

FROM FIQH TO FINANCE: ASSESSING BITCOIN STATUS IN INDONESIAN MONETARY SYSTEM

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ABSTRACT – The rapid advancement of information technology, coupled with the growing global digital economy and the public's demand for reliable and secure payment methods, has led to the development of various digital currencies, including cryptocurrencies. These currencies operate on the principles of supply and demand, with Bitcoin emerging as the predominant cryptocurrency. This study aims to analyze the potential and challenges associated with using Bitcoin as a medium of exchange or as a commodity in Indonesia. Utilizing a qualitative approach, the research extensively employs library research methods, collecting data from a range of scholarly sources such as articles, books, and other pertinent documents. From the perspective of Islamic jurisprudence (*fiqh*), this study finds that electronic money is deemed a legitimate transactional instrument, akin to physical currency. Any costs incurred during the top-up process are regarded as wages or fees (*ujrah*). Should Bitcoin achieve the status of a currency, it would be subject to currency exchange laws (*al-sarf*) and be classified as usury property (*al-maal al-ribawi*). However, Indonesian financial authorities, the OJK, have enacted regulations that prevent financial institutions from offering and facilitating the sale of crypto assets. Although Bitcoin can be traded as a commodity under the oversight of the Ministry of Trade, through its agency, Bappebti, it is not legally recognized as a payment instrument in Indonesia. Consequently, its integration into financial transactions may pose more disadvantages than advantages due to its lack of legal status as a medium of exchange.

Keywords: bitcoin, *fiqh muamalah*, cryptocurrency

ABSTRAK – *Dari Fikih ke Keuangan: Menilai Status Bitcoin dalam Sistem Moneter Indonesia.*

Pertumbuhan teknologi informasi yang pesat diikuti perkembangan ekonomi digital global, dan kebutuhan masyarakat akan metode pembayaran yang handal dan aman, memunculkan berbagai mata uang digital, termasuk cryptocurrency. Nilai uang ini didasarkan pada prinsip permintaan (*demand*) dan penawaran (*supply*), dimana Bitcoin menjadi mata uang kripto yang paling populer. Penelitian ini bertujuan untuk menganalisis potensi dan tantangan penggunaan Bitcoin sebagai alat tukar atau sebagai komoditas di Indonesia. Dengan pendekatan kualitatif, studi ini menggunakan metode library research dengan mengumpulkan data-data dari artikel, buku, dan berbagai sumber ilmiah relevan lainnya. Temuan penelitian menunjukkan bahwa dari sudut pandang fikih, uang elektronik dianggap sebagai alat pembayaran yang sah, disamakan dengan uang fisik. Untuk biaya-biaya yang dikeluarkan selama proses pengisian ulang dianggap sebagai *ujrah*. Jika Bitcoin berstatus sebagai alat tukar resmi, maka pengaturannya akan berada dalam konteks *al-sarf* dan dikategorikan sebagai harta *ribawi* (*al-maal al-ribawi*). Akan tetapi, OJK sebagai otoritas keuangan di Indonesia telah menerbitkan aturan yang melarang lembaga keuangan menggunakan, memasarkan, dan memfasilitasi perdagangan aset kripto. Meskipun Bitcoin dapat diperdagangkan sebagai komoditas di bawah pengawasan Bappebti Kementerian Perdagangan, ia tidak diakui sebagai instrumen pembayaran di Indonesia. Oleh karena itu, penggunaannya dalam transaksi keuangan berpotensi menimbulkan lebih banyak kemudharatan dibandingkan kemaslahatan akibat ketiadaan status hukum sebagai alat tukar.

Kata Kunci: Bitcoin, *fikih muamalah*, uang kripto

INTRODUCTION

The global digital economy and information technology have driven the need for a secure payment system, crucial for economic and financial sectors. This system, divided into cash and non-cash categories, addresses the need for speed, convenience, and security in transactions. With the limitations of cash systems, society has leaned towards non-cash methods. Bank Indonesia has developed five types of non-cash systems to meet these needs. The rise of e-commerce has seen cryptocurrencies like Litecoin, Ethereum, Dogecoin, and Bitcoin become common payment forms. Bitcoin, an open-source, peer-to-peer payment network, is instantly recognized by the bitcoin database network (Darmawan, 2014). These currencies derive their value from supply and demand, making them convenient, practical, and efficient for trade transactions.

However, the biggest problem underlying the virtual currency ecosystem in Indonesia is not the misleading definition, but the lack of a clear direction in national policy regarding how to specifically regulate the cryptocurrency market and legally protect the variable parties (Chang, 2018). Financial service providers trading or transacting in Bitcoin may face penalties from the Financial Services Authority (OJK). Bitcoin holders face risks including high volatility, lack of real supporting assets, and absence of regulatory protections. Bitcoin can be classified as *gharar* and *maysir* commodities due to lack of oversight, potentially leading to economic injustice (Wartoyo & Haerisma, 2022). The Indonesian Ulema Council's (MUI) Fatwa prohibits using Bitcoin as currency due to violation of regulations and elements of *gharar* and *dharar*. It is also illegal to use Bitcoin as a commodity or digital asset due to non-compliance with requirements and elements of *gharar*, *dharar*, and *qimar*. Despite of that, some people still use Bitcoin for transactions or investments.

Several studies have found that Bitcoin's harm (*mafsadah*) outweighs its benefit (*maslahah*). Meera (2018) stated that Bitcoins are not Shariah-compliant due to lack of real asset backing. Billah (2019) argued that Bitcoin and digital money fall short of Islamic economic law criteria due to obscurity (*jahalah*), high speculation, and potential harm. Nurhisam (2017) examined Bitcoin's use in online transactions and its legitimacy in commodity futures trading. Wartoyo and Haerisma (2022) suggested that cryptocurrency's harm significantly outweighs its benefit. Sungit (2017) proposed a prohibition on the use of Bitcoin and other cryptocurrencies in Islam. Arminanto and Firmansyah (2022) analyzed Bitcoin's influence on the national economy and its legal status



in Indonesia. Sularno and Budiasih (2022) discussed Bitcoin's legality as a payment instrument in Indonesia.

The above studies highlight research gaps that offer further exploration opportunities. These include understanding the factors influencing cryptocurrency use, focusing on its regulation, comprehending Bitcoin's surprising success, studying Bitcoin trading's influence and impact on the national economy, and addressing the challenges and contributions of cryptocurrency regulation. These gaps pave the way for more research on Bitcoin from Islamic economic law and Indonesian law perspectives. This study aims to provide a comprehensive analysis of Bitcoin, including its potential benefits and drawbacks as a transaction instrument, its status as an exchange tool and virtual commodity, and its role and impact on the economy.

This study could enrich the understanding of Bitcoin and other cryptocurrencies from Islamic economic law and Indonesian positive law viewpoints. It could offer insights into Bitcoin's benefits, drawbacks, and its role as a transaction instrument and virtual commodity. The findings could guide policymakers in creating relevant policies and aid individuals and businesses in making informed decisions about using cryptocurrencies. The remainder of this study is organized as follows: Section 2 provides a literature review to enhance the reader's understanding of relevant theories. Section 3 outlines the methodology used for this study. Section 4 presents the results and their discussion, and Section 5 concludes the study, followed by a list of references.

LITERATURE REVIEW

Understanding Bitcoin

The term 'bitcoin' is derived from the English language, combining two syllables: 'bit', which refers to a basic unit comprising sub-units, and 'coin', indicating money. In this context, 'coin' pertains to virtual currency, akin to the rupiah and dollar. Bitcoin represents one of the New Payment Methods (NPM) in the realm of virtual currencies. However, there are authors who define bitcoin as a decentralized peer-to-peer payment network, which is autonomously controlled by its users without the need for any central authority or intermediaries. The definition provided by bitcoin's creators is "A purely peer-to-peer version of electronic cash that enables online payments to be sent directly from one party to another without passing through a financial institution" (Bitcoin.com, 2023).



This peer-to-peer electronic cash system facilitates online payments directly between parties without the involvement of financial institutions. Therefore, bitcoin is regarded as a fully decentralized global transaction system that aims to partially replace the conventional ledger system used in financial transactions, with the goal of reducing transaction time and costs. Bitcoin first emerged on January 3rd, 2009, introduced by an individual or group using the pseudonym Satoshi Nakamoto (Nakamoto, 2019). According to its creator(s), the currency was developed to offer convenience and security in payments. Bitcoin transactions can be executed instantly, with security provided by cryptographic algorithms, and transaction proofs are distributed across a network without the need for a third-party or central server to control the currency's value. This mechanism allows for transactions that are both cheaper and faster (Smith, 2022).

Cryptography is a crucial discipline within information security. In recent times, mathematicians and computer scientists have found new applications for cryptography, one of which is its potential to support societal transactions through the buying and selling of digital currency, known as cryptocurrency. Cryptocurrency is a form of digital currency that is not governed by any central authority and does not constitute an official currency. The concept of cryptocurrency forms the basis of digital currency development and is best exemplified by bitcoin, which functions as a payment tool similar to traditional currencies (Hyseni, 2023).

Bitcoin is systematically created by the Bitcoin network to meet the demand and requirements of the currency, based on valid mathematical calculations. Furthermore, Bitcoin offers a more convenient payment method that does not require bank accounts, credit cards, or intermediaries such as joint accounts. It is cash stored on a computer that can be utilized to replace conventional cash in online transactions. Unlike other online currencies, which are usually linked with banks and use payment systems like PayPal, Bitcoin is distributed directly among its users without the need for intermediaries (Darmawan, 2014).

Bitcoin can be obtained in two ways: (1) Buying Bitcoin by exchanging regular currency for Bitcoin. There are several Bitcoin or cryptocurrency exchanges in Indonesia where users can buy and sell this cryptocurrency using rupiah (Vermaak, 2021). (2) Mining Bitcoin, which is more accurately described as "Bitcoin Mining." Essentially, anyone is capable of "earning their own Bitcoin" if they have the necessary facilities (Aaron, 2023). The primary device used is



a sophisticated computer with an Application-Specific Integrated Circuit (ASIC) or other similar advanced devices. The users of these devices can assist with Bitcoin transactions worldwide. Additionally, in the process of "creating" Bitcoin, they validate transactions through complex mathematical formulas. In return for providing this service, the device user will be rewarded with compensation in the form of a certain number of Bitcoins from the system (Phillips, 2021).

Bitcoin from a Fiqh Muamalah Perspective

The advancement of information and technology can significantly influence the need for urgent development and issuance of new legal rulings (*fatwas*). Although existing fatwas may not comprehensively address every issue in *muamalat* (financial transactions), a thorough examination from various viewpoints—such as the legal principles established by early Islamic scholars (*Ulama*) based on the causation in law (*'illat*)—can lead to appropriate legal rulings for matters not explicitly covered in the Al-Quran and as-Sunnah.

Fiqh muamalah does not specifically mention Bitcoin or similar entities. However, every principle applicable to Bitcoin has been discussed within the domain of Fiqh muamalah. These principles encompass the concept of wealth (*al-maal*), currency exchange (*sarfu*), contracts (*aqad*), and business transactions, as well as the potential benefits and drawbacks for users. Therefore, an analysis of Bitcoin from a Fiqh muamalah perspective should address specific points as outlined above.

METHODOLOGY

This study employs a qualitative research approach, utilizing library research methods. Researchers engage in narrative analysis to comprehend how participants construct stories and narratives from their personal experiences. The primary sources for this study were gathered from journal articles, laws, books, articles, reports, and other documents, with a particular focus on Bitcoin as a cryptocurrency. The title and research questions were formulated by reading, examining, and deeply analyzing discussions on Bitcoin, referencing a wide array of literature including the Qur'an, hadith, fiqh muamalah books, fatwa from the DSN-MUI, and Indonesian law—specifically Law No. 7/2011 about currency—and other regulations related to currency and payment systems in Indonesia, to procure valid information.



The data analysis technique employed in this study is the descriptive method, which aims to describe and interpret existing conditions, prevailing opinions, and developing trends. Additionally, this study also utilizes the comparative method to discern the reasons for differences and/or to compare one opinion with another.

RESULTS AND DISCUSSIONS

An Overview from the Currency Aspect

Money or payment tool in the economy has always changed throughout the ages, not only in terms of its form but also in terms of its payment system. At the beginning of the Islamic era, noble metals such as gold and silver were used as the main tools of payment. Further, payment instruments have continued to evolve in the form of paper money and checks, thus considered as money. In line with the development of knowledge and technology, humans succeeded in discovering e-money. Electronic money is intangible, unlike coins and paper money. It only appears in electronic form, for example, debit cards, smart cards, and e-cash. E-money, which looks more like a credit card, allows consumers to directly buy goods and services and enables the transfer of funds from the buyer's bank account to the seller's bank account. In addition, e-money can only be used in places with credit card payment facilities (Mishkin, 2010).

Islam has complete literature about money, starting from the definition and characteristics of money and also the laws that rule the use of money in people's lives. The Ministry of Islamic Religious Affairs of Kuwait defines money as "something used for exchange, for example, gold, silver, copper, leather, paper, or anything, as long as it is widely accepted by most people" (Ministry of Awqaf and Islamic Affairs, 1980). Furthermore, Abdullah bin Sulaiman defines "*Naqd* (money)" as referring to everything that can be used as a medium of exchange and is generally accepted (*'urf*), whatever its form and condition" (al-Mani, 1996). Similarly, another Islamic scholar (*ulama*) stated that "*Naqd* is something that is perceived as having a price (*tsaman*) by people, consisting of metal or printed paper or other materials, and issued by an authorized financial institution" (Qal'ah Ji, 1999).

In fiqh, issues regarding currency or money itself are still widely debated among Islamic scholars (*ulama*), where some of them forbid and allow the use of currency other than gold and silver or dinar and dirham, while others permit making money from anything other than gold and silver as currency and law of



the use of fiat money (Yacoob & Ahmad, 2014). According to the second point of view, which is the permissibility to use anything other than gold and silver as currency gives an opportunity to discuss the law of bitcoin as a currency or as a commodity. This opinion is supported by a theorem (*dalil*) where history mentioned that ‘Umar al-Khattab once said: “I wish to create dirhams from camel hide.” Then it was said to him, “If so, the safety of camels would be worried in the future.” And then he canceled the plan (al-Baladhuri, 1983: 206). Moreover, the author of *The Majmu’ al-Fatawa* explains that “money is an object agreed upon by its users as an exchange instrument even though it is made of a single piece of stone or wood” (Ibn-Taymiyyah, 2001).

However, if reviewed from fiqh law, according to Al-Ghazali, quoted by Wahbah Zuhaily, conditions for a thing to be considered as money are that it must be printed and distributed by the government; furthermore, the government must state that the money is an official payment instrument in a region, and they must have reserves of gold and silver as a benchmark for circulating money (Al-Zuhaily, 1989).

Based on the previous statement, it is understandable that money as an exchange tool not only consists of gold and silver but also can be made in other forms that are widely accepted by its users (Elkamiliati & Ibrahim, 2014). Therefore, electronic money or virtual currency (exchange tool) generated by a computer that has been used to buy goods and services both online and offline and has been accepted by some vendors as an alternative payment instrument from official currency, such as rupiah and dollar, is also considered as currency.

Islam needs to give an answer over the use of e-money as a payment tool, even though in classic books it has not been discussed yet in detail; however, it has embodied a complete philosophical framework. Islam recognizes that the more advanced technology becomes, the greater the impact will be on changes in human culture to be more effective and efficient. Hence, it can affect the economy's payment system, thus leading to people's preference for using electronic payment systems instead of cash-based system transactions due to the convenience offered by electronic payment. What is meant by electronic money is virtual currency in the digital world; even though its design is unlike other currencies', still it is considered the same as other currencies in terms of its value and status; hence this electronic money is regarded as ‘*Umlah* (currency) which can be stored for a certain time (Al-Haitami, 2008).



To address the above phenomena, therefore the conception of bitcoin as a form of currency is acceptable even though there have been lots of controversies within experts especially because it is still being studied recently by some Islamic scholars (*Ulama*), moreover bitcoin as a payment device still needs many considerations in terms of its impact and benefits according to fiqh muamalah and Islamic law approach and assessment.

Fiqh also discusses shara' protection for who is entitled to issue money as a transaction or a payment tool in a country. This is because issuance and determination of the amount of money are things that must bring *Maslahah* (goodness/benefit) to people as well as avoid them from *Mudharat* (damages) (Al-Haritsi, 2003: 339). Among these negative sides are protecting against loss of trust in the currency, counterfeiting currency, inflation, and losses from people with fixed income due to it. For this reason, fiqh scholars argue that the issuance of money is state authority and individuals are not allowed to issue their own money. As Imam Ahmad said, "It is not permitted to issue money except at the government's official printing house and with the approval of government. Because if people are allowed to do it then they will create great hazard" (Al-Farra', 1985). Additionally, Sheikhul Islam Ibn Taymiyyah al-Jauziah said that "The government should issue the money for them (people) as a replacement value for their *muamalat*" (Ibn-Taymiyyah, 2001).

What has been decided in Islamic fiqh about the issuance of money by government can be clearly reviewed in economy fiqh of Umar r.a. as proof of his ethical principles in practical arrangement where the khilafah state at his time did good deeds by issuing money. As he said: "I wish to create dirham from camel hide" (As-Subhani, 1997). In the same way, it also shows that Umar argued that the issuance of money belongs to an authorized party (*ulil amri*), as he stated in his capacity as a caliph for the Muslims. Moreover, what is meant by *ulil amri* here is the authorized party assigned by ulama to issue money in accordance with certain conditions. Financial authorities, based on their expertise in this area and their commitment to Islamic values, limit the amount of money according to the population's production and growth, and stimulate the pace of economic activity for the future (Ahmad, 1988).

An Overview from the *Aqad* Aspect

After understanding the anatomy of Bitcoin from the previous explanation, it is necessary to discuss any relevant *aqad* (contract) related to Bitcoin activity. If



we consider Bitcoin transactions, the contract that might align with it is *aqad al-maal* (treasure/asset), which is associated with concepts such as *halal*, *haram*, *mubah*, *gharar*, *jahalah*, and other ambiguous contracts (*aqad syubhat*). Another possible contract is *aqad an-nuqud* (money), which relates to the exchange value (*tsamaniyah*), *riba*, and *jahalah*.

The initial discussion begins by determining whether Bitcoin can be equated to treasure (*al-maal*) according to the *fiqh muamalah* concept. This determination is crucial because treasure is one of the *maqasid shariah*, which requires consideration of *haram* and *halal*, wastefulness (*mubadhir*), protecting price (*thaman*), and money (*nuqud*) or medium of exchange (*tsamaniyah*). The author of *Kitab al-Asybah* describes asset determination (*al-maal*) and *mutamawwal* (things that can be valued). According to Imam Shafi'i, *maal* refers to all things that have a price and can be used as a medium of exchange and can be replaced when broken, such as money and similar items (Wardiah, & Ibrahim, 2013). Furthermore, *mutamawwal* refers to things that are useful and can replace the price value in *aqad muamalah* (As-Suyuthi, 1997).

As previously mentioned by as-Suyuthi, these characteristics also apply to Bitcoin; indeed, it is categorized as a "virtual asset." Therefore, it can be used as a transaction tool as well as an investment object. Moreover, *fiqh* classifies Bitcoin as a virtual asset that resembles *dain* (receivable) and can be used as a legal transaction instrument through the *istibdâl* process (substitution of receivable). If Bitcoin is included in the category of wealth, then the rule that will be applied is *mubah* (permissible) since every property used by someone to gain benefit, compensation, or a valuable gift is prohibited from transactions containing *gharar*, *maysir*, and speculative (gambling) elements, as well as other commodities that can be transacted, inherited, and considered as property rights (Al-Kaustar, 2018).

Furthermore, if Bitcoin is similar to common property, then it is tradable and included in the investment category. However, if Bitcoin is categorized as part of an investment, it could lead to *gharar* (speculation that harms others) since its existence is not supported by real assets; its price is uncontrollable, and no one can officially guarantee its presence. This could lead to speculation resulting in unlawful acts (*haram*). Similarly, *Muntada al-Iqtisad al-Islami* states that the implementation process of Bitcoin is exposed to risk at least at four points: (1) *Gharar*, (2) *Jahalah* and gambling (*qimar*), (3) *Sadd Zariah*



since it leads to *riba*, and (4) it does not meet the *maal mutaqaawim* category from the provision of *sharia*.

If Bitcoin falls under the categories of *gharar* transactions, then as stated in *al-Mu'jam al-Wasit* (Dhaif, 2011), *gharar* is considered as *khathr* (betting). Ibn Taymiyyah explained that *gharar* is an uncertain thing (*majhul al-'aqibah*). Similarly, according to al-Sa'di, *gharar* is *mukhatarah* (betting) and *jahalah* (uncertainty, hazard) and can be classified as gambling (Sungit, 2017). Moreover, indecision in Bitcoin possibly occurs in two ways: firstly, in terms of physical appearance (*'ain*), Bitcoin is intangible; it cannot be seen or touched. Secondly, regarding the presence of Bitcoin itself, it brings more harm than good.

Furthermore, some Islamic scholars state that Bitcoin is closely related to currency, specifically in the electronic money category. According to Sheikh Salim Samir and Habib Abdullah bin Smith, electronic money is similar to debts and receivables (*duyun*), based on its content which is *nuqud* that can be used in *muamalah* (transaction). Likewise, Sheikh Muhammad Al-Unbasy and Habib Abdullah bin Abu Bakar said that Bitcoin is the same as printed *fulus*; thus, it is legal and lawful according to *muamalah* law (Syamsudin, 2018).

According to *fiqh* law, the status of electronic money is a legitimate transaction tool similar to real money with nominal value stored at the financial institution issuing it. This also applies to top-up payment systems whether directly from the e-money issuer or via an assigned party or other permissible parties. Furthermore, any additional cost incurred during the top-up process will be considered as wages or fees (*ujrah*).

If Bitcoin is acknowledged as currency, then its use will align with other currencies. According to *fiqh* law, it will fall under *al-sarf* law (currency exchange) and be categorized as *al-maal al-ribawi* (usury property). The *al-sarf* law applies to the exchange of money for gold, silver, fiat money, and other cryptocurrencies. The rule applied to exchanges involving Bitcoin is the same as that applied to other currencies; exchanges must be made in equal amounts where both parties must possess or keep the Bitcoins in hand before separating either in terms of ownership or physical form. Additionally, it is not permitted to make certain conditions regarding deferred payment or installments. As currency is part of assets subject to *zakat*, Bitcoin as currency would also be subject to *zakat*. It would also be classified as having conditions for *zakat*



obligation as applied to other zakat subjects. Thus, the above rules would not apply.

On the other hand, although the Indonesian Ulama Council (MUI) has not officially stipulated specific fatwas, they stated, through The National Sharia Council (DSN), that "A transaction involving buying and selling currencies is permitted with the condition that it is not for speculation and does not contain the value of people's need, done precisely according to the al-sarf principle of transaction, where for similar currencies, the nominal must be equal and in cash (*attaqabudh*). However, for different currencies, it must refer to the prevailing exchange rate and in cash." Furthermore, they also mentioned that bitcoin is similar to money since it is a widely accepted exchange tool in society, it has a standard value, and it is a saving instrument.

As decided by *Majma' Al-Fiqh Al-Islami* decision no. 52 (3/6) in 1990, published in The Journal of *Majma' Al-Fiqh Al-Islami* sixth edition, Volume II, page 785, which states, "If a contract of as-sarf occurs between two people who are far apart, are not in one assembly and the perpetrators of the transaction, one with another does not see or listen to each other, while the media between them is writing, letter or a messenger, as this can be applied to facsimile, telex, and computer screens (internet) (OIC, 2021). In this case, the contract (*aqad*) will take place with the arrival of consent and qabul to each party who transacts, then the consent and qabul occurred are immediate, as if both are in one place". Meanwhile, Tarmizi (2018) concluded that transactions using bitcoin are forbidden (*haram*). His opinion is based on some perspectives, which are as follows: (1) Bitcoin is an artificial value which has no real value. (2) The activity of buying and selling or investing in the form of bitcoin contains gambling since people who buy bitcoin expect to gain profit by speculating. (3) The trading of bitcoin consists of elements of gharar, as it does not have clear specifications as well as values, thus high increases in its value occur unreasonably in a short period of time. Additionally, there is no handover process (*qabdh*).

This Fatwa is in line with the policy of Bank Indonesia and OJK which prohibit the use of bitcoin as an exchange tool as well as an investment because it contains uncertainty and has no legal approval from OJK; thus investment in bitcoin is high risk since it entirely depends on the market and there is no guarantee from the government. This situation is similarly applied to Muslim-majority countries.



Furthermore, in Egypt, Grand Mufti Shawki Allam officially states in a fatwa that trading using Bitcoin is "unlawful" according to Islamic shariah. He further explained that using virtual currency is prohibited by the Egyptian government. Along with this statement, Darul Iftaa al-Missriyyah, a religious institution in Egypt, has decided not to allow the use of cryptocurrency, specifically bitcoin, and emphasizes that this kind of currency can violate a country's national security of the financial system (Arab, 2018).

Similarly, the Turkish government also conveys through The Directorate of Religious Affairs that buying and selling virtual currency is incompatible with religion due to the fact that it is exposed to speculation and it is not under the audit and supervision of the state; thus, it is potentially used for illegal activities such as money laundering. The prohibition is based on some basic reasons which are high speculation, susceptibility to being used for criminal actions, and it is not an official currency of the governments (Devami, 2017).

An Overview of the Advantages and Disadvantages

Islamic law encourages individuals to perform their best acts to create and provide benefits in people's lives, while any kind of loss brings harm to human life. Experts in muamalah (Islamic financial transactions) have established criteria for actions that provide *maslahat* (benefit), which are as follows: (1) they can be measured against the principles of maqasid al-shariah; (2) the benefits must be verified through proper research, ensuring there is no doubt about their validity; (3) the benefits must advantage the majority of society, not just a small part; (4) the benefits should facilitate ease and not cause difficulty, meaning they should be manageable (Djazuli, 2003).

Among the benefits provided by bitcoin is efficiency in business transactions, possible for several reasons: (1) The blockchain technology used in Peer-to-Peer (P2P) technology allows for the transmission of data—such as messages, money, or crucial information—from one user to another without needing a third party to execute and validate transactions. (2) This technology is also used to store various business transactions, certificates, and other important documents in a blockchain database, which is difficult to hack or falsify. (3) The transmission of data occurs automatically and efficiently. Additionally, the security of all transactions and data storage is enhanced because the data are replicated across the entire blockchain network, making it difficult for hackers to alter any information since they would have to change the corresponding



data on all users' devices simultaneously. Blockchain technology functions as a ledger where all network participants can trace transactions in real-time, thereby ensuring credibility.

Sungit (2017) highlights several advantages of Bitcoin: (1) Bitcoin can be transferred for payments over the internet. (2) It is accepted worldwide. (3) It offers transparency while securing user privacy. (4) It has high liquidity. (5) Bitcoin is considered both an asset and a store of value. Furthermore, Bitcoin operates without an interest rate system for deposits or financing. It is akin to cash stored in a wallet in a safe—the amount does not increase or decrease without transactions. The value's volatility is primarily influenced by the supply and demand for bitcoin in the market. Another advantage is that its exchange rate is not controlled by central banks or other state agencies, meaning it is not affected by the economic conditions of any particular country, similar to gold or crude oil. Bitcoin uses a global exchange rate that is not tied to any country, simplifying international transactions by eliminating discussions about adhering to a particular country's currency system. Additionally, the decentralization of Bitcoin is advantageous because it eliminates intermediary costs.

Cryptocurrency can be used for various transactional activities currently available in the market, such as: (1) Buying and selling Bitcoin on the stock market, which has fewer entry barriers compared to the financial stock market and allows people to start trading immediately. (2) For personal spending, where individuals can use digital currency to purchase goods and services as long as the merchant accepts digital payments. (3) For crowdfunding purposes, where Bitcoin facilitates community support through crowdfunding platforms, with profits being free of charge unless project requirements are met.

However, there are also disadvantages to using bitcoin, especially as a currency in Indonesia: the absence of legal protection regulating bitcoin's circulation. In cases of misuse, such as theft, money laundering, fraud, or other criminal acts, there is no responsible institution due to its decentralized nature. Consequently, bitcoin could potentially become worthless in the future. The peer-to-peer system that facilitates money transfers also introduces the possibility of more complex transaction systems due to its simplicity, which may compromise security. Transactions are irreversible, increasing the risk of fraud. There is also a lack of protection or guarantees comparable to those provided by banks or credit card companies.



Therefore, Bitcoin is not recommended at this time until official regulations are established and DSN-MUI issues a fiqh law regarding muamalah activities. It should also be considered that in all situations, "Refusing damage is more important than attracting benefit" (Washil & Azzam, 2023). In essence, Islamic principles dictate that humans should avoid harm (*iḍrār*), whether self-inflicted or caused by others, and should not engage in actions that could harm others. All religious commands are intended for their benefit in this world and the hereafter.

On the other hand, all prohibitions in religion are set solely to prevent the occurrence of any kind of damage (*mafsadat*) in the world and the afterlife. These basic principles are the main foundation for every law stipulated in Islamic Shari'a. Therefore, all goods and *maslahat* (benefits) should be pursued, while all *mudharat* (harm) and *mafsadat* (damage) must be avoided (Rahman, 1976). Accordingly, there must be an obligation to protect ourselves from loss or, in other words, take preventive actions to avoid harm. Among all actions that can be taken to avoid disadvantages are as follows: (1) Prioritize caution, especially when using something, for example, bitcoin, either as a transaction tool or as a commodity; (2) Consider all risks involved, whether they are bigger than the benefits or not; if it provides many benefits while at the same time containing greater disadvantages, then it should be reconsidered; (3) Abandon anything associated with risks that can bring losses; (4) Be discerning in transactions and investments regarding commodities because the ability to choose correctly also means the ability to put something in its proper place. Thus, what is required to be achieved, which is benefit, can be realized. Moreover, if at the same time we are faced with choices whether to refuse damages (*mafsadat*) or to achieve benefits (*maslahat*), certainly refusing damages must be prioritized (Djazuli, 2011).

Furthermore, the main purpose of Islamic Sharia is to achieve *maslahah* (goodness) in the world as well as in the afterlife. Actually, in a situation where both damages and benefits are present, where these conditions are balanced and difficult to differentiate, then according to fiqh provision, they must be refused. In this case, avoiding damage is considered more important, or in other words, it is better to protect ourselves from doubtful matters than to engage in them (Rahman, 1976). The Indonesian Ulama Council (MUI), in the 7th National Conference in 2005, outlined criteria for *maslahah* in its decision of fatwa No. 06/MUNAS/VII/MUI/10/2005 as follows: a. *Maslahat*/benefit according to Islamic law is the attainment of the goals of the shari'a (*maqāsid ash-shari'ah*),



which is realized in the form of the maintenance of five primary needs (*ad-dharūriyāt al-khams*), namely religion, soul, reason, wealth, and progeny; b. Benefits (*maslahat*) justified by sharia are those that are not contrary to the text (*nass*); c. According to Sharia, those who have the right to determine the benefit are institutions having competencies in Sharia and are carried out through *ijtihad jama'i* (Mudzhar, 2022; Rosyid, 2019; and Widigdo & Hamid, 2018).

Behind the benefits existing in Bitcoin, there are also factors that could possibly bring harm or damage, such as: (1) its origin cannot be traced back properly, creating chances for illegal market activities, money laundering, corruption, unlawful activities, and tax evasion; (2) There are no rules or laws that regulate and control Bitcoin in terms of its continuity and liquidity; (3) Safety risk since digital Bitcoin transactions are suspected to be vulnerable to malware and virus attacks; (4) Fraud risks which may occur due to people's lack of knowledge and understanding regarding Bitcoin; (5) Market risk where volatility is very high even in a short time, posing risks to savers and investors of Bitcoin; (6) There has been no guarantee from any authorized institution which leads to individual or institutional loss, such as theft or loss of bitcoins, including effects on the banking system in a country.

Bitcoin in Positive Law Perspective

The rapid growth of information and communication technology needs to be approached wisely, carefully, and optimistically. Technology has the ability to shift the business landscape towards the virtual world, creating promising new opportunities for certain individuals. This shift has led to a decrease in the use of paper money or coins in business transactions, as digital currencies, such as bitcoin, gain popularity and operate independently without the intervention of a central bank. The presence of bitcoin as a new form of virtual currency has gained global attention, as it has transitioned from being purely virtual to being usable in real-life transactions. Various authorities in several countries have discussed the status of bitcoin, considering it as an independent currency free from government intervention.

In Indonesia, the government has responded to the presence of virtual currencies. The Deputy Governor of Bank Indonesia (BI), Ronald Waas, stated that the regulation governing currency in Indonesia is Law No. 7 of 2011 regarding currency and Law No. 6 of 2009 regarding Bank Indonesia, which states that "the currency that applies in Indonesia is the rupiah" (Article 1, Law



No. 7, 2011). Additionally, official currency used in international trading and financing transactions, as well as bank deposits in foreign currency, must be conducted in rupiah (Articles 21 and 22, Law No. 7, 2011). Furthermore, Bank Indonesia prohibits all payment system service providers from using virtual currencies of any model or brand. This prohibition specifically includes bitcoin, as it is not recognized as a legal currency or payment facility in Indonesia.

People are urged to exercise caution when using bitcoin and other virtual currencies, as all risks associated with their use or ownership become their own responsibility. Bank Indonesia argues that a currency must have a guarantor and basic regulations to provide protection to its owners. Nevertheless, bitcoin is considered weak in terms of legal analysis and control perspectives. Bank Indonesia Regulation No. 11/12/PBI/2009 defines electronic money as a payment instrument that meets the following criteria: 1) It is issued based on the value of money previously deposited by the holder to the issuer; 2) The value of the money is stored electronically in a medium such as a server or chip; 3) It is used as a payment tool with traders who are not part of the issuer of electronic money; 4) The electronic money deposited by holders and managed by the issuer is not considered savings under banking laws. According to the regulation, the use of digital currency as a payment tool is addressed to merchants rather than issuers (Bank Indonesia, 2009). Therefore, bitcoin as a payment tool is intended for merchants, not issuers (Article Law No. 7/2011 regarding currency, 2015).

Furthermore, in trading activity, Indonesia has specific rules explaining that electronic trading is a trade where transactions are conducted through a series of electronic devices and procedures. The arrangement and legal protection of virtual currency, including Centcoin and Bitcoin, consist of the following aspects: 1) According to the regulation of trading clause 65, trade transactions through an electronic system (TPMSE) conducted by merchants, who trade goods and/or services electronically, must provide data and/or information completely and properly. This is to avoid disputes related to electronic trade transactions. However, if disputes occur, those involved must resolve them through the court or other mechanisms. If investors or users in virtual currency businesses suffer material losses and wish to bring this to criminal law, they can complain and/or report it to the authorized party (such as an investigator or PPNS) for justice and legal certainty; 2) The legal protection of virtual currency according to UU No.19 of 2016 about the misuse of information and electronic transactions includes various forms of cybercrime such as hacking, cracking,



spoofing, sniffing, and online deception; 3) Consumer legal protection is mentioned in The Regulation (UU) No. 8 of 1999 about consumer protection for security, safety, and legal certainty.

The use of virtual currency, like Bitcoin, is illegal in Indonesia. However, its use as an investment tool is allowed as long as it does not contravene regulations such as UU No.19 of 2016 about information and electronic transactions and UU No.7 of 2014 about trading. Furthermore, according to UU No. 10 of 2011 about futures trading, all items included in the category of commodity (goods, services, rights, and other interests) can be traded and become the subject of futures contracts, shari'a derivative contracts, and/or other derivative contracts.

Therefore, the government can provide legal protection for investors using Bitcoin in the form of commodity as with any other business activities. If an alleged loss enters the realm of private law, the aggrieved party can file a civil lawsuit with the related court. Additionally, if criminal acts occur in the field of public law/criminal law, aggrieved investors or consumers can report it to state-authorized parties. However, there are still legal constraints for investors investing using virtual currency because it lacks government regulation in terms of circulation, utilization, control, and approval. Consequently, the government has not optimally carried out legal safeguards for investors.

This aligns with research by Widjaja (2019), which stated that while the issuance of Bitcoin for payment is prohibited, making it not legally treated as a digital asset in Indonesia. Conversely, research by Sularno and Budiasih (2022) indicated that although authorities were initially firmly against Bitcoin, the increasing number of users has led the government to adjust its stance to safeguard the stability of the Rupiah. As a result, the General Policy of Maintenance of Futures Trading of Crypto Assets on the Futures Exchange was adopted by Minister of Commerce Regulation No. 99 of 2018. In practice, Bitcoin is accepted as a digital asset or commodity but not as a form of payment.

Given that Bitcoin lacks positive law legality in Indonesia, it may cause more harm than benefit; hence avoiding its use in transactions is advisable due to potential risks. Safety risks also pose a significant threat as they could lead to criminal activity related to the use or access of Bitcoin itself. Despite this, Bitcoin has the potential to become a major commodity market holder.



However, some economic observers predict Bitcoin could become an "empty bubble" that may burst without value (Arminianto & Firmansyah, 2022).

In conclusion, regarding cryptocurrency issues from Indonesia's positive legal perspective, there are at least three main points: first, the absence of legal protection means all risks associated with cryptocurrencies are borne by the users themselves. Second, the government's lack of control and supervision makes it prone to illegal activity. Third, cryptocurrency exchange service providers have not been able to cooperate fully with the government (Usman, Sujia'ah & Nashirudin, 2022).

Bitcoin in Islamic Economist Perspective

Digital currencies encompass two distinct classifications: centralized digital currencies and cryptocurrencies. Centralized digital currencies, such as Brizzi BRI, GoPay, and TapCash BNI, are forms of e-money that operate under the governance of a central authority. These can be further divided into server-based systems, which offer greater security, and chip-based systems, which may be less secure if the physical chip is lost. Cryptocurrencies, including Bitcoin, Ethereum, Tether, and Ripple, secure transactions through advanced cryptography. This security is achieved by verifying users and safeguarding the transaction ledger (Hayes, 2023).

Despite their growing popularity, digital currencies face several challenges. Scalability remains a concern, as cryptocurrencies may not efficiently handle a surge in transaction volumes. Regulatory clarity is lacking, which creates uncertainty for users and investors (FM Contributors, 2023). The environmental impact is also significant due to the energy-intensive processes of mining and maintaining blockchains. Furthermore, the high volatility of digital currencies can deter their use for daily transactions. Security risks are present as well; despite robust security measures, digital currencies are susceptible to cyberattacks (EUBS, 2021). Finally, the lack of a physical form can disadvantage users who prefer tangible currency or lack access to digital services (Frankenfeld, 2023).

These shortcomings spark the debate among academics on its suitability as a legal tender. In Indonesia, MUI Fatwa No. 116/DSN-MUI/IX/2017 deems cryptocurrency like Bitcoin as *haram* (forbidden under Islamic law) due to elements of *gharar* (uncertainty), *dharar* (harm), and *qimar* (gambling), and does not meet the requirements of *sil'ah* (physical form, definite value, known



quantity, ownership rights, and transferability to the buyer). However, while cryptocurrencies as currency are forbidden, they could be traded as a commodity or digital assets if they meet certain requirements (Usman et al., 2022).

The discourse on the Sharia compliance of Bitcoin and other cryptocurrencies is marked by diverse opinions among Islamic economists. Mohd Daud Bakar, an expert on Islamic finance from Malaysia, views Bitcoin as Sharia-compliant, citing its role as an exchange medium and the public trust it garners. He references Islamic law and a hadith to support his view, acknowledging the risks but distinguishing them from the prohibited uncertainty (*gharar*). Bakar also notes the security of Blockchain technology and supports investment in Bitcoin-issuing shares based on Amanie's study and fatwa (Abdul-Jamal, 2021). Another Malaysian scholar, Zaharuddin Abd Rahman, identifies *Gharar* in Bitcoin transactions on 'exchanges', not in its creation. He approves Bitcoin storage, insists on annual Zakat, and underscores comprehensive research before cryptocurrency engagement to evade scams (Eza & Merican, 2020).

In contrast, an Indonesian scholar Cholil Nafis of the Indonesian Council of Ulama (MUI), question Bitcoin's legitimacy within Islamic law, pointing to its intangibility, lack of legal tender status, and speculative nature. They argue that currency trading should be non-speculative, meet genuine needs, and involve equivalent cash exchanges (Nurhisam, 2017; Sholihah, 2014).

Amidst these differing views, Rodney Wilson, an Emeritus Professor of Islamic Finance at Durham University, sees Bitcoin as a hedge against national currency challenges, advocating for diversified investments to reduce risk (Wilson, 2019). Ahamed Kameel Mydin Meera, a Professor of Finance at the International Islamic University Malaysia, warns of the socio-economic issues arising from Bitcoin's lack of reference material, suggesting that its risks outweigh its benefits, which contradicts Islamic law's provisions against harmful transactions (Meera, 2018).

Furthering the discussion, Mohd. Ma'sum Billah, a Professor of Islamic Economics at King Abdul Aziz University in Saudi Arabia, highlights cryptocurrency's potential in the global economy and its compatibility with Islamic finance principles (Billah, 2019). However, Shaykh Haitham, a distinguished Muslim scholar based in the United Kingdom, and Sheikh Assim al-Hakeem, a prominent Saudi Arabian cleric, have expressed reservations,



with the latter issuing a fatwa against Bitcoin's legality under Islamic jurisprudence (Haitham al-Haddad, 2018; Al-Hakeem, 2019). Meanwhile, Ziyaad Mahomed, an Islamic Finance expert at the International Centre for Education in Islamic Finance, notes that many scholars support the permissibility of cryptocurrencies (Lielacher, 2022). However, this endorsement does not inherently confer upon cryptocurrencies the status of a bona fide currency. Table 1 summarizes the diverse perspectives of various Islamic scholars and experts on the legitimacy and compliance of Bitcoin with Sharia law.

Table 1. Experts Viewpoint on Bitcoin

No	Scholar/ Expert	Viewpoint on Bitcoin	Reasoning
1	Mohd Daud Bakar	Sharia-compliant	Recognizes currency as a tool for exchange, not investment; public trust qualifies it; Islamic law allows currency exchange with mutual consent; Blockchain's security supports its use.
2	Zaharuddin Abd Rahman	Legitimate in Islamic law	Finds uncertainty (Gharar) in Bitcoin transactions, not its creation; supports Bitcoin storage, emphasizes yearly Zakat, and advocates thorough research to avoid cryptocurrency scams.
3	Cholil Nafis	Haram for investment	Speculative, lacks underlying assets, unregulated price, no official endorsement; permissible only if non-speculative and meets genuine needs.
4	Rodney Wilson	Alternative hedging	Useful against unstable national currencies; advises portfolio diversification to mitigate risk due to overreliance and lack of central bank support.
5	Ahamed Kameel Mydin Meera	Harmful (<i>mudharat</i>)	No reference material, socio-economic problems, greater harm than benefits, risk to users not aligned with Islamic law.
6	Mohd Ma'Sum Billah	Potential role in economy	Potential role within global economy and alignment with Islamic finance principles.
7	Shaykh Haitham	Proscribed by Sharia law	Categorically states cryptocurrencies are incongruent with Sharia tenets.
8	Sheikh Assim al-Hakeem	Illegal under Sharia	Declared the illegality of Bitcoin in a fatwa.
9	Ziyaad Mahomed	Permissible by social concurrence	Scholars endorse permissibility based on social agreement but does not confirm cryptocurrency as bona fide currency.

CONCLUSIONS



The understanding of Bitcoin's complexity and its legal standing within Islamic law and Indonesian legislation remains incomplete among the general public. The discourse on Bitcoin has been partially framed within Sharia law, leading to some uncertainty. A thorough technological assessment is imperative for a clearer understanding, as Bitcoin's intricate dynamics are primarily technological. Islamic jurists must be well-informed and knowledgeable to make a judicious *ijtihad* concerning Bitcoin's legal status. As financial technology advances, it will increasingly influence future human lifestyles and societal norms.

In Indonesia, Bitcoin is not officially recognized as legal tender under Law No. 7 of 2011, but it is acknowledged as a tradable commodity by the Futures Exchange Supervisory Board (Bappebti). While there are no specific regulations from the Financial Services Authority (OJK) or Bank Indonesia prohibiting its use, any risks, including potential losses, fall on the individuals involved in its transactions.

The adoption of Bitcoin, driven by cutting-edge technology, represents an advancement over traditional banking technologies. From an Islamic perspective, this is not in conflict with the principles of the faith. Fiqh deems it permissible, as it promotes a payment system that yields benefits (*maslahat*). Nevertheless, there is a contention that Bitcoin should be considered unlawful (*haram*) because it involves elements of uncertainty (*gharar*) and gambling (*maysir*), and there are concerns about preventing harm (*mudharat*) to its users.

Limitation and Recommendation

The primary concern in Indonesia is the formal legality of Bitcoin. While Bitcoin is widely used among Indonesians, it is not recognized as legal tender under Indonesian laws, except as a tradable commodity. To bridge the knowledge gap, the Bank of Indonesia, the Financial Services Authority (OJK), and the Indonesian Ulama Council (MUI) should undertake educational initiatives and public awareness campaigns about Bitcoin's role as a payment or investment option.

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