International Journal of Sharia Business Management (IJSBM)
Vol. 3, No. 2, September 2024, pp. 138~144
e-ISSN: 2828-5891, DOI: 10.51805/ijsbm.v3i2.210

Islamic Economic Review of Bitcoin Ownership as A Digital Asset

Muhammad Abdullah[1], Siti Solehah[2], Indi Auliya Romdoni[3]
[1]STAI Sebelas April Sumedang, Indonesia
[2]STAI Sebelas April Sumedang, Indonesia
[3]STAI Sebelas April Sumedang, Indonesia

Article Info

Article history:

Received 8 2, 2024
Revised 8 21, 2024
Accepted 9 14, 2024

Keywords:

Bitcoin Ownership,
Islamic Economics,
Digital Asset

ABSTRACT

Bitcoin, as a form of cryptocurrency operating within a decentralized network known as blockchain, has become a global phenomenon with increasing value and popularity. Despite offering various opportunities, Bitcoin also raises numerous questions and controversies, particularly from the perspective of Islamic economics, which has specific principles and rules regarding asset ownership, investment, and financial transactions. This study aims to analyze the status of Bitcoin ownership as a digital asset from the viewpoint of Islamic economics. The research method employed is qualitative with a literature review approach. Data were obtained through relevant literature, including journals, books, articles, and fatwas from scholars. The results of the study indicate that the extreme price volatility of Bitcoin tends to trigger excessive speculation (*maisir*), which is prohibited in Islamic economics as it can lead to injustice and uncertainty (*gharar*) in transactions. Additionaly, Bitcoin is often associated with activities that do not align with Sharia principles, such as gambling and ilegal transactions.

This is an open access article under the CC BY license.

Corresponding Author:

Muhammad Abdullah
STAI Sebelas April Sumedang, Indonesia
Email: muhammadmumuh2202@gmail.com

INTRODUCTION

DevelopmenttechnologyInformation and communication have brought significant changes in various aspects of life, including in the economic field. One of the biggest changes is the emergence of technology.*blockchain* And *cryptocurrency*Whichallows transactions to be carried out electronically without the need for intermediaries such as institutionstraditional finance. Bitcoin, as one of the*cryptocurrency* first andmost famous, has been the subject of many debate, especially in the context of Islamic economics. On Basically the Islamic economic system has strict rules regarding financial transactions, asset ownership andhow to acquire wealth. Principles such as justice, balance, and transparency are the foundation of every economic activity carried out by Muslims. In this context, Bitcoin, with its extreme price volatility and association with speculative activity, raises fundamental questions about its compatibility with Islamic economic principles. Is

Bitcoin ownership as a digital asset acceptable within the framework of Islamic economics? How with potentialrisks associated with using these cryptocurrencies in everyday transactions?

DevelopmentTime always encourages people to make changes, including in their activitieseconomy. Transactions that previously had to be done face to face can now be done online via smartphone technology connected to the internet, anywhere and anytime. This transformation reflects the evolution from a barter system to an exchange with money that we know today, which is considered a medium of exchange in the world of economics. The use of technology in financial transactions is increasingly widespread with the emergence of services such as mobile banking and e-wallets. However, the traditional financial system is still limited by state regulations. In response to these limitations, the idea arose to create a new currency that is expected to be able to overcome various problems in trade orbusiness, like Bitcoin. Cryptographyis a key element that ensures the security and integrity of Bitcoin. Cryptography plays a role importantin the security and integrity of Bitcoin as a decentralized digital payment system and store of value, oftentimes referred to as a safe and reliable cryptocurrencytrusted because of this technology. A number of scholarsand Islamic economists have expressed varying views on Bitcoin. A number of scholars and Islamic economists have expressed differing views on Bitcoin. As a decentralized digital currency not regulated by a central authority, Bitcoin has sparked debates among scholars about its compatibility with Shariah principles. Some scholars argue that Bitcoin does not meet the requirements of Shariah-compliant currency due to its high volatility and speculative nature, which could lead to uncertainty (gharar) and gambling (maysir), both of which are prohibited in Islam.

On the other hand, some scholars believe that Bitcoin can be accepted under Shariah law if it is used as a legitimate medium of exchange and does not involve forbidden elements such as riba (interest). They argue that in the digital era, Bitcoin has the potential to become a global currency that can facilitate cross-border trade without involving conventional banking systems, which often involve riba. Proponents of this view see Bitcoin as a tool that can provide financial freedom and reduce reliance on banking systems that do not align with Shariah principles. However, beyond the theoretical issues, practical aspects also raise concerns. For instance, the extreme price volatility of Bitcoin presents significant risks to users, which contradicts the Islamic principles of justice and balance. In Shariah, transactions should be conducted with fair and balanced terms, where neither party is harmed by unforeseen value fluctuations. Additionally, the substantial risk of loss faced by individuals investing in Bitcoin can be seen as a form of exploitation, which is also not in line with Islamic teachings.

Furthermore, some scholars caution that Bitcoin is also used for illegal activities, such as money laundering and transactions on the dark web. This raises concerns about the ethics and security of using Bitcoin. In Islam, transactions must be transparent, fair, and free from any form of fraud or activities that harm others. Therefore, while there are potential benefits to using Bitcoin, challenges related to Shariah compliance must be seriously considered. Overall, the debate on Bitcoin among Islamic scholars and economists reflects the tension between the need to adapt to modern technology and the commitment to remain faithful to Shariah principles. The final conclusion regarding Bitcoin's legal status in Islam seems to depend on how it is used and whether it can be integrated in a way that aligns with the values of justice, transparency, and balance upheld by Shariah. The final conclusion regarding Bitcoin's legal status in Islam appears to hinge on how the cryptocurrency is utilized and whether its usage can be aligned with the core values of justice, transparency, and balance as prescribed by Shariah. These values form the foundation of Islamic financial principles, ensuring that financial transactions are conducted in a manner that is fair, ethical, and avoids harm to any party involved. To determine if Bitcoin can comply with these principles, a more comprehensive examination of how it operates in practice is essential.

One of the key aspects that will determine Bitcoin's Shariah compliance is its use as a medium of exchange. If Bitcoin is primarily used for legitimate, lawful trade and as a tool for facilitating transactions without involving haram elements, such as riba (interest) or excessive uncertainty, it may be seen more favorably. For instance, in countries where traditional banking systems are inaccessible or where financial inclusion is limited, Bitcoin could provide an alternative way to conduct commerce, potentially bringing economic empowerment to underserved populations. However, this use must be carefully monitored to ensure it does not introduce undue risks or harm. Another consideration is the transparency of Bitcoin transactions. Shariah

emphasizes the importance of clarity and transparency in all financial dealings, so that all parties are fully informed about the terms of the transaction. While Bitcoin's blockchain technology offers a public ledger that records all transactions, ensuring a degree of transparency, the anonymity often associated with Bitcoin trading can complicate this aspect. The anonymity could be exploited for illegal or unethical purposes, such as money laundering or financing prohibited activities, which would violate the ethical standards of Shariah.

The issue of balance is also critical in assessing Bitcoin's alignment with Islamic finance. Shariah requires that transactions maintain a balance between the rights and obligations of all parties involved, ensuring that no one is unjustly disadvantaged. Bitcoin's extreme price volatility raises concerns in this regard. Investors can experience significant losses due to rapid fluctuations in Bitcoin's value, which can lead to financial harm. For Bitcoin to be considered compliant with Shariah, it must offer a level of stability that protects individuals from unreasonable risk and prevents exploitation. In conclusion, Bitcoin's legal status in Islam remains a subject of debate, largely dependent on how the cryptocurrency is used and integrated into the financial system. If its use can be controlled and regulated to prevent unethical practices, while also addressing the issues of volatility and risk, Bitcoin may potentially be considered compatible with Shariah principles. However, until these challenges are addressed, many Islamic scholars remain cautious, emphasizing the need for further research and guidance from authoritative Islamic financial bodies.

METHOD

This study uses a qualitative descriptive method with a library research approach to examine the Islamic economic view on Bitcoin ownership as a digital asset. This method was chosen because this study aims to understand complex phenomena and interpret the subjective views of Islamic economists. The data collected comes from various library sources, such as scientific works, books, journals, articles, and websites that are related to the research topic. The data in this study comes from secondary data, namely documents, books, journals, articles, and other relevant literature. Data collection techniques are carried out through documentation, namely by collecting written materials that are relevant to this study. Data analysis is carried out using two main methods: descriptive analysis and content analysis. Descriptive analysis is carried out to collect, organize, and analyze data in the form of words or images, not numbers, in accordance with application of qualitative methods. Meanwhile, content analysis is used to explore concepts related to Bitcoin from an Islamic economic perspective. To ensure the validity of the data, this study applies triangulation, including triangulation of sources, methods, and researchers. This triangulation helps in validating data and ensuring the consistency of research results, so that the results obtained are reliable and trustworthy.

RESULTS AND DISCUSSION

Ownership in Islamic economics is heavily influenced by sharia-based principles, which emphasize the halal and ethical way of acquiring and managing wealth. In Islam, ownership is recognized as an individual or group right, but this right is bound by rules that ensure that the wealth is used fairly and beneficially, both for the owner and the wider community. This includes the management and development of wealth which must comply with the halal and haram provisions regulated by sharia. In the context of Islamic economics, Bitcoin ownership must be carefully examined based on the principles of shariah. There are several important aspects that must be considered Legitimate and Halal Ownership, Bitcoin as a digital asset must meet the requirements of halal. This means that Bitcoin should not be acquired or used in activities that involve riba, gharar (uncertainty), or maysir (speculation). Some scholars have stated that Bitcoin can be considered halal if it is used as a legitimate means of exchange and does not involve elements that are prohibited in Islam. One of the main concerns in the use of Bitcoin is excessive speculation. Islam emphasizes fairness in economic transactions, and the extreme speculation that often occurs in the price of Bitcoin can be considered contrary to this principle of fairness. Fair and transparent transactions are key to ensuring shariah compliance.

Bitcoin is often criticized for the high uncertainty associated with its value. In Islam, transactions that involve a significant level of uncertainty are discouraged because they can harm one of the parties. Therefore, the use of Bitcoin must be done carefully to avoid excessive gharar. If Bitcoin is recognized as a legal medium of exchange and recognized by the community, then it can support the argument that Bitcoin is halal. However, its high volatility and long-term instability must be considered in the context of its use as a store of value. One of the main advantages of Bitcoin is the absence of interest (riba) in its transactions. This is in accordance with the principles of Islamic economics that prohibit riba. However, it is important to pay attention to how Bitcoin is obtained and used, so that it remains in accordance with sharia. Decisions regarding the use of Bitcoin are often guided by fatwas and opinions of scholars. Some scholars support the use of Bitcoin under certain conditions, while others reject it for the reasons mentioned. These views vary across countries, reflecting differences in the interpretation of sharia regarding digital assets.

Opinion of the Indonesian Ulema Council (MUI) Regarding Cryptocurrency Bitcoin as a cryptocurrency has been the subject of significant debate among Islamic scholars and economists. The Indonesian Ulema Council (MUI), in the 7th Indonesian Fatwa Commission Ulama Ijtima held on November 9-11, 2021, provided an official view on the legal status of cryptocurrencies such as Bitcoin in Islam. The Ijtima was attended by various important elements, including Islamic boarding school leaders, academics, and fatwa researchers, and produced several important points regarding cryptocurrencies.

Cryptocurrency Law According to the MUI, the use of cryptocurrency as a currency or payment tool is haram, with the following main reasons Cryptocurrency contains elements of gharar (uncertainty) and dharar (harm or loss), which makes it unqualified as a currency in Islam. Gharar here refers to the high uncertainty regarding the value and reliability of Bitcoin, while dharar refers to the potential for large losses, both for individuals and society, due to the very high volatility of Bitcoin prices. In addition to sharia reasons, the MUI also refers to the laws and regulations in force in Indonesia. Cryptocurrency is contrary to Law Number 7 of 2011 concerning Currency and Bank Indonesia Regulation Number 17 of 2015, which stipulates that the official currency in Indonesia is the Rupiah. Thus, the use of cryptocurrency as a means of payment is considered illegal in Indonesia. Sil'ah Criteria: The MUI also examines cryptocurrency from the perspective of sil'ah (a legitimate commodity to be traded). According to the MUI, cryptocurrency that does not have a physical form, clear value, or cannot be handed over to the buyer does not qualify as sil'ah. Therefore, such cryptocurrency trading is considered invalid.

However, the MUI provides certain leniency in terms of cryptocurrency being used as a digital asset that meets the requirements of sil'ah, namely having an underlying asset and clear benefits. Under these conditions, cryptocurrency can be considered legitimate for trading. Implications of the MUI Fatwa for Bitcoin Ownership This fatwa has major implications for Muslims considering owning or using Bitcoin. In Islamic economics, asset ownership must be based on sharia principles, including justice, prohibition of excessive speculation, and avoidance of usury. Therefore, although Bitcoin can be recognized as a digital asset that has value, its ownership must still comply with sharia provisions. (Hassan, Muneeza, & Mohamed, 2023) Thus, Muslims who are considering owning or using Bitcoin must do so with great caution, paying attention to every aspect of the law and ethics that have been set by the MUI as well as other principles of Islamic economics.

Islamic economics emphasizes justice, balance, and social responsibility in economic activities. These 7 values are relevant in evaluating Bitcoin, especially in terms of how this digital currency is used and controlled. Who do not have access to the traditional banking system. However, its high volatility can create injustice if it causes significant harm to unprepared users. The use of Bitcoin must be balanced and not encourage excessive speculative behavior. This balance is important to prevent major losses that are not in accordance with the objectives of sharia. The use of Bitcoin should be guided by social responsibility, including avoiding use in illegal or unethical activities, and ensuring that transactions are conducted with transparency and fairness. Digital assets are goods or objects contained in an electronic system that have a value that can be owned and controlled by a legal entity or individual. Digital assets are one form of development of the concept of assets that initially only existed in the real world but have developed into the cyber world. Digital assets are assets or objects whose ownership is recorded digitally and controlled

directly by their owners. So it can be concluded that Bitcoin can be used as a digital asset, where Bitcoin is a collection of data or electronic documents contained in an electronic system and has economic value, which can be used and owned by a legal entity or individual.

The explanation above is used as a basis by Bitcoin users to make it not only a means of payment but also as an asset for investment. The function and use of Bitcoin as a digital asset can be used to carry out activities in the cyber world ranging from sending money or remittances, investing or electronic trading quickly, conveniently, without difficulty because it uses a cryptographic system. Initially, bitcoin was only traded in large units called BTC which ran in 2009-2012, but as the price of Bitcoin increased to hundreds of dollars, the traded units also decreased in order to facilitate transactions. From its inception until now, Bitcoin has continued to experience a multiple-fold increase. Seeing this development, many users invest their money in the form of cryptocurrencies as a form of digital assets, in order to expand their traditional investment portfolios such as property, securities, gold and so on. However, the circulation of bitcoin as a form of currency still has a lot of debate among scholars and experts, and bitcoin itself as a form of currency still requires a lot of consideration in terms of its benefits and harms.

Some sharia reviews of bitcoin are as follows Recognized by sharia as valuable and useful, identifiable, transferable, and can be owned. From these criteria, bitcoin cannot be categorized as a commodity because in Islam wealth must also have an intrinsic value that can be profited. Something can be defined as money if it has three functions of money, namely as a general medium of exchange (Medium Of Change), as a unit of account (Unit Of Account), and money as a means of storing value (Means of Payments). From these criteria, bitcoin is not included in commodities because money must be generally accepted, a means of storing value, unit of account, as a means of exchange. In bitcoin there is no legal tender element (General Tender). What is meant is a tender awarded by the government with the aim of regulating inflation and deflation that can endanger the value of the currency and the underlying purchasing power. Financial assets are resources where ownership rights are enforced and from which economic benefits can flow to the owner. The characteristics of financial assets are that the value depends on the time of its price, recognized by sharia as something valuable, transferable, can be owned and stores value. Based on these criteria, Bitcoin cannot be categorized as a commodity because in financial assets it must be supported by basic assets or investment activities in accordance with sharia.

Islamic economics emphasizes the importance of weighing the benefits and risks of everything. Bitcoin as a decentralized cryptocurrency brings a number of potential benefits as well as risks that need to be considered in a socio-economic context. Financial inclusion is a concept that aims to ensure that every individual, regardless of income level or geographic location, has equitable access to useful and affordable financial products and services. Bitcoin can be an important tool in providing financial services to individuals who do not have access to conventional banking, especially in remote areas or countries with underdeveloped banking systems. Bitcoin also has the potential to reduce transaction costs, which is especially beneficial for individuals and small businesses that are typically burdened by high bank transaction fees.

The blockchain technology that underlies Bitcoin offers high transparency and strong security. All transactions are recorded transparently and cannot be changed, reducing the potential for corruption and fraud. The security of this system is strengthened through the use of cryptography, where each Bitcoin user has a public and private key that is used to sign transactions, ensuring that only the legitimate owner can send Bitcoin. Bitcoin has shown high potential returns since its introduction. As a limited asset, Bitcoin is often considered "digital gold" that can protect against inflation and debasement of fiat currencies.

In addition, Bitcoin's widespread adoption by both individuals and institutions makes it an attractive investment opportunity. Bitcoin allows transactions to be carried out quickly, cheaply, and securely without going through an intermediary. This provides greater efficiency compared to the traditional financial system. Bitcoin's anonymous nature makes it vulnerable to abuse, such as money laundering and funding other illegal activities. Bitcoin's extreme price fluctuations can lead to uncontrolled inflation and exchange rate uncertainty, which negatively impacts economic stability. The ever-changing regulations regarding cryptocurrencies can affect the sustainability and liquidity of Bitcoin, creating uncertainty for its holders. Most Bitcoin users acquire their assets

through cryptocurrency exchanges, which are completely digital and vulnerable to hacking and operational disruptions. Furthermore, there is no insurance against losing Bitcoin, except for a few exchanges that provide insurance through third parties.

Bitcoin as digital money is still a topic of debate among scholars. Differences of opinion among scholars include views on the elements of gharar (uncertainty) and maysir (speculation) in Bitcoin transactions. For example, according to the Indonesian Ulema Council (MUI), transactions using Bitcoin that contain gharar are considered haram, while Bahtsul Masail NU is of the opinion that Bitcoin transactions are valid as long as they do not contain elements of gharar. In addition, the MUI in the DSN-MUI fatwa No. 28/DSN-MUI/III/2002 stated that currency trading transactions are permitted on condition that they do not contain elements of speculation, are carried out for transaction needs, and at the exchange rate prevailing at the time the transaction is made. Bahtsul Masail NU also acknowledges that digital assets such as cryptocurrency are wealth that must be protected..

CONCLUSION

This study examines Bitcoin ownership from an Islamic economic perspective to assess its compliance with sharia principles. The main conclusion obtained is that Bitcoin ownership as a digital asset in Islam is acceptable provided that it does not involve excessive speculation, high price volatility, and anonymity that can lead to injustice and gharar (uncertainty prohibited in Islam). Bitcoin has characteristics that are in line with Islamic economic principles, such as decentralization and transparency. However, the main challenges in using Bitcoin lie in its high price volatility and speculative risks, which can lead to economic instability and are contrary to the precautionary principle in Islamic economics. Bitcoin is also vulnerable to use in illegal activities, such as money laundering and terrorism financing, which raises concerns about its halalness. To overcome these challenges, clear and comprehensive regulations from the sharia financial authorities in Indonesia are needed. Adequate education about the risks and benefits of Bitcoin in the context of sharia is also important to help the public make wise decisions. Thus, the public can be wiser in deciding whether to invest or use Bitcoin as a means of transaction, in accordance with sharia principles. This study also found differences of opinion among scholars regarding the status of Bitcoin ownership. Some scholars reject Bitcoin as being inconsistent with sharia principles, while others are more open to its use, as long as it is done in a sharia-compliant manner. They emphasize the importance of regulation and control to avoid prohibited elements, such as usury, gharar, and maisir (gambling).

REFERENCES

Alfarisi, M. S., & Kumala, D. (2021). Manajemen Pengelolaan dan Pemberdayaan Tanah Wakaf di Kecamatan Kemuning Kota Palembang. *I-ECONOMICS: A Research Journal on Islamic Economics*, *7*(1), 63-73.

Aysan, A., Demir, E., Gozgor, G., & Lau, C. (2019). Effects of Bitcoin on global equity market: A wavelet coherence analysis. *Finance Research Letters*, 30, 192-197.

Barber, S., Boyen, X., Shi, E., & Uzun, E. (2012). Bitter to better —how to make bitcoin a better currency. *International Conference on Financial Cryptography and Data Security.* Springer, Berlin, Heidelberg.

Böhme, R., Christin, N., Edelman, B., & Moore, T. (2015). Bitcoin: Economics, technology, and governance. *Journal of Economic Perspectives*, 29(2), 213-238.

Conlon, T., Corbet, S., & McGee, R. (2020). Are cryptocurrencies a safe haven for equity markets? An international perspective from the COVID-19 pandemic. *Research in International Business and Finance*, 54.

El Hasan, S. S., & Al Farisi, M. S. (2022). Determinant Factors of Intention to Pay Zakat, Infaq and Shadaqah in Dompet Peduli Umat Daarut Tauhid. International Journal of Sharia Business Management, 1(2), 48-55.

Fatwa Majelis Ulama Indonesia: https://fatwamui.com/storage/540/HUKUM-CRYPTOCURRENCY.pdf Chapra, M. (1992). Islam and the Economic Challenge. *Leicester: Islamic Foundation*.

Ferdinand, N., Al Farisi, M. S., Herawati, E., & Fauzan, M. (2024). Sosialisasi E-Commerce dalam Meningkatkan Penjualan Produk Halal UMKM Tegal Salam Cariu. *Jurnal Pengabdian Masyarakat Madani (JPMM)*, *4*(1), 43-49.

Franco, P. (2015). Understanding Bitkoin: Cryptography, Engineering, and Economics. Great Britian UK: UK: TJ International Ltd.

Hassan, M., Muneeza, A., & Mohamed, I. (2023). Cryptocurrencies from Islamic perspective. *Journal of Islamic Accounting and Business Research*.

Inayatulloh, I., Hartono, I. K., Fachrul, A. F., Al Farisi, M. S., Sriwardiningsih, E., & Fachri, R. M. F. (2022). Blockchain technology for customer protection in e-commerce transactions. *Journal of Cybersecurity*, *1*(1), 1-12.

Majelis Ulama Indonesia. (2024). *Keputusan Ijtima Ulama Komisi Fatwa Ss-Indonesia ke-7* . Retrieved from Layanan Komisi

Nakamoto, S. (2008). *Bitcoin : A Peer-to-Peer Electronic Cash System.* Retrieved from https://bitcoin.org/bitcoin.pdf

Narayanan, A., Bonneau, J., Felten, E., Miller, A., & Goldfeder, S. (2016). Bitcoin and Cryptocurrency Technologies: A Comprehensive Introduction. *Princeton University Press.*

Novitasari, K., & Al Farisi, M. S. (2024). Effective Strategy for Sharia Financial and Business Management in The Month of Ramadan. *International Journal of Sharia Business Management*, *3*(1), 37-43.

Tapscott, D., & Tapscott, A. (2016). *Blockchain Revolution: How the Technology Behind Bitcoin is Changing Money, Business, and the World.* Penguin. Retrieved from Penguin.

Yermack, D. (2013). Is Bitcoin a real currency? An economic appraisal. *Handbook of Digital Currency*, 31-43. Antonopoulos, A. (2014). *Mastering Bitcoin: Unlocking Digital Cryptocurrencies.* O'Reilly Media.

Wang, G., Xie, C., Wen, D., & Zhao, L. (2019). When Bitcoin meets economic policy uncertainty (EPU): Measuring risk spillover effect from EPU to Bitcoin. *Finance Research Letters*, 31, 482-492.

Was'an, G. H., Kumala, D., Al Farisi, M. S., & Waskito, M. (2023). Manajemen Zakat dan Wakaf. PT. Sonpedia Publishing Indonesia.