a monitoring perspective it is difficult to carry out the inventor (owner) is unclear. The implications of the research results, especially from an Islamic economic point of view, are the need to avoid something that is *subhat* like the type of cryptocurrency in the form of Bitcoin. Because the concept of Bitcoin as a transaction tool according to the Indonesian Ulema Council is *haram*, which contains *gharar* or uncertainty and is not in

**Comment [M1]:** The abstract maximum of 200 words by length. The abstract can be shortened, but still explains the research objectives, research methods, research results, and research implications

**Comment [M2]:** The finding could be shorten and focus on main points of result

accordance with the provisions in Indonesia, especially in terms of legislation and is classified as an investment that has a very high risk.

**Keywords:** *Cryptocurrency, Bitcoin, Islamic Economics*

**Comment [M3]:** Implication could be delivered to practitioner, government, and future researcher as well

**Comment [M4]:** The keywords are too general

## Introduction

Information technology which continues to progress and develop helps society, especially in the fields of economics and trade, one of which is in the form of alternative national and international payment instruments which continue to develop apart from using currency and demand deposits which the public was familiar with previously. This of course triggers various innovations that are faster, more efficient, and provide security and comfort. Current information technology penetrates and influences all activities carried out by humans, including economic and other aspects. The development of existing information technology certainly brings benefits and is able to influence increasingly dynamic social life, especially regarding transactions carried out by society (Brown & Duguid, 2017). Cryptocurrency itself is currently the first implementation of blockchain technology and its use is not only limited to payment systems (Hashemi Joo, et.al., 2020). Decentralized applications can influence all areas of social life such as economics, education, science, arts, including culture and other fields (Shovkhalo & Idrisov, 2021).

Cryptocurrency or digital currency has become a global phenomenon today in a number of countries, cryptocurrency / digital currency has become an inevitable part of the United States, Japan and China, even now the Central Bank of China (PBoC) is again innovating its payment system, China has started massive trials of e-RMB. In Indonesia, the existence of cryptocurrency is still experiencing pros and cons in terms of legality and regulation of its use, but the Indonesian Government, in this case the Commodity Futures Trading Supervisory Agency (BAPPEBTI), continues to study and issue several regulations on cryptocurrency assets, this provides protection for investors. However, along with the times, related buying and selling transactions must be regulated immediately because currently there are many transactions using cryptocurrency carried out in Indonesia.

Until the end of 2020, the number of active users of cryptocurrency has reached 4 million users. Even until July 2021, data from the Ministry of Trade reported that the number of crypto users had reached 7.4 million users (Wang, 2018). Tempo magazine reports that there are already 6.5 million active users of crypto exchanges and bitcoin with a transaction value of 370

trillion rupiah, this is due to the increasing price of crypto exchange sales, such as bitcoin, Ethereum, doge tron, bittorent and others (M Abu Bakar, 2018).

However, in June 2021, the value of Bitcoin had decreased in value. This was caused by Elon Musk's tweet on Twitter stating that he was no longer interested in one type of crypto with the Bitcoin hashtag, then in the next tweet Elon Musk stated that Tesla no longer accepted payment for Tesla purchases using Bitcoin (Aufima, 2018). This certainly raises speculation for the public that the value of cryptocurrency in general is highly dependent on the flexibility of its users, especially as a medium of payment, whether its value will continue to increase or decrease based on the development situation and the influence of world economic influencers, as the value of Bitcoin has become unstable due to a tweet from an Elon Musk.

The mechanism of selling cryptocurrencies applies as the sale of virtual currencies in general, where it is used as a business field by using speculation to seek price differences, where profits will be obtained by traders from the sale of cryptos purchased when the value is falling and resold when the price rises because the value of cryptocurrencies always fluctuates from minute to minute (Hayes, A. S., 2017); (Azizah, 2020). To this day, although cryptocurrency users in Indonesia are increasing, and it has become one of the alternative businesses developed by influencers in Indonesia, the regulations regarding cryptocurrency in Indonesia have not been fully regulated. In fact, BI has explicitly issued a statement that cryptocurrency is not permitted to be a means of payment transactions in Indonesia, this is because crypto exchanges are contrary to Law no. 7 of 2011 concerning currencies which only recognizes the rupiah as a currency used in financial transactions, as well as the issuance of BI regulation number 18/40/pbi/2016 concerning the implementation of payment transaction processing, and pbi no. 19/12/pbi concerning the implementation of financial technology, which in essence all existing regulations in Indonesia confirm that cryptocurrency is not a legal means of payment so that it is illegal and not legally recognized.

Indonesia, especially Asia, is the largest supporter of the Muslim majority. All forms of events are based almost exclusively on contracts relating to halal qualities. It is not surprising that all activities are regulated and warned so that they can be used by all Indonesians. Understanding the paradigm of Islamic studies is an absolute that cannot be abandoned. Basic assumptions and assumptions about the object of inquiry (Islam), affect the problem-solving analysis. Without understanding the paradigm and assumptions of Islamic studies research, the research flow is not directed, making it difficult to be recognized scientifically (Bakri, et.al., 2019).

**Comment [M5]:** Is the data represent Indonesia or global?  
please state it clearly

This is in accordance with the National Shari'ah Council fatwa on currency, which states that various activities to meet different needs, in practice require transaction tools in the form of the same type of currency or even different types of currency. Sale and purchase transactions with currency are known by several forms of transactions whose legal status CryptoCurrency Transaction Review varies from one form to another according to Islamic teachings.

Muhammad Zamroni explained that technological developments have an impact on changes in the communication model. This can be seen, for example, in the general pattern of using devices that seem uninterrupted. People in the digital age always want to be connected (Bakri, Zulhazmi, & Laksono, 2019). So a filter designed for the millennial generation is needed, especially for interactions in cyberspace where all the latest information and developments can be accessed easily and easily to learn new information or things.

Joint research by Fatarib and Meirison which was published three years ago with the research title: Cryptocurrency and Digital Money in Islam Is It Legal which was published in the Journal of Law & Sharia (Jurisdiction), Vol. 11 (2) 2020. Where the research focuses on the elements of money and characteristics in the view of Islamic law which are correlated with the role or function of gold as an intrinsic value that the government legally issues. The results of this joint research show the conclusion that currency that is recognized and valid in the view of Islamic economics is that currency is issued by parties who are given authority or authority by the state. Therefore, Bitcoin and/or other types of cryptocurrency are not recognized as currency from the perspective of Islamic law itself, of course this is due to the element of uncertainty and has the potential to be very detrimental to the country and/or individuals who use it (Fatarib., & Meirison , 2020).

The next research conducted by Nurhisam was published in the journal Ar-Raniry International Journal, Vol. 4 (1) 2017 or published 6 years ago with the title: Bitcoin in the Eyes of Islamic Law. Where this research focuses more on discussing the increasing use of transaction tools in the form of Bitcoin by people in this modern era. The results state that it is forbidden to use Bitcoin transaction tools from the perspective or perspective of Islamic law, especially for Muslims, of course, because the scholars in analyzing this system bring more harm that is very detrimental to society and even the country compared to the benefits that will be obtained (Nurhisam, 2017) .

**Comment [M6]:** This paragraph does not explain crypto, this paragraph can be deleted

Negative publicity, very high risks, speculative issues, and legality from the perspective of Islamic law and state law regarding cryptocurrency issues itself is a very unique and interesting phenomenon to be studied in depth and encourages the author to carry out further research on cryptocurrency based on Islamic economic perspective.

**Comment [M7]:** This part should concern on : Research gap within previous studies.  
After author stated the previous studies related to research, please mention which part that are not discussed yet, so this research could take it as a research gap/novelty of this study

Cryptocurrency comes from the word cryptography which comes from the Greek word meaning hidden writing (Rosen, 2018). It has a literal meaning of secret writing science. Crypto itself means hidden or secret, while the word graph means writing. Daily use with this type of application in ATMs, electronic trading, and computer passwords (Amsyar, et.al., 2020). Now cryptography itself is also used as a password or secret key for the very popular virtual money, namely bitcoin, in the application of blockchain technology. Where cryptography's job is to work on the basis of an encryption algorithm that is created specifically (specifically) to validate transactions that have been carried out and verify these transactions (Ausop & Aulia, 2018); (Biryukov & Tikhomirov, 2019).

**Comment [M8]:** Most of last paragraph told about literature review. Shorten the definition parts might be better

Cryptocurrency is becoming popular in many developed countries such as Sweden and Japan, the popularity of this cryptocurrency itself exceeds the popularity of paper money in these countries (Corbet, S., & Yarovaya, L., 2020); (Alonso, et.al., 2021). The world, whether we admit it or not, has moved from the manual to the digital era quickly, as currency itself is now in digital or electronic form, the storage of which does not require space, namely just on a computer device, even though the form is electronic, digital currency is protected and even this type of currency cannot be counterfeited as easily as physical currency. Digital or electronic money is also like a type of currency in physical form, where this money has types, such as Pounds, Dollars, Yen, Riyals and so on and has many types, of these many types the most popular are Bitcoin, Ethereum, Lightcoin . However, the problem is that most of the types of money mentioned above are not protected by money as collateral, whether in the form of physical money, silver or even gold. It only takes the form of currency replacement, namely the currency of the agreement made individually by the relevant parties. The parties promise to be ready to buy and exchange the digital money for real money or certain objects. This is where if we look closely and analyze the difference between guarantee and responsibility and the agreement can be sold (changed) (Campbell-Verduyn, 2018).

**Comment [M9]:** Please revise this part, because this part would generalize research again and not focus to discuss the research problem's part

According to BAPPEBTI, commodity cryptocurrency is in the form of digital (electronic) assets that are intangible because they are digital, peer-to-peer networks, use cryptography, and in the form of distributed ledgers aimed

**Comment [M10]:** In the end of abstract, should focus on research aim/research problem,, and what is the research gap answered in this part

at controlling the creation of new units, verifying transaction activities, and this transaction system very safe without any assistance from outside parties (BAPPEBTI, 2019). Cryptocurrency is the basis for making existing digital currencies known as bitcoin and so on as a means of payment as well as other money. Bitcoin is digital money based on cryptography (Darmawan, 2014). Cryptocurrency is a type of intangible (digital) currency with encryption in its usage system and the existence of this currency is widespread and popular in almost all countries. Cryptocurrency itself as a currency certainly has almost the same function and use as other currencies in general, namely as a transaction tool, but the main difference compared to other currencies is that this currency does not have a physical shape or form like the traditional currency. This is circulating, only in the form of a data block, where the data block is tied to a hash which is responsible for validating the data block. Examples of cryptocurrencies include Lisk, Ether, Ripple, Litecoin, StorjCoinX, MaidSafeCoin, Bitcoin and others (Ausop, 2018).

### Research Method

This research uses secondary data obtained from literature data or what is known as library research. Library research is a literature study research conducted through sources such as books, journals, laws and regulations, and other scientific writings. Descriptive qualitative method is used in this research through collecting information from literature sources and books as the main object. The qualitative method is research conducted through actual information collection and produces data in the form of notes and descriptions. The literature used to collect data is through previous research such as journals, reference books, and online documentation related to cryptocurrency in the Islamic perspective.

**Comment [M11]:** Research method should be clear and precise. Please elaborate more about why this library research is most relevant method to answer research question (rather than other research method)

## Results and Discussion

### Cryptocurrency Sale and Purchase Transaction in Islamic Perspective

Bitcoin is a type of electronic or digital currency that is in an open source payment network system, where every computer or station in the network shares with each other, the existing network makes it easy for each user to carry out various transactions directly without a third party as for example, intermediaries such as banks (Wu, J., et.al., 2021). As for some of the advantages of bitcoin, among others (1) Peer-to-peer transfers or carried out directly without intermediaries (2) Transfers can be made anywhere without being charged (3) The implementation of transactions cannot be changed, which means that transfer activities cannot be canceled after the process is carried out (4) The transactions carried out are anonymous and

**Comment [M12]:** The literature data resource could be stated, is it al Quran, hadits, ulama consideration, or else

their implementation is not controlled by the government or institutions due to the decentralized system.

The basic concept of bitcoin as electronic money is to create a transaction system that is decentralized authority, meaning that this transaction system does not go through other parties or third parties whose job is to verify with the concept or design of digital signatures of every transaction that occurs. However, all transactions that take place are still recorded in the system contained in the cryptocurrency network. Cryptocurrency usually uses the Blockchain platform so that digital currencies can be used for transaction activities. As an analogy, Blockchain is likened to a large document containing a database where anyone can access this platform even if they do not make transactions using virtual money (Anwar, 2019).

Cryptocurrency in its use as currency from an Islamic economic perspective. Reviewed according to the hadith, the Prophet sallallaahu Alaihi Wasallam said, Selling gold for gold, silver for silver, wheat for bur wheat, sha "ir (coarse wheat) for sha "ir, dates with dates, and salt with salt on the condition that it must be the same size and the same type, and in cash from hand to hand. If they are of different kinds, sell as you wish if it is done in cash from hand to hand." In this hadith it can be concluded that silver and gold are subject to sharia law, namely usury, because silver and gold have the status of a medium of exchange and measuring value for other objects. So in such a situation the intrinsic value of the gold and silver is not seen, but rather the benefits and uses. Then, quoting Syafi'i's statement as a leading economist, looking at the ever-changing value of money, a common thread can be drawn as a conclusion that money is not always appropriate and suitable as a means of storing value, because money itself can experience increases and decreases. So according to this explanation, temporarily from the perspective of Islamic law, Bitcoin as an electronic (digital) currency is permitted, but Bitcoin currency in Indonesia has no legality because it still has to be reviewed from various perceptions and does not fulfill the elements as money in general.

Based on the elements of the Bitcoin sale and purchase transaction, it has met certain criteria, because Bitcoin also requires registration, verification of the account or registrant's biodata and the rules of receipt requirements when sending or at the time of the transaction, in Islamic teaching itself what is meant by the transaction (al-u "kud) is the intertwining of two things that bind the other parts so as to form a unity as a connecting medium that is held and strengthened. The elements that influence transactions are the legal delivery and acceptance (contract) in writing or

**Comment [M13]:** discussions related to definitions should be in a literature review. in this section focuses on crypto from an Islamic perspective

verbally with the aim of a handover transaction of buying and selling goods or services. Basically, in accordance with the Al-Qur'an and the Sunnah of the Prophet SAW, in general the ulama stated firmly that the original law of buying and selling muamalah activities is *ibahah* (permissible) as long as in its implementation the conditions and pillars can be fulfilled (Silalahi & Tambunan, 2022).

The transaction carried out is said to be valid if all parties involved in the transaction have carried out their respective obligations, including the consequences of the transaction itself. a certain amount of money for the merchandise he bought, of course at a price agreed upon by both of them through a mutually understood mechanism. Sharia law transactions must meet the following requirements: (1) The party carrying out the transaction is competent and understands the transaction, because the transaction process, in this case the sale and purchase transaction, may not be carried out by someone who is not of sound mind and is not an adult, someone who is forced, and someone the crazy; (2) Competent and proficient in sharia law, thus if sharia law is prohibited, the sale and purchase will automatically be invalid if carried out; (3) The value of the transaction can be felt by all parties.

Actually, in determining or determining the law of cryptocurrency, Islam in life has its reference sources (basics) and methods, the source which is the main basis is the Koran, while the source which is the next basis is the hadith or sunnah, both of which are carried out by the analysis process by the mujtahids in establishing existing laws. Apart from these two sources, mujtahids have other methods such as the *qiyas* method, the *ad-zariah* method, the *maslahah murlahah* method and several other methods. The fact that every transaction activity must avoid the attitude of *batil*, meaning that the transactions carried out must be in accordance with and in line with the values contained in Islamic teachings, and do not do anything that is prohibited, then in the transaction does not involve something damaged, useless, useless and fake goods. So if it is related to the use of cryptocurrency, currently the users of this currency use more trading and speculation tools, this aims to gain profits from trading and investment activities by carrying out speculation as an uncertain part, so in this kind of Islam it contains elements of *maysir*, elements of *gharar*, and elements of *usury* (Umam et al., 2020).

This type of crypto currency is analogous or likened to the exchange between gold and silver, crypto itself in terms of currency can be exchanged for previously existing types of currency such as yen, dollars, ringgit, rupiah and others, in discussions of *fiqh* it is often known as *sharf* which is currently

**Comment [M14]:** Please revise and proof read the article



also popularized in the world of sharia finance. The high priest Ibn Taymiyah explained in the Majmu' Fatwa: money is something in the form of an object whose existence has been mutually agreed to be used as a legal medium of exchange, even if the form is only a piece of wood or a piece of stone. This definition shows that the use of cryptocurrencies as currency is permissible and legal. This opinion is strengthened and emphasized by Imam Gazali with the main condition, namely that its use is officially issued and also circulated by an authority institution formed specifically by the government to handle this matter and the government has provided certainty as a valid transaction tool. official and legal in terms of payments, but as far as we observe and know this Cryptocurrency in several countries there are still differences of opinion and debate, including in our country, namely Indonesia. So the use of crypto that has been carried out by the public as a means of payment transactions in buying and selling is not valid from the perspective of Islamic sharia, because our religion emphasizes always obeying the rules as long as it is for good. Cryptocurrency has no physical form and its clarity is doubtful, there is no legal legality either nationally or internationally, that's why it is still categorized as gray or sub-hat, especially since this crypto is used for speculative trading and investment, hence containing elements of maysir.

This electronic/digital currency called crypto has from the past until now become a special concern for the international community, there are people who are pro against crypto and there are also people who are against this cryptocurrency. The differences are mainly in terms of legality in the use of crypto, both from the perspective of religious teachings, especially Islamic teachings, as well as from the side of positive law. The volatility of prices and the uncertainty of this currency that makes Cryptocurrency has not been legally recognized by the government. In principle, Islamic sharia views that the origin of all forms of muamalah, including buying and selling, is ibahah or permissible as long as there is no argument that prohibits muamalah. However, when reviewed further, cryptocurrency turns out to contain elements of jahalah (uncertainty) because it is often used as an element of trading that contains elements of maysir and falls into ribawi practices, where investors flock to buy this crypto at cheap or even as low prices as possible with the hope and main goal of being able to sell this crypto when prices are rising or even very high even though the situation could be otherwise. With this it can be concluded that digital cryptocurrencies are only used as a means of speculation and not as investments.

**Comment [M15]:** Author could make table contain resume for literature and and discussion about cyrptocurrency

**Comment [M16]:** Please add the discussion further



**Figure 1. A Beginner's Guide to Trading Bitcoin**  
Source: OspreyFX, 2022

Some aspects of the disadvantages of using this cryptocurrency include being vulnerable to the risk of bubble economy, which can harm the wider community. In addition, cryptocurrencies are not supervised by the state financial services authority and have not been fully legalized by the central government, so that they can cause great harm, both for money laundering, criminal acts, corruption and other crimes. On the other hand, the Indonesian Ulema Council has issued its fatwa regarding the sale and purchase of digital currencies (Cryptocurrency) and electronic money with Number: 116/DSN-MUI/IX/2017, which reads, transactions in the form of buying and selling currency are basically *ibahah* or permissible with several conditions: not for chance (speculation), for savings (just in case), the transaction amount is the same in the same currency and if it is not the same with the exchange rate system and cash, apart from the four things above, electronic money transactions must also avoid elements of usury and *Gharar* (Masruron, 2021).

### **The Concept of Cryptocurrency Currency in the Scope of Islamic Economics**

In Islamic economics, etymologically money is *al-naqdu* which means cash. The word *nuqud* itself does not exist in the book of Allah (Qur'an) and the Sunnah of the Prophet (Hadith), because people or nations in Arabia do not use the word *nuqud* in everyday life to indicate price. There the *dinar* and *dirham* are more popular (gold currency and silver currency). In principle and basically money has the main function as a unit of calculation and a standard for measuring prices, besides that money also has other functions, such as a

**Comment [M17]:** What is the urgency taking this picture here?

**Comment [M18]:** bitcoin and cryptocurrency are two different terms in digital finance. This research discusses crypto but this sub-chapter discusses Bitcoin? It could be further clarified that this sub-chapter focuses on bitcoin or crypto

What is the different of these heading than the previous one?

this part might be specialized in Indonesia's context

medium of exchange, a means of storing value and a standard of delayed payment, but the type of money is increasingly transformed as well as digital currencies, especially bitcoin. Basically, the emergence of cryptography-based Bitcoin and its presence can support and facilitate buying and selling activities based on electronic (digital) currency or can also be called the term cryptocurrency.

*Cryptocurrency* ini secara regulasi saat ini tidak diberikan ruang pemerintah, sehingga dari sisi alat pembayaran juga tergolong tidak sah atau tidak resmi sesuai peraturan BI No. 16/40/PBI/2016. Konsep *Bitcoin* sendiri terdapat privasi mutlak sebagai keunggulannya, dalam hal ini memungkinkan bagi setiap pengguna berdaulat secara penuh atas kepemilikan *Bitcoin* ini, tidak adanya kewajiban ketergantungan terhadap sistem perbankan terutama perbankan sistem konvensional, dan tidak pula memerlukan intervensi atau keterlibatan dari institusi atau lembaga apapun. Uang Elektronik (digital) dikatakan resmi dan sah sebagai alat pembayaran jika memenuhi aspek atau syarat yaitu peredaran uang elektronik berdasarkan jumlah uang yang disetor (rupiah), bilamana aspek di atas terpenuhi serta berbagai pihak mensepakatinya, maka secara otomatis uang tersebut dapat dipergunakan dalam menunjang kegiatan masyarakat (Chaira, 2021).

Bitcoin itself is not the same as digital or electronic money because it is always produced continuously through several mining steps so that in terms of requirements it is not met like electronic money. The basis used as the legal basis is contained in Law Number 7 of 2011 concerning Currency (hereinafter referred to as the Currency Law). Article 1 paragraph 1 of the Currency Law states that currency is money issued by the Republic of Indonesia, hereinafter referred to as Rupiah, and this is confirmed by the statement that money is a legal means of payment and the state recognizes it, and is valid in the region.

Bitcoin as a means of payment in trade transactions in Indonesia cannot be recognized as valid, but in Article 21 paragraph 2 of the Currency Law there is an exception that the use of rupiah is not mandatory in the case of certain transactions in the context of (1) implementation of the APBN (2) receipt or provision of grants from or abroad (3) export-import transactions (4) foreign currency deposits in banking or LC. Based on the explanation of these legal materials, Bitcoin transactions in the community can still be used or have legality as long as they follow Article 21 paragraph 2 of Law Number 7 of 2011 concerning Currencies (Jati, 2021).

Bank Indonesia responded to the circulation of Bitcoin and other cryptocurrencies in a statement where BI provides an official statement that Bitcoin or other types of virtual currency are not official and legal means of

Comment [M19]: Written in english

payment or currency in Indonesia. The public is advised to always be alert to Bitcoin and other virtual currencies that are currently popular because any risk to them is a personal risk. Despite the technical provisions regarding the implementation of the physical market on the futures exchange, transactions with cryptocurrency are permitted as the subject of trading crypto assets or digital assets, for now cryptocurrency can only be an investment tool whose rounds are only bought and then sold, however, the legal position of Bitcoin as we know it is not recognized as a legal and official transaction tool and Bitcoin is said to be legal and official if it is used as a crypto asset on a futures commodity exchange.

A different view was also conveyed by the Indonesian Ulema Council where the ulama have different opinions on the legal status of bitcoin, but the 7th MUI Fatwa Commission Ulama Ijtima which was held 9-11 November 2021 carried out an analysis and study of cryptocurrency from a legal perspective. This analysis and study resulted in the decision: (1) The use of cryptocurrency is haram; (2) Cryptocurrency as a digital or electronic commodity is not legally traded; (3) Cryptocurrency as a commodity fulfills the sil'ah and underlying and has clear benefits, so the buying and selling law is valid. Based on the results of analysis and studies by scholars, cryptocurrency as a currency is haram according to sharia, because transactions contain elements of gharar and elements of dharar. Gharar because Bitcoin was created by an unknown and unknown person with the name Satoshi Nakamoto as a pseudonym. The name is included in the Whitepaper on Bitcoin. Until now, the inventor of Bitcoin himself is still a mystery (Hamin, 2020).

Bitcoin is a peer-to-peer payment system with a decentralized network concept, this system is supported by users without intermediaries or central authorities. The Bitcoin system is very suitable and relevant for certain circles of internet users. However, to implement it, an authority appointed by the state or government is required which has the right to provide legality for various transactions that occur. If the responsible authority does not exist, then automatically the uncertainty of these transactions is full of very high risks. Apart from that, cryptocurrency itself has no physical form, which means it cannot be held and its existence is on the network, so the intrinsic value of this type of currency also does not exist. Cryptocurrency has functions and benefits that are almost the same as currencies that have been circulating on the market for a long time.

Strictly speaking, the government does not provide validity and permission for Bitcoin because this type of Bitcoin is not tied to and guaranteed by certain tangible assets and its value is unstable (high volatility)

**Comment [M20]:** discussions related to definitions should be in a literature review

which is uncertain and can change uncontrollably. In such circumstances, the operation of this type of currency is declared unclear (gharar) from an Islamic perspective, especially in studies related to finance. So based on the provisions described above, that Bitcoin does not include a legal form of official currency or issued by authorized institutions owned by the State, then in terms of legality legally the Bank Indonesia Law the position of Bitcoin is illegal (not recognized) (Wijaya, 2018).

Another aspect that takes into consideration the existence of Bitcoin is that it lies on the side of its madharat, which tends to be greater than the benefits that can be obtained if used as a currency for transaction tools and as a commodity. The application of the law to the Bitcoin case shows that transactions using cryptocurrencies such as Bitcoin are like buying something that is unclear, both the quantity and quality of the goods, this means that transactions using Bitcoin contain elements of gharar / uncertainty. transaction and business activities are included in muamalah problems between humans and fellow humans. As is known, the initial law of business transactions is permissible, but it can turn into haram if there are other factors that enter. The activity of issuing money as a sign of legality of means of payment in a country, shows that these activities are a problem that is under the protection of the general rules of Islamic shariah. This is because the issuance of currency and the determination of the nominal amount in it is a fundamental matter related to the benefit of many people. The issuance of money that is not done with a careful attitude will encourage great harm to the community's economy and the benefit of a country (Windiastuti, 2019).

Bitcoin is essentially a transaction tool, only in digital or electronic form, its existence as a currency is considered legal provided it is recognized by the country where the transaction occurs. Bitcoin in our country is not the government that issues it and BI as the competent authority does not recognize it. From the legal aspect and point of view, the existence of this currency is not an offense, let alone its use can be criminalized at this time, but there needs to be certainty as soon as possible regarding the permissibility or prohibition of this currency in Indonesia so that the public is not confused. Bitcoin is not only assessed in terms of form, but assessed in terms of its benefits and uses. From a sharia point of view, buying and selling transactions with this currency are not permitted if there is an element of speculation or gambling, especially if it is used as a means for betting for its users so that more harm is generated. From the MUT's own point of view, they are still carrying out various studies and more in-depth analysis of Bitcoin, and they have not verbally or in writing issued an official fatwa on Bitcoin regarding the law of its use because there is still disagreement among

MUI scholars, some of whom prohibit it and some have not yet determined a definite attitude.

The benefits and harms of cryptocurrency according to the view of Islamic teachings. Actually, there are so many potentials that can be caused by the emergence of cryptocurrency itself, ranging from the advantages, ease of transactions, and even losses. In fact, every transaction carried out, especially financial transactions, is carried out in a muamalah manner, it is hoped that the benefits can be felt by the parties who have an interest and are related to the transaction, one of them can achieve a benefit. However, after further review of the use of Cryptocurrency as a digital currency, especially when conducting online transactions, it turns out that there are many elements of harm. That means there are a lot of risks that can be caused by the existence of Cryptocurrency and can harm its users, so this practice is not in accordance with the provisions of sharia taught by Islamic teachings, namely, muamalat transactions that cause harm should be abandoned, as stated in several verses of the Qur'an (Masruron, 2021).

Actually, the concept of the rule provides an understanding that humans must be kept away from harm, both by themselves and by others, because all religious commands are set for the good of humanity itself, all religious prohibitions should be set solely to prevent various forms of mafsadat (damage). This principle in analyzing problems is a very important and fundamental part of Islamic law in determining a law. Thus, all forms of benefit (goodness) must be maximized to achieve it, conversely all forms of damage that cause loss (mafsadah) must always be avoided by not doing it. So to avoid some of the misfortunes that can arise from the practice of digital money (Cryptocurrency), we are always alert and careful, especially about something we have just done. The use of bitcoin as a commodity or transaction tool needs to be taken into account and considered between the benefits obtained and the risks borne, even though the profits obtained are large, the risks borne are much greater than those profits, so we need to avoid them.

Departing from the above provisions that the existence of digital money (Cryptocurrency) it is not a currency whose existence is the result of an official publication by a certain country's official authority, because from the legality of this currency, namely a circular from BI as the authorized party, stating that Cryptocurrency does not receive recognition for its circulation, states that Cryptocurrency is not recognized as a form of currency circulating in the country. The aspect that is taken into consideration is in terms of the harm, which is greater than the benefits, both when used as a means of payment and as a transaction tool. Cryptocurrency's existence and use as a

transaction tool for buying and selling activities in the form of a means of payment is categorized as syubhat, where the Islamic religion orders all of us as its people to abandon this, because its existence is not useful and actually takes us away from the goals of Islamic law, namely the benefit of all people (Darmawansyah, 2021).

The increasing role of technology and information among humans, apparently has a lot of influence on the development of legal fatwas that are urgent to issue. Although the various legal fatwas are not so certain about their position, when viewed from various sides, namely in terms of legal rules that have been summarized by previous scholars by looking at various similarities in the 'illat law. So to answer various legal rules that have not been precise, one of them is determined through the provisions contained in the Qur'an and As-Sunnah. The rupiah currency is currently the only one recognized in Indonesia as a legal currency. Regarding the issue of using Cryptocurrency, the responsibility and risk is the responsibility of the parties who use it. To date, the Indonesian government has not prohibited the existence and circulation of this money. The government is not responsible for the impact of electronic money transactions.

### **Conclusion, Implications, and Suggestions**

Based on the discussion and analysis above regarding cryptocurrency transactions when viewed from the view of Islamic economic law, several findings can be outlined, namely, As a digital financial transaction system, cryptocurrency basically uses relatively new technology, while the nature of its legality still needs to be studied more deeply, but it is not a form of violation. In Indonesia itself, the government has not taken a definite stance on the existence of the Cryptocurrency, so people are still allowed to use it even so, investing with cryptocurrency has a very high risk because its value can increase or decrease drastically and unpredictably. In addition, Bitcoin as an example of cryptocurrency is also considered unofficial in Indonesia, this is because Bank Indonesia (BI) and the Financial Services Authority (OJK) have no responsibility for any potential problems that might occur during the use of Bitcoin as a means of payment, both as an investment and as a means of business transactions. Meanwhile, when viewed from an Islamic economic perspective, transactions using cryptocurrencies are classified as having no clarity in terms of both quality and quantity so that they have an element of gharar. The concept of Bitcoin as a transaction tool according to the Indonesian Ulema Council is haram, because Bitcoin itself contains gharar or uncertainty and is not in accordance with the provisions in Indonesia, especially in terms of existing legislation. Gharar in this case is because there

**Comment [M21]:** What if Indonesian people use crypto for transactions while as explained in this article the government only protects investors?

are several main factors that are taken into consideration, including that the inventor (owner) is unclear, until now there is no authority or financial authority in a country that provides certainty regarding the validity of this transaction, intrinsically it has no value, in The economic system does not have legitimacy, volatility is high, from a monitoring perspective it is difficult to carry out the inventor (owner) is unclear.

The implications of the research results, especially from an Islamic economic point of view, are the need to avoid something that is *subhat* like the type of cryptocurrency in the form of Bitcoin. Because the concept of Bitcoin as a transaction tool according to the Indonesian Ulema Council is *haram*, which contains *gharar* or uncertainty and is not in accordance with the provisions in Indonesia, especially in terms of legislation and is classified as an investment that has a very high risk.

Understanding the concept of Bitcoin should be a lesson for us as a generation of Muslims who live in an age of advanced technology to be more careful in carrying out muamalah activities, especially the transaction tools used. Although the basic law is *ibahah* or permissible, but because there are elements that are prohibited in religion, it should be abandoned in order to seek the pleasure of Allah SWT.

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**Comment [M22]:** What are the implications of future research, please add some



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**Comment [M23]:** This reference is not listed in this article

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**LETTER of ACCEPTANCE**

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Penulis : Maryam Batubara dan Muhammad Tho'in

Afiliasi : Universitas Islam Negeri (UIN) Sumatera Utara Indonesia; dan  
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