

# THE EFFECT OF SYARIAH BUSINESS ON INDONESIA CRYPTOCURRENCY 2022

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## ABSTRACT

Digital assets that are traded in cyberspace or known as cryptocurrency where the value soars and fluctuates, are influenced by buying and selling requests. Where Cryptocurrency is virtual money, digital money, or electronic money that is in cyberspace and does not have a concrete object form. There are many types of cryptocurrencies, including Litecoin, Monero, Ether, Ripple, Ethereum, Qtum, Dash, Zcash, and Bitcoin. also seen from an Islamic point of view, so it raises research questions about how cryptocurrency law is in Islamic law. The applied theory used is the business taxonomy of haram lidzatihi and haram lighairihi from a large number of scholars reconstructed by Adiwarmanto Abdul Karim. This research is a literature study. The data sources for this research were taken from the Koran, Rasulullah's hadith, and classic and contemporary books, as well as from online media sources.

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## 1. INTRODUCTION

With the rapid development of technology in all fields. Where among them is the spectacular advancement of technology in the economic field, namely the emergence of cryptocurrency, which is virtual money in cyberspace. There are many types of cryptocurrencies, including Ripple, Lisk, Ether, MaidSafeCoin, Litecoin, StorjCoinX, Ethereum, DogeCoin, Dash, Monero, Zcash, and Bitcoin (BTC) (Umar, 2011).

With this virtual money, now, business transactions can be carried out online without involving intermediaries such as banks. Transactions are carried out instantly, across countries, across continents, faster, easier, cheaper, and more secure confidentiality. Bitcoin has several advantages (Mehandiratta, 2016).

The value of Bitcoin rises and falls based on the laws of market demand and supply. When there are only a few Bitcoins in circulation to meet needs while there is a lot of demand, the price of Bitcoin will rise. The legality of using Bitcoin and the law on its use in business transactions according to Islamic law still has pros and cons (Khilafah) among economists and scholars (Mulyani & Las, 2008).

In line with that, Islam is the religion that most encourages its followers to trade in the economic life of society. Therefore, Islam gives high respect and honor to traders. Besides that, trade also has a very important role and position in building Islamic civilization. Trade is one type of muamalah that brings great benefits in life. Trade can be in the form of exchanging assets for assets to own and give ownership. On the other hand, trading also means selling or replacing an item.

Therefore trade is also an exchange of goods or the exchange of goods for money which is carried out by giving up (releasing) property rights from one party to another based on mutual approval. We also need to know that this research is within the scientific framework of Technoculture. Technoculture is between two scientific circles, namely technology on the one hand and culture on the other. In the middle, there is a wedge in the form of religious values (religious values, beliefs, spirituality, humanity, and cultural civility values). In this research, the technology side is Bitcoin cryptocurrency, especially Blockchain technology (Iskandar et al., 2014).

The cultural side is the socio-economic effect of using Bitcoin in business transactions which tends to disrupt the country's monetary system. There are two objectives of this study, namely to find out an overview of Bitcoin virtual money technology, especially the working pattern of Blockchain technology, and about the legal position of using Bitcoin as an investment instrument and a business transaction instrument according to Islamic law. So, there are two issues raised, namely about technology and secondly about legal standing. The formulation of the problem in this research is as follows: how is Bitcoin cryptocurrency technology, especially regarding Blockchain work patterns? and what is the legal

position of using Bitcoin virtual money as an investment instrument and business transaction according to Islamic law (Tarigan et al., 2018).

This issue concerns the interests of a wider audience so it has great significance for research. The results of this research theoretically will be an additional enrichment of research theory in the field of technoculture and become material for computation and modeling (Melo et al., 2012).



Figure 1. Trade illustration

As for practical uses, the results of this study will be used as shari'a guidelines for the community. Based on the results of the preliminary study, there have been several previous studies conducted on Bitcoin technology as well as research on the legal standing of using Bitcoin. However, the two research objects are written separately, Bitcoin technologist in one article, and a review of Islamic law in another article. Based on the background above, this research will discuss the relationship between Islamic law and cryptocurrency trading.

## 2. LITERATURE REVIEW

### 2.1. Bitcoins.

In research (Luqman Nurhisam from the State Islamic University (UIN) Sunan Kalijaga Yogyakarta, with an article entitled "Bitcoin in the Eyes of Islamic Law" which was published in *ArRaniry International Journal*, Vol. 4, No. 1, June 2017 pages 165-186. The article describes the widespread use of Bitcoin and the use of Bitcoin has more harm than benefits, so it is illegal (Hisam, 2017) (2) Mariske Myeke, lecturer at the Faculty of Law, University of Tarumanagara, Jakarta with the article title "Legal Protection for Bitcoin Investors in Indonesia: to Move Beyond the Current Exchange System" is published in *Journal of Law & Development* 47 No. 1 (2017) pages 83-99. (3) Wahyu Hidayat's "Explanation of the Chairman of the MUI Dakwah Commission on Bitcoin Law" explains that KH. Cholil Nafis argues, the existence of Bitcoin as a new currency, namely virtual money, is not a problem, because before that the caliph Umar ibn Khattab intended to make a new type of money from camel skin (Solovyeva, 2013).

As for the use of Bitcoin in business transactions, it tends to be illegal because the existence of Bitcoin has not been recognized by the state (Hidayat, 2018). (4) Axel Yohandi, Nanik Trihastuti, and Darminto Hartono from the Faculty of Law, University of Diponegoro researched the "Juridical Implications of Using Bitcoin Virtual Currency as a Means of Payment in Commercial Transactions (Comparative Study between Indonesia-Singapore)" The article was published in *Diponegoro Law Journal* Volume 6, Number 2, 2017. They explained the need for a legal umbrella for Bitcoin (Aksel Yohandi, 2017). Matthew J.Martin from Blossom Finance, a fintech startup based in Indonesia, explained two important things, namely

(1) Bitcoin currency is more halal than conventional fiat money because conventional money in many countries is the result of usury loans, while Bitcoin virtual money is not based on debt. . Bitcoin is based on proof of work so it is categorized as not haram;

(2) Bitcoin Blockchain technology is an excellent online payment system. It is easier, faster, cheaper, and more secure because it uses cryptography. These Bitcoins go beyond what conventional banking offers. So, Bitcoin technology is very halal (Fulus.com, 2017). This research has a difference.

### 2.2. Money in Islam

The Concept of Money in Islamic Economics Basically, Islam views money only as a medium of exchange, not as a commodity (commodity). Therefore, the motive for demand for money aims to meet the needs of transactions (money demand for transactions), not for speculation. 12 Islam also strongly recommends the use of money in exchange as in the hadith narrated by Ata bin Yasar, Abu Said, and Abu

Hurairah, as well as Abu, Said al -Khudri explained that it turned out that Rasulullah SAW did not approve of transactions with the barter system, for this it was recommended that he use money. It seems that he forbade exchanges like this because there is an element of usury in it. In the Islamic concept, money demand for speculation is not known, because speculation is not allowed. Contrary to the conventional system which pays interest on assets, Islam makes assets the object of zakat. The money belongs to the community, so it is forbidden to hoard it under the pillow (unproductive) because this reduces the amount of money circulating in the community. The Al-Qur'an and Hadith explain textually that dinars and dirhams are currencies used as a medium of exchange at the time of the Prophet, a measure of the value of stored wealth, not as a commodity.

Dinars are made of gold, while dirhams are made of silver. However, the Qur'an and Hadith are not explicitly ordered apply dinars and dirhams as currency. Written in the word of Allah SWT in QS. at-Taubah [9]: 34, it is explained about the people at that time who liked to hoard gold and silver without giving it in charity or using it in the way of Allah SWT, so Allah will surely give a very painful punishment on the last day. From the explanation of this verse, it can be concluded that gold and silver are treasures that can be stored and used as a symbol of one's wealth. So gold and silver have functioned as a medium of exchange, a store of value, a unit of account, and a standard payment in the future.



Figure 2. Sample Of Bitcoin

In a hadith of the Prophet narrated by Muslim, Abu Sa'id al-Khudri it can be seen that in Islam, dinar and dirham coins (gold and silver) were not the only means of exchange used in ancient times. Dates, wheat, and salt also functioned as money which is why there is no special privilege that requires only dinars and dirhams to be used as currency. The reason the Prophet SAW gave the freedom to choose this medium of exchange is because money is part of economic activity that is agreed upon by a country and is regulated in general with the same conditions.

### 2.3. Difference between Digital Currency and Cryptocurrency

Digital money is often referred to as electronic money (e-money), both of which have the same meaning, namely the rupiah currency that applies in the Republic of Indonesia which is stored digitally on a medium that of course can be used in electronic transactions such as payments and/or transfers. money.

Meanwhile, Crypto is a concept that was introduced regarding the concept of money in a digital form known as cryptos such as bitcoin, Litecoin, Ethereum, and others. Apart from that, the difference between digital money and crypto is also visible in terms of crypto as currency in Indonesia. Digital money as we know it is rupiah currency recognized by the Republic of Indonesia but in digital form so that the payment process can still be done and allowed.

In contrast to crypto as a means of payment or currency, you cannot enforced in Indonesia, this is by Law Number 7 of 201110 article 2 that

- (1) the currency of the Unitary State of the Republic of Indonesia is the rupiah
- (2). types of rupiah consisting of paper rupiah and metal rupiah;

(3) rupiah as referred to in paragraph (1) is symbolized by Rp, and Bank Indonesia Regulation Number 17/3/PBI/2015 concerning Mandatory Use of Rupiah<sup>11</sup> in article 1 paragraph 1 stated that:

“Rupiah is the valid currency of the Unitary State of the Republic of Indonesia as legal tender in the territory of the Unitary State of the Republic of Indonesia”. We can understand that Indonesia itself only use the rupiah which is accepted as an official means of payment because it has been regulated by law. As for crypto itself, the Indonesian bank is the party that has authority over this matter and has issued an official statement regarding bitcoin, which is currently the use of bitcoin is the most widely used crypto asset in Indonesia that all use and ownership of bitcoin is the responsibility personal responsibility, so that we can understand that bitcoin or crypto assets others cannot be used as a means of payment in Indonesia.<sup>12</sup> Cryptocurrency only pocketing a permit as a commodity or trade goods and obtaining a permit from Commodity Futures Trading Regulatory Agency (Bappebti).<sup>13</sup>

To make it clearer, the difference between digital money and crypto is both indeed both are digital payments or what is often referred to as virtual currency. This virtual currency is divided into two, the first is a virtual currency a form of digital money where this type is centralized or regulated and managed by an institution or company. while the second form of virtual currency using cryptographic technology or what is often called cryptocurrency and this type is decentralized, meaning it is not managed by an institution or organization the company because the transaction will be carried out through the encoding process using a certain cryptographic algorithm.

### **3. METHOD**

Our research uses the library research method, so the first thing to do is review the literature with a sharia normative approach. The nature of this research is analytical and descriptive. In the literature review, we identify and formulate problem topics, and determine research objectives and urgency based on the formulations obtained. Data processing stage, collected through primary and secondary data sources. Primary data were obtained from MUI fatwas, Ministry of Trade Regulations, Bank Indonesia Regulations, and several related policies. While secondary data was obtained from fiqh books, and scientific works in the form of previous research, articles, and news. The research theory formulation technique uses middle theory and applied theory. In the middle theory, it explains the views of several decisions and the actions of scholars in judging the status of cryptocurrencies, while in applied theory, which in this case is in the form of useful fiqh rules as sharia normative law which is the cognitive basis for answering the problem formulation. Our data analysis technique chooses SWOT as an indicator in providing explanations in the form of data. With this flow, the purpose of this research is to produce a conclusion in the form of an objective legal status on the topic raised. So that the output of this research will have implications for someone to be able to consider decisions more in using crypto as a long-term transaction tool.

### **4. RESULT AND DISCUSSION**

#### **4.1. Legal Status of Use Bitcoin**

Virtual Money as Investment Instruments and Transactions Business According to Islamic Shari'a First, the foundation of the Koran. Two verses serve as the foundation legal discussion of the use Bitcoin, both as an investment instrument as well as a transaction instrument business, namely surah al-Nisa [4] verse 29 and surah al-Maidah [5] verse 90. Allah SWT said: "O you who believe, do not be one another eat your neighbor's treasure by the way wrong, except in commerce which applies on a like-a-like basis like between you. And don't you kill yourself. Really Allah is Most Merciful to you (KSA, 2001). "O people the believer! Truly a drink hard, may sir (gambling), (sacrifice) for idols, and raffle fate with arrows are an abomination and including demons. Then stay away (deeds) that for you lucky" (KSA, 2001). From the second This verse contains two keywords which can be interpreted, namely the word vanity and may. Interpretation study of the keyword vanity.

Imam al-Ashfahani in the book *al-Mufradat fi Garib al-Quran* pages 56 explains the word vanity comes from bathala - yabthulu 'broken', 'false', or 'unauthorized'. As for term, batil is al-batil naqidlun al-haqqi wa hua ma la tsabata lahu 'inda al-fahsyi 'anhu (Asfahani al, 2012). Vanity is the opposite of truth, that is, things that are not remains when researched.

According to Isnawy in the book *AlTamhid fi Tahrij al-Furu' 'ala alUshul* page 55, some scholars states the words vanity and fasaad is the same, but according to Abu Hanifah, both words have difference. The word vanity is a thing violates the law in total, such as selling animals in the womb, while the word facade 'broken' is things that were originally allowed then banned because there is other factors that violate the law, for example usury (Al-Isnawy, 1980 m/1400 H).

Abdul Karim Zaidan in the book *al-Wajiz fi Usul al-Fiqh*, page 65 explain *af'al al-mukallafina idza waqa'at arkanuha wa syuruthuha* (Zaidan A.K., 2006 M/1427 H). The act of a *mukallaf* (a person who subjected to a load), is just rated as a lawful act when the deed fulfills terms and conditions. It is too applies to the act of the contract.

In this case, the scholars divide the contract into two, namely a valid contract and a valid *ghair* contract. One contract that is *ghair* valid is a contract the vanity. A false contract is a contract that does not meet the requirements and get along.

Wahbah Zuhaily in a commentary book *al-Munir* juz V pages 30-31, explaining *bi al-batili aw bi alharam fi al-syari' ka al-riba wa alqimar wa al-ghasab*, in a vanity way is in a way that is forbidden by sharia, such as usury, lottery gambling, and corruption. Vanity in the transaction business is *kullu ma yu'khadzu 'audhan 'an al-uqudi al-fasidah aw al-batilah*, that is every thing that included in the broken contract and canceled (Zuhaily W., 1998 AD).

Jaluddin al-Suyuthy in the book. *Al-Quran interpretation Jalalain* explains *bi al-batili* namely *bi al-haram fi al-Shari ka al-riba wa al-ghashab*, vanity is unlawful in sharia such as *riba* and corruption (Jalalain, 1991M/1412 H.).

#### 4.2. Swot Analysis of Cryptocurrency Inventions

Something can be said of money if it meets the criteria following:

- a). recognized and accepted by society,
- b). has a stable value,
- c). easy to carry,
- d). has a concrete form,
- e). Availability of money is equal to business activities,
- f). Maintained physical value. In the Islamic world, the understanding of money is a truly different concept from the conventional world.

The Islamic view of money is a tool exchange that cannot be traded, and the ownership is general (public goods). While in a conventional perspective it can be used as commodities, and money is often referred to as private capital "private goods". (draft money in Islam, 16). Regarding the legitimacy of the cryptocurrency used as the medium of exchange from the perspective of shari'ah has a fairly broad influence on the scope movement of the world economy. So, the author will analyze from a review of Muslim scholars, philosophers, and a Sufi as well as a Muslim economist, Al Ghazali.

Al-Ghazali stressed that to build an economy a nation that is prosperous and prosperous, justice and kindness must be upheld because these two things greatly affect the condition of economic stability and welfare in a country. The emergence of competition in economic activity is a natural thing, but if the competition involves detrimental elements, then it is certain that the benefits will be obtained from this effort is not a blessing and tends to be unlawful, because it causes misery for other people.

Because the birth of crypto as a currency cannot be separated from business interests.

However, in the end, many capitalists want crypto to be used as a tool exchange with a weakness that is so influential for the state of an economic region. So, this can rule out the benefit of which people are known as one of the elements in *maqasid shari'ah*.

#### 4.3. A philosophical basis (transcendental philosophy).

One part from *muamalah* is *iqtishadiyah* (financial economics). Management *iqtishadiyah* is the responsibility answered together with *Ulu al-amri* (Government) as guarantor main answer. Thus, field *iqtishadiyah* (economics and finance) is one of the duties of the state government. In other words, the government who has regulatory authority about *iqtishadiyah*. *Iqtishadiyah* rules made by *Ulu al-amri* must guided by the "Sky Book". it is full of values transcendental. Later, in the afterlife, it must be accountable to *al-Malik* or *Maharaja* who has delegated part of His power to *Ulu alamri*.

This monetary authority cannot be handed over to anyone or a group of people, because every potential to cause chaos. Likewise, in the case of *Bitcoins nuqud* or new currency is part of *iqtishadiyah*. Hence the Bitcoin setup is the authority of the government (*ulu al-amri*). It's the government have rights, obligations, and responsibilities responsible for making regulations, both within about the validity of the currency as well in its position as an instrument transaction. In the case of Bitcoin cash, government is not the authority in charge of Bitcoin finance.

Bitcoin is loaded with various problems, i.e. it has no intrinsic value, do not have underlying assets, no have supervisory authority, and do not clear ownership so vulnerable used as a means of crime such as

money laundering, terrorist financing, drug dealing, etc. When it happens problems behind the day, society who will suffer a loss?

In this regard, prohibition Bitcoin in business transactions online very rational philosophical, very logical, and have a strong foundation of reason.

## 5. CONCLUSION

The existence of Bitcoin as a currency virtual is considered legitimate, legal, or allowed with some conditions, namely if recognized by country. The legal status of syar'i for crypto-inventions can be seen in the Al-Qur'an and also the Hadith of Rasulullah SAW which in essence all forms of transactions must be protected from three elements, namely may sir, gharar, and also usury because it can have implications for losses.

In the use of crypto itself, no party can guarantee the losses incurred because there are no good juridical provisions issued by the authorities or the government. If analyzed through SWOT, two sides can be considered is based on the plan caliph Umar bin Khattab (head government) to make the eyes a new type of money made from camel skins. In this case, Bitcoin is not issued by country and not recognized by either Bank Indonesia then Bitcoin is a currency that is considered not yet legal in Indonesia. Bank Indonesia (BI) and the Financial Services Authority (OJK) is not responsible for all the problems it causes over the use of Bitcoin, either both as an investment and as a tool business transactions by looking at the benefits and meanings.

As something new, it is necessary to review the legal status of the syar'i crypto invention which of course has benefits for economic actors in Indonesia. This impact can be seen in the condition of the country's economic stability because This is influenced by economic actors

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