

## UNDERSTANDING ACCOUNTING AND SHARIA VIEWS ON BITCOIN CRYPTOCURRENCY AS A DIGITAL-BASED FINANCIAL INSTRUMENT

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### Abstract

In Indonesia, cryptocurrency began to develop, and Indonesian traders started to use it widely. This is a phenomenon, given the need for cryptocurrency accounting processing. This research seeks to examine and test cryptocurrency and blockchain technology with the approach and supervision of the Indonesian PSAK and focuses on the accounting treatment of cryptocurrencies in Indonesia. It also seeks to understand the way Sharia Maqasid perceives transactions using cryptocurrency and blockchain. The purpose of this study is to conduct a study of cryptocurrency accounting based on PSAK applied in Indonesia and examine the views of Sharia Maqasid. This study uses a literature review model to define cryptographic accounting and literature on the Maqasid view of sharia. The results show there is no accounting treatment for cryptocurrency transactions, regardless of whether the transaction is treated as cash, assets, or inventory. Furthermore, the view of the Islamic Maqasid on this transaction is permissible.

**Keywords** : *Cryptocurrency, Understanding Accounting, Bitcoin, Digital Currency.*

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## 1. INTRODUCTION

Indonesia is a country with the largest Muslim population in the world. Therefore, everything renewable will be reviewed under Sharia or by Sharia Maqasid. Every *muamalah* witness must be recorded by a person who is an expert in the field of recording. This is stated in Surah Al Baqarah verses 282 and 283. And from that verse, accounting can be considered a solution. Accounting science was indeed developed by Pacioli, but Islam has already practiced this method of accounting, as stated in Surat Al Baqarah mentioned above, and the Qur'an obliges humans to do justice, which is mentioned in 16 verses. According to scholars, fairness is balanced, and accounting has a balanced concept, namely the existence of debit and credit.

History records that humans meet their daily needs in various ways. The history of human trafficking in the dawn of civilization included the use of a barter system to conduct buying and selling transactions. Over time, the barter system encounters multiple challenges and is increasingly complex because there are parties who are not willing or unable to exchange goods. These challenges raised an

alternative to the creation of a medium of exchange that can facilitate buying and selling transactions that can be accepted by all levels of society. Namely money.

Money is not only in the form of paper but nowadays, in the era of technology 4.0, everyone can send money just by swiping a card. The development of technology 5.0, which is in front of our eyes, has given rise to a more sophisticated currency, namely a digital currency called cryptocurrency.

The emergence of *Bitcoin* currency was first created by *Satoshi Nakamoto*, a 64-year-old Japanese-American national living in Temple City, California, USA. *Satoshi Nakamoto's* name became famous and influential in the Bitcoin world when he wrote a *cryptographic* electronic payment system that was not based on trust. Nevertheless, some parties who belong to the *Bitcoin* community and *Bitcointalk* still doubt the truth about *Satoshi Nakamoto* as the founder of *Bitcoin*.

In 2009, *Satoshi Nakamoto* created 31,000 lines of programming, uploaded it to the internet, and called it *Bitcoin*. Please note that *Bitcoin Virtual Currency* is not in the form of coins or gold.

The development of *e-commerce* requires new payments that are faster, cheaper, and guaranteed. Common payment methods are used, such as transfers, credit cards, and PayPal, in addition to payment methods.

Bank Indonesia divides two types of payment system instruments, namely cash and non-cash, consisting of cash payment instruments in the form of banknotes or coins, and non-cash payment instruments of *digital money* or *electronic money*. The development of *e-money* in Indonesia creates a *trendless cash society*, which is the behavior of people using non-cash transactions by utilizing the conveniences offered by these electronic transaction tools, including speed and efficiency in making transactions (Waspada, 2012). The use of *e-money* for small-value transactions is considered more convenient than cash because customers do not need to have the right amount of money for transactions, and errors in calculating can be reduced. Gormez & Capie (2003) explain that *e-money* will affect the financial services industry in the *future and can reduce barriers to* accessing the financial services sector.

However, according to Bank Indonesia, the payment system regulator in Indonesia, Bitcoin is considered not to be under several applicable laws in the banking world, which are explained as follows:

The legality of using Bitcoin and the law of its use in transactions and investments are still *procon (khalafiyah)* among economists and scholars. 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 slice in the form of religiosity values (religious values, beliefs, spirituality, humanity, and cultural civilization values). In this study, the technological side is the *cryptocurrency* Bitcoin.

The cultural side is the socioeconomic effects of using Bitcoin in transactions and investments that tend to disrupt the country's monetary system.

Based on this explanation, the law becomes valid if there is a sense of justice contained in three aspects, namely philosophical aspects, juridical aspects, and sociological aspects. The author is encouraged to conduct deeper research on that theme, which is then outlined in the form of a thesis entitled "Understanding Accounting and Sharia Views on Bitcoin Cryptocurrency as a Digital-Based Financial Instrument."

## 2. LITERATURE REVIEW

### Cryptocurrencies

*Cryptocurrency* is a *digital* asset designed as a medium of exchange and carried out in a *database* using cryptographic techniques. The purpose of *cryptocurrency digital assets* is to maintain the security of transaction history, control the minting of coins, and verify the delivery and ownership status of coins. The history of *cryptocurrency* begins with the emergence of *Digicash*, which was created by David Chaum, an American cryptographer. Chaum thinks he will not break away from the bank's financial *track* to keep his transactions private. Chaum created a *digital* currency using complex algorithms to prevent transactions from being altered and controlled, making peer-to-peer transactions possible.

The DigiCash Company is slowly reaping pros and cons because the system has not been decentralized, making DigiCash implement a new type of central bank system. Then, at the end of 1990, DigiCash went bankrupt and disappeared from the surface. However, *DigiCash* has succeeded in using the basic cryptography in coins, namely anonymity, *private keys*, *public keys*, and blockchain *work systems* that are still centralized in one company.

### Cash

Cash is represented by a physical object, usually a coin or note (Berentsen and Schair 2018). PSAK Number 2 says that cash deposits consist of cash balances (cash on hand) and current accounts (demand deposits). In physical cash, where the object is handed over to another individual, the unit of value is also transferred without the need to involve third parties. Digital cash is the ideal payment system is one in which the value of money can be transferred electronically through cash data files (Berentsen and Schair 2018). Konvisser (1997) states that the origin of digital cash transactions comes from credit cards and then digital checks, where buyers have an online bank account that can be used for checks.

### Electronic Payment Systems

To solve the problem of double spending, the classic electronic payment system is based on a central authority that verifies the validity of payments and tracks the current state of ownership. In such a system, a central authority (usually a bank) manages the accounts of buyers and sellers. The buyer initiates the payment by submitting the order. The central authority then ensures that the buyer has the necessary funds and adjusts the account (Berentsen and Schair, 2018)..

### Blockchain

A digital/electronic coin is a nominal value that can be transacted, where this digital coin is a series of interconnected digital signatures (Mulyanto, 2015). A digital/electronic coin is a virtual monetary unit; therefore, it has no physical representation (Berentsen and Schair, 2018). The basic concept of a digital/electronic coins is to create a *decentralized authority* transaction system without a third party who can verify using the concept of *digital signature* in each transaction (Nakamoto, 2008). It can be said that bitcoin, Litecoin, and Dogecoin are *virtual coins* and are types of cryptocurrency.

### Bitcoin

Bitcoin is an electronic money or digital asset created in 2009 by Satoshi Nakamoto. Bitcoin was one of the first implementations of cryptocurrency, initially described by Wei Dai in 1998 on the Cypherpunks mailing list. There are four types of mechanisms that occur in transactions using Bitcoin: *mining*, *exchange*, *commerce*, and *investment* (Shamsiah, 2017). People see Bitcoin as an investment or speculation tool rather than as having other functions. Within a year, the value of Bitcoin rose almost 90 times. The difference between electronic money today and electronic money that uses *cryptocurrency*, according to Mulyanto (2015).

Dannella et al. (2015) stated that the comparison of Bitcoin with other legal currencies can be seen in the following table:

**Table 1.** The Difference between Bitcoin and Legal Currency

BITCOIN	OTHER CURRENCIES
Using peer-to-peer technology without a central authority or agency to oversee operations	Issued by the central bank as a form of authority to manage other monetary policies
Bitcoin is designed to be a digital currency	Created in physical form
The number of bitcoins produced is limited to only 21 million	Produced and publishable indefinitely

Requires a high level of knowledge since it uses cryptocurrency technology	Does not require technology and a deep understanding
Acceptance is still very limited; it is only accepted in certain stores	Can be accepted and used anywhere

The legality of Bitcoin in Indonesia has not been recognized by Bank Indonesia as a means of payment because it is not per Law No. 7 of 2011 concerning Currency and Law No. 23 of 1999 concerning Bank Indonesia. In the Currency Law, it is stated that currency is money issued by Bank Indonesia as the central bank called rupiah, and in the Bank Indonesia Law, it is stated that the legal currency circulating in the Republic of Indonesia is rupiah money. This is also reinforced by Bank Indonesia Regulation Number 17/3/PBI/2015 concerning the Mandatory Use of Rupiah because Rupiah must be used for all transactions in the territory of the Unitary State of the Republic of Indonesia, The use of payment instruments other than Rupiah in Indonesia may be subject to criminal sanctions, both imprisonment and fines, except for acts that are excluded in Law Number 7 of 2011 concerning Currency.

Danella *et al.* (2015) argue that bitcoin qualifies as legal tender because, among other things:

1. Not easily damaged
2. Have the same quality as other currencies
3. Non-falsifiable
4. Easy to carry
5. Has a stable value

It can be concluded that bitcoin can be used as legal tender, but there is no regulation yet from the government and there is no legal basis for the use of bitcoin.

### **Sharia**

Sharia is defined as a system or rule that can regulate the relationship between humans and God, or humans with humans, as well as the surrounding nature. The proposition of Sharia laws that are recognized and have met the qualifications of *qath'i* is based on the Qur'an, Sunnah, Ijmak Sahabat (Ijma Shahabi), and Qiyas. The following postulates discuss Sharia.

And he said: O my people! God is the God of Healing.

Meaning: "And most of them just follow conjecture. Indeed, the conjecture is not the least bit useful against the truth. Truly, Allah knows what they are doing." (Yunus/Jonah; 36)

Sharia is often written as Shari'ah or al-Shari'ah by several writers. Even today, it is developing the purpose and intent of Sharia with the term Maqasid al-Shari'ah.

### **Maqāṣid and al-Sharī'ah**

Maqāṣid al-Sharī'ah are two words, consisting of Maqāṣid and al-Sharī'ah. Maqāṣid is the plural form of Maqṣid, meaning "place to go or intended," or maqṣad, meaning "destination or direction."

However, it is certainly not right for maqāṣid al-sharī'ah to be left without a meaningful role. This is at least not necessarily as meaningful as the meaning of 'illah, but since it is so important for a problem to be resolved and it can only be properly resolved by maqāṣid al-sharī'ah, the delegation of authority to maqāṣid al-sharī'ah is the right step to take. Surely, what is obtained from this effort is the **benefit**.

## **3. RESEARCH METHODS**

This research method is descriptive-analytical, as the results of the research obtained can provide an overview of how accounting and shari'ah views plus the juridical implications of bitcoin as a regulation and shari'ah law in Indonesia specifically.

This descriptive analytical begins by grouping the same material and information according to sub-aspects and then interpreting them to give meaning to each sub-aspect and its relationship to each other. After that, an analysis of all aspects is carried out inductively to provide a complete picture of the results. The authors collected public data as follows:

#### a. Primary Data

- 1) Written texts in the form of theses and books about Bitcoin
- 2) The Qur'an and the Hadith
- 3) Act No. 23 of 1999 concerning Bank Indonesia
- 4) Law No. 11 of 2008 concerning electronic information and transactions
- 5) Law No. 7 of 2011 concerning Currency
- 6) Bank Indonesia Press Release No. 16/6Dkom, Year 2014, concerning Bank Indonesia Statement related to Bitcoin and other virtual currencies.

#### b. Secondary data

Secondary Legal Material is material that explains primary legal material, including abstracts, research results, and works from legal and non-legal circles (political, economic, and administrative). In addition, secondary legal materials are all publications about law that are not official documents. Publications about law include textbooks, legal dictionaries, legal journals, fatwas, articles on websites, comments from the Bitcoin user community, interviews, etc.

## 4. RESULT AND DISCUSSION

### Financial Services Authority (OJK)

This institution has not yet determined its stance regarding the existence of Bitcoin in Indonesia. OJK cannot make its own decisions without coordinating with Bank Indonesia (BI) regarding Bitcoin problems. The initial concept of Bitcoin was a means of payment, and everything related to payments in Indonesia is under the authority of BI. However, OJK has issued an official statement related to Bitcoin, saying that any transactions involving Bitcoin or other currencies must be reported to them. OJK argues that Bitcoin has been used *peer-to-peer* for quite a long time, and the market is quite large. If there is a new financial product, it must enter the OJK. Bitcoin is also expected to its users to report for every transaction that has been made.

Another reason OJK has not decided and issued regulations until now is that the study factor is not enough to conclude. OJK itself considers it a necessity in an era that depends on technology. If OJK allows Bitcoin, it will also be after the green light from BI and the Ministry of Finance with various aspects of consideration.

### Bank Indonesia (BI)

Bank Indonesia is a state financial institution that regulates money circulation in Indonesia. BI's statement regarding Bitcoin and other virtual currencies as a means of payment was issued in Press Release No.16/6/Dkom, stating that Bitcoin and various other virtual currencies are not legal tender in Indonesian territory. The statement is as follows:

*Taking into account Law No. 7 of 2011 concerning Currency and Law No. 23 of 1999, which was later amended several times, most recently by Law No. 6 of 2009, Bank Indonesia stated that Bitcoin and other virtual currencies are not legal currencies or tenders in Indonesia.* In addition, all risks related to the use and ownership of Bitcoin are borne by the owner and its users.

This information, accountants can rearrange offline records to meet reporting requirements such as IRS guidelines that demand that bit coins be treated as property/assets, financial instruments, or inventories, namely PSAK 10 on foreign currencies, PSAK 19 on intangible assets, PSAK 50 on financial instruments, and PSAK 16 on Inventory.

### Base Currency

Bitcoin is treated as a *base currency*, so it treats other currencies as foreign currencies. Organizations that use this method must be global in scope, i.e., have trade, customers, employees, suppliers, and business partners anywhere and everywhere. This will result in a different orientation, if organizations choose this method a lot, it will be a way to gauge whether or not Bitcoin has achieved widespread global acceptance.



## Accounting for *Cryptocurrencies*

The recognition of accounting for *cryptocurrencies*, according to PSAK, can be seen from several factors, namely:

### 1. Payment Method

PSAK *cryptocurrency is viewed as cash or cash equivalents*. According to PSAK 1 pp. 66, an entity can classify assets as current assets if:

- a. The entity expects to realize the asset or has the intention to sell or use it in a normal operating cycle.
- b. The entity owns the assets for trading.
- c. The entity expects to realize the assets within twelve months after the reporting period or
- d. Assets are cash or cash equivalents (as defined in Financial Accounting Standard Principles(PSAK) 2).

A cash flow statement is made unless the asset is restricted from being exchanged or used to settle liabilities at least twelve months after the reporting period. PSAK 50 pp. 03 defines cash (currency) as a financial asset because it is a medium of exchange, while PSAK 2 pp. 07 states cash equivalents are owned to meet short-term cash commitments, not for investment or other purposes. The requirement to meet the cash or cash equivalents qualification is that an investment must immediately be converted into cash in a predetermined amount and have a risk of insignificant changes in value, so the investment is said to be cash or cash equivalents if it will mature immediately in a short time, for example, 3 months.

The use of Bitcoin as a currency is relatively small. The prohibition on the use of digital currencies has been covered in Law Number 7 of 2011 concerning Currency and BI Regulation Number 7/3/PBI/2015 concerning the Mandatory Use of Rupiah. In addition, there are also additional rules in BI Regulation Number 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing and BI Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology. Based on this, the question arises: will Bitcoin be treated as a traditional currency and considered cash or cash equivalents, or Bitcoin investments be considered financial assets and should be subject to PSAK standards for financial instruments? This is still a doubt, as PSAK has not clearly regulated Bitcoin, so it has not been considered to be treated in accounting.

### 2. Foreign Currency

PSAK *Cryptocurrency* related to foreign currency can be explained as follows: a foreign currency transaction must be recorded in the functional currency. The definition of a functional currency, according to PSAK 10, is "a currency in the main economic environment in which a company operates." A functional currency is a currency used in measurement transactions, which is in contrast to the reporting currency used in presenting financial statements. PSAK 10 requires the company to measure its transactions using its functional currency and allows the company to present its financial statements in any currency. This is because functional currencies are expected to reflect relevant transactions, events, and underlying conditions. Once the functional currency is determined, the functional currency does not change.

PSAK 10 has regulated transactions with foreign currencies. Foreign exchange transactions are transactions that are denominated or require settlement in foreign currencies, including transactions that arise when the entity does the following:

- a. Buying or selling goods/services whose prices are denominated in foreign currency
- b. Borrow or lend funds when the amount, which is the currency of the debt or bill, is denominated in foreign currency.
- c. Acquire or dispose of assets, procure, or settle liabilities denominated in foreign currency

Based on the explanation above, it can be concluded that, when looking at functional currencies and foreign currencies, bitcoin cannot yet be treated as functional currency.

### Bitcoin as a Financial Instrument Asset

Companies that use Bitcoin own this Bitcoin for investment purposes, so Bitcoin investment is considered a financial asset and is subject to PSAK or IFRS standards as a financial instrument but as an intangible asset.

### PSAK *Cryptocurrency* Assets and Financial Instruments

If bitcoin is considered a *financial instrument*, PSAK 50 pp. 11 explains that a financial instrument is a contract that results in the emergence of financial assets for one entity and financial liabilities or equity instruments for another entity, where each contract adds value to the entity's financial assets and financial liabilities or other financial instruments. Bitcoin, in this case, does not fulfill the contractual right to receive cash or financial assets; it is similar to gold bullion, which also cannot be considered a financial instrument even though it is liquid.

Assets, according to PSAK 19 and IFRS, are resources controlled by the company as a result of past events and future economic benefits that are expected to flow to the company. PSAK 19 states that intangible assets are identified as non-monetary assets without physical intangibles; in this case, intangible assets in the non-current category that are utilized by companies, such as goodwill, patents, brand rights, royalties, software, and so on.

Bitcoin meets the definition of an intangible asset because it has no physical form, is non-financial in nature, and meets the definition of an asset. However, bitcoin does not meet PSAK 19 non-current categories that are used by companies, such as patents, brands, royalties, software, and so on. If Bitcoin is held as a means of payment, it will comply with PSAK 58, which regulates non-current assets available for sale.

Non-current assets, according to PSAK 1, are fixed assets, intangible assets, and long-term financial assets. Thus, PSAK 58 states that non-current assets owned for sale are non-current assets obtained specifically for resale.

The criteria for a non-current asset or group of removable assets to be classified as assets held for sale are as follows:

- a. The asset must be available and in a sellable state, and its sale must be *highly probable*;
- b. The asset has been actively marketed at a reasonable price at its present fair value;
- c. The sale must have been completed, or expected to be completed within 12 months from the date of classification; and
- d. The necessary actions to complete the plan have already been taken, indicating that there is no possibility of significant changes or cancellations to the plan.

Bitcoin as a means of payment will comply with PSAK 58, which regulates non-current assets available for sale where non-current assets held are sold at a lower value between the carrying amount and fair value after deducting the cost to sell.

From the accounting practices for cryptocurrencies stated above, it can be concluded that there has been no definite treatment from both IFRS and PSAK. The same thing was stated by Ersya Tri Wahyuni (2018): that the treatment of cryptocurrencies in financial reporting in Indonesia is still uncertain due to questions, among others:

1. Is Bitcoin considered a traditional currency that is considered cash or cash equivalents (PSAK 50, pp. 03), where the currency (cash) is a financial asset because it is a medium of exchange?
2. Whether a company that uses Bitcoin owns this Bitcoin for investment purposes, Bitcoin investment is considered a financial asset and is subject to PSAK or IFRS standards as a financial instrument. However, a financial instrument is a contract that results in the emergence of financial assets for one entity and financial liabilities or equity instruments for another entity. When a company owns Bitcoin, it has no contractual right to receive cash or other financial assets.

3. Is cryptocurrency an intangible asset (PSAK 19) PSAK 19 regulates intangible assets in the non-current category that are used by companies, such as patents, brands, royalties, software, and so on, or as assets available for sale (PSAK 58) when accepting Bitcoin as payment. Whereas, if the entity uses buying and selling bitcoin to act as a broker or trader, PSAK 14 requires the entity to measure its commodity at fair value minus the cost of selling, with the difference in fair value recognized in profit and loss.

### Aspects of Shariah Views

The factor of Islam being the majority religion in Indonesia cannot be ruled out when the government takes policies. Likewise, trade products and commodities that circulate in the community must be known as halal or haram in the perspective of Islamic Shari'a. Regarding the existence and trend of Bitcoin in Indonesia, until now, the Indonesian Ulema Council (MUI) has not issued any fatwa. MUI does the same thing as the Indonesian Ministry of Finance did, namely issuing statements and appeals to the public regarding Bitcoin in Indonesia. The essence of the MUI's statement related to Bitcoin for Muslims is to be careful with Bitcoin transactions. This statement does not contain prohibitions or permissibilities, but only a warning.

### Investment in Islamic Views

In general, investment is a term with several meanings related to finance and economics. In Islamic law, the term investment is called *mudharabah*, which means handing over capital money to people who trade so that they get a percentage of profits.

The investment itself involves two people: the first parties, who have capital but are not good at doing business; and the second parties, who do not have capital but are good at doing business. Investment contracts in Islam are categorized as trustful contracts, where both parties work together as business partners who help each other (profit and loss sharing) based on the capital of both, or what we know as *musharakah*, that is, neither party is the guarantor of the other.

The Majma Fiqh Al-Islami decree states, "Any investment that makes the businessman (*mudharib*) provide a certain amount of profit to the investor is haram. It is because the nature of investment has turned into an element of lending with the promise of usury profits."

Para Ulama (Muslim scholars) agreed that this investment system was permissible. The legal basis of this system is *ijma'* ulama, which allows it. It is also narrated from al-Alla bin Abdurahman, from his father and his grandfather, that Uthman bin Affan gave him money as business capital, and the profits were divided into two. According to scholars, investment can be said to be valid if it meets the following three criteria (Amy Susanto, *system-mudharabah-investment-and-law*):

1. Investors
2. Akad or Agreement
3. Object of Transaction

"And do not squander (your property) extravagantly. Behold, those wasters are the brothers of Satan." (QS. Al Isro': 26-27).

Investment is one way for us to save. Investment in any form in Islam requires that losses and gains be the responsibility and rights of both parties following the contract that has been pronounced.

### Bitcoin in Indonesia According to Sharia

One of the main characteristics of the Indonesian state is that it has the largest population of Muslims in the world. Due to the dominance of Muslims in Indonesia, regulations and various products that circulate will not be separated from halal and haram elements. Likewise, it applies to the economic system in Indonesia. Various products, economies, and services related to it, are not spared from the concept of Shari'ah-based. The official institution that issues the basic concept of Sharia law is the Indonesian Ulema Council (MUI). Likewise, it applies to Bitcoin as one of the products and systems of



the global economy, considering the aspect of Shari'ah as a basis for determining whether Bitcoin is contrary to or allowed by Islam.

### 1) The Quran

a) Quran Surah An-Nisa' [4], verse 29:

"O believers, do not wrongfully consume one another's property, except in consensual trade among you. And do not kill yourself. Truly Allah is merciful to you".

b) Quran Surah al-Maidah [5], verse 90:

"O believers! Indeed, liquor, maysir (gambling), sacrifice for idols, and casting lots with arrows are heinous deeds and belong to Satan. So stay away from them so that you may be lucky."

#### Some opinions about the interpretation study of Maysir's keywords:

a) Muhammad Quresh Shihab

In Tafsir *Al-Misbah* volume 3, page 236, it states that *maysir* comes from the word *yusr*, which means easy. Someone who gambles easily acquires wealth but also easily loses his property.

b) Al-Shabuni

*Al-maysir ae alqimar kulluhu fayadhkulu fih al-Nardu wa al-shithranji wa ghairu dzalika mimma yuqamiruna* bih.131 Maysir is all forms of gambling, including playing dice and chess, commonly used for betting.

### 2) Hadith Rasulullah SAW

The hadith received by Abu Hurayrah is as follows: '*An Abi Hurairah ra qala, naha Rasulullah SAW 'an ba'i al-hashat, wa 'an ba'i al-gharar* (HR. Muslim), as stated in the book of *Saheeh Muslim* Juz 4, hadith number 1513. Abi Hurairah said that the Prophet (peace be upon him) forbade the buying and selling of al-hashat by throwing and buying and selling *al-gharar*, which contained elements of obscurity.

Aisha laughed at Ibn Masud. The Prophet (*peace and blessings of Allah be upon him*) said: "*The Prophet (sallallaahu 'alaihi wa sallam)* was the first of the prophets and the last of the prophets."

That is, as Ibn Mas'ud, the Prophet (peace be upon him) said, do not buy fish in the water because it is indeed *gharar*. *Al-gharar* is *al-khatr* or betting, and *al-khida'*, or deception.

Thus, the essence of *gharar* in buying and selling transactions is a state that has two possibilities, but it is the bad possibilities that have great opportunities.

### 3) Qiyas Ijtihad

Ijtihad is the third source of Islamic law after the Qur'an and the Sunnah of the Prophet. Ijtihad is the *isim mashdar* of *ijtihad*. In terms, ijtihad is establishing the law of something that is not yet clear through *istinbath*.

Qiyas is an *isim mashdar* or noun (*gerund*), derived from the words *qayasa*, *yuqayisu*, *qiyasan*, and *wa muqayasatan*. Etymologically, *qiyas* means *al-taqdir* 'measure', and *al-Musawah*, 'equation', or 'equalize'. Thus, *qiyas* is the establishment of law by comparing something that is not yet clear in law to something else that is legal by looking at *the illat* or similarities of characteristics that exist in both. *Qiyas* may be performed when the law of something sought does not have its nash, either in the Qur'an or in the hadith of the Prophet (peace be upon him). In this case, Imam Shafii said that *qiyas* may be used as a method of *legal istinbath*.

The *Qiyas* method will be projected on Bitcoin. The application of the law to the Bitcoin case is likened to the case of selling fish in water; *Al-ashl* is buying and selling fish in water and *Furu'* is *buying and selling* Bitcoin virtual money in cyberspace. The law of *ashal* is that it is *haram* to buy and sell fish in water, which both contain elements of *gharar*.

The above case has similarities with the sale of Bitcoin. Bitcoin is imaginary, dreamy money, but it is sold at a clear price. Thus, the sale of Bitcoin is unlawful.

It is similar to the Bitcoin exchange rate. The rise and fall of the exchange rate of money in a country depends on the value of imports and exports in that country. If the value of exports rises, the exchange rate rises. Conversely, if the value of exports falls, the value of state money falls. In the case of Bitcoin, the rise and fall of the Bitcoin exchange rate is not related to the value of imports and exports but depends on public opinion built into the marketing system. Bitcoin has no underlying asset, so the fluctuation of the Bitcoin exchange rate is extreme. Bitcoin can skyrocket and can take a nosedive, making it difficult to predict. Therefore, this Bitcoin business is like betting, which includes the element of *maysir*. Thus, using Bitcoin virtual money as an investment instrument is haram *lighairihi* or haram because there are other factors outside the substance.

#### 4) Ijtihad Masalah Mursalah

The basic assumption is that Islam is *rahmatan lil 'alamin*, which is mercy for all humans and even all nature. According to Abu Zahrah, this benefit can be attained through the explanation of reason or obtained through the work of reason. Maslahat is divided into two, namely (1) *maslahah al-mu'tabarah* and (2) *mashlahah al-mursalah* or *al-Istishlah*.

*Maslahah al-mu'tabarah* is the five benefits of religion for humans, namely *hifdzu dien* (guarding religion), *hifdzu al-nafs* (guarding the soul), *hifdzu al-aql* (guarding reason), *hifdzu al-nasab* (guarding offspring), and *hifdzu al-Maal* (guarding property). All ijtihad prescribing the law of something must not be out of the five functions of religion. *Maslahah al-mursalah* is a problem for the Ummah in certain cases from the perspective of the objectives set by the Shari'a. The Bitcoin case is included in *Mashalih al-mursalah*.

Bitcoin has several benefits and is even virtual money that is protected by an excellent technological device, namely the Blockchain. However, Bitcoin has the potential to cause many *problems* in the country's financial chaos, including the fact that the state cannot control money. In such conditions, one of the rules of *mashalih al-mursalah* applies, namely *daf-ul mafasid muqaddamun 'ala jalbi al-mashalih* (al-Salma, t.t.). In other words, the rule of rejecting *mafsadat* should take precedence over taking advantage. On this basis, the use of Bitcoin for investment and transactions is haram.

#### DSN-MUI's View of Bitcoin is Based on Sharf's Theory

In Islam, the existence of digital money, especially virtual Bitcoin, is not widely discussed because it is contemporary. DSN MUI has also not given a fatwa related to fiqh law in transactions and investments using virtual Bitcoin, but in the near future it does not rule out the possibility that there is an institution that will provide a fatwa related to Bitcoin transactions and investments, considering that Indonesia is majority Muslim.

Most people call Al-Sarf with foreign exchange (Forex), which in English is called *Money Changer*. In Arabic, Sharf, or Al-Sharf, mentioned in the dictionary Al-Munjid fi al-Lughah, means "selling money with other money". Al-Sharf means "addition, exchange, or buying and selling transaction."

## 5. CONCLUSION

Cryptocurrency is a virtual currency that can transact online finance and is not regulated by any country. This cryptocurrency has several advantages, including being easy to use, being able to be sent anywhere, anytime, anywhere, via the internet, ensuring personal data security, facilitating transactions, and having relatively low fees.

Cryptocurrency as a financial transaction system and as a digital currency is a relatively new technology and needs further research and study, especially for accounting for cryptocurrency transactions to, among others:

1. Cryptocurrency as cash or financial instruments
2. Cryptocurrency as an intangible asset or setup
3. Cryptocurrency as a foreign currency and base currency

4. IFRS and PSAK are perceived to lack guidance on intangible assets held for investment, such as carbon emissions, that in some countries are actively traded, and also that PSAK and IFRS are less regulated on commodities such as gold bullion. There is an absence of PSAK and IFRS frameworks that provide clearer guidance on accounting treatment for bitcoin and *cryptocurrencies*. This is a consideration for the IASB and FASB, as well as the IAI, not to issue accounting for *Cryptocurrency*.

Sharia rejects *keafsadatan* means also achieving benefit. While the purpose of Islamic shari'a is to achieve benefits in the world and in the hereafter. In this case to prevent better *disobedience*, it can be interpreted that it is better to avoid *Shubhāt* than to do it, it can be interpreted that it is better to avoid *Shubhāt* than to do it.

Welfare brings benefits to human life, while *mafsadat* causes madharatan for human life.

In the perspective of fiqh muamalah through interviews with DSN-MUI resulted in a **conclusion that bitcoin cannot be said to be a legal currency**. Because **bitcoin does not qualify as a currency in both conventional and Islamic economics**.

And in the rules of fiqh, this transaction activity still **brings a lot of mudharat compared to its benefits**.

MUI's fatwa through this Ulema j'tima through a long discussion, MUI through this activity determined that the use of Cryptocurrency or cryptocurrency **is legally haram**.

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