



## CRYPTOCURRENCY IN ISLAMIC ECONOMIC PRINCIPLES

Ahmad Nouruzzaman<sup>1</sup>, Abdul Wahab<sup>2</sup>, Abdul Hamid Habbe<sup>3</sup>

<sup>1</sup>Islamic Banking IAIN Palopo

<sup>2</sup>Islamic Economics UIN Alauddin

<sup>3</sup>Hasanuddin University Accounting

**Corresponding Author:** Ahmad Nouruzzaman

**Abstract:** Islam as a religion that is flexible, dynamic and adaptive to the times. However, this certainly has ethical limitations and has the principle that values in Islamic teachings must be the basis in every human activity, especially in community activities or muamalah. Therefore, this paper aims to critically describe cryptocurrency investment in Islamic economic principles. The method used in this paper is a scientific study approach with literature study, with data collection through the study of books, literature, notes, and various reports related to the problem to be solved. Based on the results of this study, cryptocurrency when viewed in Islamic economic principles does not meet the criteria as a medium of exchange and investment that is permitted in Islam. Cryptocurrencies at the beginning of their creation had a clear goal, a complicated system that was not acceptable to everyone. So that cryptocurrency can be manipulated and monopolized by certain parties. In addition, cryptocurrencies have high volatility so they are very volatile and are closer to gambling.

**Keywords:** cryptocurrency, Islamic economic, principles.

## INTRODUCTION

Massive progress in the world of technology is felt by the community without exception for the world's Muslims. This greatly affects the pattern of life and interactions in the social or economic world. This change in implementation is clearly illustrated by changes in people's investment patterns and interests from post-traditional (deposits, property, gold, mutual funds, bonds and stocks) into a form of investment that is in demand by the digital community, namely cryptocurrency investment (Davis & Marx, 2021).

Presence *cryptocurrency* marked by the emergence of Bitcoin (a type of crypto) in 2009 and introduced by Satoshi Nakamoto as a digital currency born from the concept of developing a

Cryptography-based information security system (Anam, 2017). Cryptocurrencies or virtual money such as bitcoin, ethereum, litecoin, cardano, dogecoin and binance coin are different from electronic money. Cryptocurrencies or virtual money are based on a block system or blockchain whose transactions are recorded in a decentralized manner on the blockchain. Everyone who transacts in this world is connected in a blockchain. Meanwhile, transactions from electronic money (e-Money Mandiri, TapCash BNI, Brizzi BRI and others), are centrally connected to Bank Indonesia (Nababan, 2019).

Investment phenomenon *cryptocurrency* the last few years has become increasingly prominent. Although the rumors circulating about cryptocurrency as a high-risk investment, or investments that are forbidden in Islam are also spread to various electronic media, it does not prevent new investors from joining (Hairudin et al., 2020). As if an alternative solution for financial problems in society, especially for millennial generation and generation Z (i-gen) in this country.

It has been recorded that 4,847,802 members have joined one of the cryptocurrency exchange platforms in Indonesia, namely indodax.com. It was also noted on the news platform Bisnis.com that investors in crypto assets in Indonesia had outnumbered investors in the capital market. Also sourced from Bisnis.com, based on data from the Indonesian Central Securities Depository (KSEI) as of the end of October 2021, the number of single investor identification (SID) in the capital market reached 6,758,335 investors.

Of course, the above is a potential for development *cryptocurrency* but it will also be disastrous for Muslims if it turns out that cryptocurrency is prohibited in Islam and does not rule out the possibility that many Muslims will join in this digital asset investment. Islam as a religion that is flexible, dynamic and adaptive to the times. However, these characteristics certainly have ethical limitations and have the principle that the values in Islamic teachings must be the basic foundation in every human activity, especially in economic activities or community muamalah (Yusuf & Bahari, 2015). Therefore, this paper aims to critically describe cryptocurrency investment in Islamic economic principles.

## **LITERATUREREVIEW**

### **Cryptocurrency**

*Cryptocurrency* is a technology for creating digital currency using cryptography as a security that cannot be counterfeited. Cryptocurrency technology was first introduced by Wei Dai in the cypherpunk system in 1998, suggesting the idea of a new form of money that uses cryptography to control creation and transactions, instead of using a centralized authority (Blockchain). (Zain2018).

*Blockchain* itself is a platform created independently by the developers of the blockchain. Parkins in A. Umam explains that blockchain is like an open distributed ledger that efficiently records transactions between parties that are verified permanently. Blockchain is usually managed by a collective peer to peer network by following protocols for communication between nodes and confirming new blocks (Umam, 2020).

The laws governing the circulation of Cryptocurrencies may differ from country to country. For example, in the United States, Russia, Japan, South Korea, and Finland have legalized Cryptocurrencies with various requirements. However, there are also countries that reject the use of bitcoin such as in China, Singapore, Malaysia, and Indonesia. The absence of institutions that will be responsible for bitcoin misuse such as theft, terrorism, money laundering, fraud, buying firearms, and other crimes is one of the reasons why some countries reject bitcoin (Trautman, 2014). However, those who allow bitcoin argue that the emergence of bitcoin is due to the demands of the times and the mechanism of supply and demand.

In Indonesia, the law on bitcoin has not been specifically regulated. The only regulation that comes closest is the regulation on electronic money at Bank Indonesia Regulation No. 20/6/PBI/2018 and MUI Fatwa No. 116/DSN-MUI/IX/2017 concerning Sharia Electronic Money (Bella & Efendi, 2021). As something new, Cryptocurrency should be studied from the perspective of Islamic law.

*Cryptocurrency* can have two functions: as a transaction and investment tool. As a transaction tool, bitcoin has been used in many countries such as the United States, Japan, and Finland. As an investment tool, it has been used by many people around the world. The global car company, Tesla, has bought bitcoin for 1.5 billion USD bitcoin in 2020 as an investment. In addition, a payment fintech owned by Twitter owner has purchased bitcoin for 170 million USD (Rp 2.38 trillion) in October 2020 (Hamid 2021).

Before getting Bitcoin, of course, you have to register or create a Bitcoin account. So that Bitcoin can be obtained in a way that is quite complex and requires a certain understanding in terms of the internet. There are 3 Ways to Get Bitcoin, namely (Anam 2017):

1. Mining Bitcoin By mining or what is called (mining) is done on the internet. The media used to mine Bitcoin is to use a computer device that is connected to the internet network, has a good or high quality computer specification to support its operations. Of course, this method is quite expensive.
2. Buying on Bitcoin Exchange This method is required to buy from a service or merchant that provides Bitcoin which can buy Bitcoin at any exchange rate. Buying Bitcoin can be met in person or online to the seller. Which counts as 1000 (one thousand rupiah) because Bitcoin can be broken down into 8 decimal places, which is 0.00000001 so there is no need to exchange a lot of rupiah to get Bitcoin.

3. Getting Paid with Bitcoin This method is where it is recommended to visit sites that provide Bitcoin for free with certain conditions.

### Islamic Economic Principles

The presence of an Islamic economy for Muslims is a very big gift from Allah swt., where so far mankind has adhered to an unfair economic flow such as the capitalist flow. However, until now the capitalist flow is still applied in several countries in the world, so the socialist economic flow. For Muslims, it is important to distinguish between sharia and conventional economics, for that we must adhere to the basic principles of Islamic economics, namely based on the Qur'an and al-Hadith which are the holy books of Muslims (Witasari, 2017).

As an economy based on Islamic law, of course, it has several principles that will later become a reference for every Muslim. The economic principles, among others, are explained in the word of Allah swt., in Surah al-Maidah verse 2:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَجْلُوْا شَعِيرَ اللَّهِ وَلَا الشَّهْرَ الْحَرَامَ وَلَا الْهَدْيَ وَلَا الْكَلْبَ وَلَا ءَامِينَ الْبَيْتِ الْحَرَامِ يَتَّبِعُونَ فَضْلًا مِّن رَّبِّهِمْ وَرِضْوَانًا وَإِذَا حَلَلْتُمْ فَاصْطَادُوا وَلَا يَجْرِمَنَّكُمْ شَنَاٰنُ قَوْمٍ أَن صَدُّوكُمْ عَنِ الْمَسْجِدِ الْحَرَامِ أَن تَعْتَدُوا وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

The translation:

O you who believe, do not violate the symbols of Allah, and do not violate the honor of the forbidden months, do not (disturb) the had-ya animals, and the qalaa-id animals, and do not (also) disturbs people who visit the Temple while they seek the grace and pleasure of their Lord and when you have completed the pilgrimage, then it is permissible to hunt. And do not ever hate (you) for a people because they prevent you from the Masjidil Haram, encourage you to do wrong (to them). And help you in (doing) righteousness and piety, and do not help in sin and transgression. And fear Allah, verily Allah is severe in punishment.

The verse above explains that the economic principle is to create religious and social welfare. Islam is a religion of peace, for that in the economic aspect, if there are people who do business and they persecute, then Allah forbids such persecution. All of this proves that Islam prioritizes aspects of welfare both religiously and socially (Alserhan, 2017).

Islamic economics has a social function. Islam when viewed from a proverb is muamalah, the relationship of life that is linked by material and this is what is called economics. Muamalah Adabiyah is a life association that is linked by moral interests, a sense of humanity, and this is what is called social (Sohrah 2014).

The fundamental principles in Islamic economics include, among others:

1. The main foundation that must be used as a guide for someone, especially in the economic world is Faith, upholding reason on the basis of Faith, not faith which must be

based on reason. Don't let reason/mind be separated from the foundation of Faith. Thus, the main principle of Islamic economics is based on the belief that the economic activities that we carry out are sourced from the shari'ah of Allah and the ultimate goal is for Allah.

2. The principle of brotherhood or kinship is also a benchmark. The goal of Islamic economics is to create safe and prosperous human beings. Islamic economics teaches humans to cooperate and help each other. Islam advocates compassion between human beings, especially for orphans, the poor, and the weak.
3. Islamic economics commands us to work hard, because work is worship. Working and trying is human nature and character to create a good, prosperous and prosperous life on this earth.
4. The principle of social justice in the distribution of one's property is also the principle of the Islamic economic order. Income and wealth owned by a person in an Islamic economy are not absolute property rights, but are part of the community's rights, namely in the form of zakat, shadaqah, infaq and so on.
5. The principle of social security that guarantees the wealth of the Muslim community on the basis of upholding justice.
6. The principle of prohibiting interest, gharar and maysir, of course this principle is the key in Islamic economics to create social justice in the practice of Islamic economics.

## RESEARCH METHODS

The method used in this paper is a scientific study approach with library research, with data collection through a study of books, literature, notes, and various reports related to the problem to be solved.

## FINDINGS AND DISCUSSION

Basically, cryptocurrency is the most important and new part of the modern and developed world of the economy. The presence of a financial system that is decentralized or has no authority is the implementation of a critical analysis of the banking system, which is full of human error, resulting in losses for the banks themselves and their customers.

But of course *cryptocurrency* As a new thing in the world of economics, it still needs in-depth study, especially in terms of the Islamic economic system (Evans, 2015). Islam is indeed a dynamic and flexible teaching, but there are some ethical issues that need to be considered. Islam does not reject a novelty in human activities, but the basis of the newness must be clear and in accordance with Islamic teachings.

In terms of its nature as a means of exchange (money) cryptocurrency has not been fulfilled in principle as a legal tool as money or a means of exchange. The MUI has issued its fatwa related to currency trading (Al-Sharf) Number 28/DSN-MUI/III/2002 and Sharia Electronic Money Number: 116/DSN-MUI/IX/2017. with the following conditions:

1. Tno to speculation (chance),
2. Aand the need for transactions or just in case (savings),
3. Aif the transaction is made against a similar currency, the value must be the same and in cash (at-taqabuḍ).
4. Aif different types, it must be done with the exchange rate (exchange rate) prevailing at the time the transaction is made and in cash

Apart from the above, in principle transactions in Islamic economics must be free from the following elements:

1. *Riba* or additions given in exchange for usury goods (al-amwāl al-ribāwiyah) and additions given to the principal debt in exchange for absolute deferral of payment.
2. *Gharar* or uncertainty in a contract, both regarding the quality or quantity of the object of the contract as well as regarding its delivery.
3. *Maysir* where the contract is carried out with an unclear purpose, and inaccurate calculations, speculation, or luck,
4. *Tadls* is the act of hiding the defect in the object of the contract by the seller to trick the buyer as if the object of the contract is not defective.
5. *Risywah* is a gift that aims to take something that is not rightfully his, justify what is false and make something that is false as something true, and
6. *isrāf* is excessive spending of wealth

In this paper, researchers find various views related to cryptocurrency in Islamic economic principles. It is not an exaggeration to conclude that cryptocurrencies contain elements that are forbidden in Islam, due to the uncertainty of transactions, unclear sources, and the highly volatile nature of cryptocurrencies so that it is very risky for its users. This highly volatile nature of cryptocurrency is closer to gambling and gambling.

Furthermore, if studied from the fiqhiyyah rules in the mu'amalah formulation of bitcoin have not been able to meet several criteria, including the rules: (1) Al-'Umūr bimaqāṣidihā, namely everything according to its purpose, (2) Al-Maisūr la yasqūḥ bi al-ma'sūr, namely the ease of not falling because of a cause. which is difficult, and (3) Mā la orphan al-obligatory illa bihī fahuwa wājib which is something that is a complement to an obligation, then the law is obligatory. So the prohibition of cryptocurrencies in order to maintain benefit as per the rules of dar'ū al-mafāsid muqaddam alā jalb al-maṣāliḥ, namely preventing damage is more important than getting benefit (Zain 2018).

## CONCLUSION

Based on the results of this study that, *cryptocurrency* when viewed in Islamic economic principles it does not meet the criteria as a medium of exchange and investment that is allowed in Islam. Cryptocurrency by its very nature does not have a clear purpose, the complexity of the

system cannot be accepted by everyone. So that cryptocurrency can be manipulated and monopolized by certain parties. In addition, cryptocurrency has high volatility so that it is very volatile and from this nature it is closer to gambling. As a religious teaching that does not reject a renewal, of course it is a study *cryptocurrency* this needs to be deeper. If necessary, Islam can create a cryptocurrency that is in accordance with Islamic principles which is far from usury, gharar and maysir.

## BIBLIOGRAPHY

- Alserhan, B. A. (2017). *The principles of Islamic marketing*. Routledge.
- Anam, A. A. (2016). *TRANSAKSI BITCOIN DALAM PERSPEKTIF ISLAM*. July, 1–23. <http://pkay.unisma.ac.id/wp-content/uploads/2021/11/A.-ASYRAFUL-ANAM-TRANSAKSI-BITCOIN-DALAM-PERSPEKTIF-ISLAM.pdf>
- Bella, F. I., & Efendi, N. F. (2021). STRENGTHENING THE ISLAMIC DIGITAL PAYMENT SYSTEM THROUGH SHARIA ELECTRONIC WALLET (E-WALLET). *El Dinar: Jurnal Keuangan Dan Perbankan Syariah*, 9(2), 94–107.
- Davis, T. C., & Marx, P. W. (2021). *The Routledge Companion to Theatre and Performance Historiography*. Routledge, Taylor & Francis Group.
- Evans, C. W. (2015). Bitcoin in Islamic banking and finance. *Journal of Islamic Banking and Finance*, 3(1), 1–11.
- Hairudin, A., Sifat, I. M., Mohamad, A., & Yusof, Y. (2020). Cryptocurrencies: A survey on acceptance, governance and market dynamics. *International Journal of Finance & Economics*.
- Hamid, A., Fitria, A., Adzkiya', U., & Andriyani, S. (2021). Bitcoin As A Means of Transaction and Investment In The Perspective of Islam. *IQTISHODUNA: Jurnal Ekonomi Islam*, 10(2), 33–48. <https://doi.org/10.36835/iqtishoduna.v10i2.944>
- Nababan, K. N. N. (2019). Tinjauan Legalitas Transaksi Bitcoin Di Indonesia. *Jurist-Diction*, 2(5), 1745–1764.
- Sohrah (2014). Prinsip Ekonomi dalam Islam. *Jurnal Al-Qadāu*. 1(2). <https://journal3.uin-alauddin.ac.id/index.php/al-qadāu/article/download/641/631>
- Trautman, L. J. (2014). Virtual currencies; Bitcoin & what now after Liberty Reserve, Silk Road, and Mt. Gox? *Richmond Journal of Law and Technology*, 20(4).
- Umam, A. K., Putra, O. H., & Hany, I. H. (2020). DINAMIKA CRYPTOCURRENCY DAN MISI EKONOMI ISLAM. *An-Nisbah: Jurnal Ekonomi Syariah*, 07(02), 366–386.
- Witasari, A. (2017). THE ROLE OF THE SHARIA SUPERVISORY BOARD IN THE FRAMEWORK ENFORCING SHARIA PRINCIPLES AT THE INSTITUTE OF ISLAMIC BANKING IN SEMARANG. *The 2nd Proceeding "Indonesia Clean of Corruption in 2020"*.
- Yusuf, M. Y., & Bahari, Z. B. (2015). Islamic corporate social responsibility in Islamic banking: Towards poverty alleviation. *Ethics, Governance and Regulation in Islamic Finance*, 73.
- Zain, M. F. (2018). Mining-Trading Cryptocurrency dalam Hukum Islam. *Al-Manahij: Jurnal Kajian Hukum Islam*, 12(1), 119–132. <https://doi.org/10.24090/mnh.v12i1.1303>