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The Validity of Bitcoins According to the Islamic Law

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ABSTRACT

The presence of bitcoin invites many uncertainties, such as concerning its legality and the statement that bitcoin is not an official currency in Indonesia.
***Objective*:** This research aims to analyze the bitcoins in the perspective of the Islamic Law.
***Method*:** This research uses the literature review method. The literary materials obtained are in the form of scientific papers, online media, books, etc. that concerns the analyzed object.
***Findings*:** The circulation of bitcoin in Indonesia as a medium of exchange cannot be regarded as a currency, as it does not fulfill the terms and conditions for something to be called money. The bitcoin's function does not commensurate with the function of money in the concept of the Islamic economy, as it tends to be a traded commodity rather than a facility of transactional exchange. In the perspective of Islamic law, the speculative use of bitcoins may bring one to the risk of violating the law on gharar (uncertainty, hazard); dharar (a transaction that may bring loss to a party); and qimar (game of chance). No authority guarantees bitcoins, and this causes harm. In conclusion, bitcoins produce more harm than good. Thus, its usage is prohibited by Islamic law.
Function: This research provides an explanation of the legality of bitcoins, that may aid the Indonesian society to decide whether or not they can use bitcoins according to the law and th sharia.
***Novelty*:** There has not been any researches that study the same topic as that discussed in this article.

Keywords: *bitcoin; transaction; currency; validity; Islamic law*

INTRODUCTION

Money is an important component in life, as the economic processes in the current era are based on transactions such as lending-borrowing, selling-buying, export-import certainly require money. Economic actors use money as the main tool in transactions. Because of that, Money is also determined as a medium of exchange in the economic sector (Centre for Research in Islamic Economics and Business 2018). In the modern economy sector, money that was initially only a tool of exchange now becomes a unit of account, a store of value, and a standard of deferred payment. Money is even used as a commodity.

The development of the era influences economic globalization, where society has high demands for easy, quick, accurate, and safe financial transactions. Thus, there is a need for a simpler and more reliable payment system. These demands have resulted in a new tool of financial payment, namely e-transactions that is carried out via e-commerce platforms.

E-commerce arrives with the basis of sophisticated technologies via internet that have reformed conventional trade. E-commerce expands the financial exchange in the virtual world, considering that there are no geographical borders, though it is currently limited by the existence of certain countries' laws on inflation, privacy, transactional fees, etc.

Departing from such a phenomenon, some people were encouraged to issue a new form of currency. This results in the creation of money with the cryptography system (Wijaya 2018). Cryptography is a branch of essential knowledge in the aspect of information safety created by math and computer experts. It resulted in the creation of digital money named cryptocurrency.

Cryptocurrency is a digital currency that is secured by cryptography. This digital form of currency makes cryptocurrency unregulated by the government and it is not part of the Indonesian official currency (Wijaya and Darmawan 2017). The schemes of cryptocurrency become a reference to create digital money, which is currently known as bitcoin. It is used as a tool of exchange just as other currencies in general and is based on peer-to-peer (P2P) and open-source technologies. Different from other currencies in general, bitcoins do not depend on the trust of the main issuer. Bitcoin transactions are recorded in a bitcoin network database, which is then distributed and circulated on nodes from the P2P network system. Then, it is inputted into a transaction journal. The data on the seller and buyer are then inserted into the bitcoin database. A digital currency such as bitcoin offers a simpler and more practical transactional payment facility without using bank accounts, ATM cards or credit cards. Thus, it is easier to be accessed by society.

In the perspective of Islamic law, economic experts and Islamic scholars (*ulama*) still question the permissibility of bitcoin usage and the law in using it in transactions. In a valid hadeeth narrated by Bukhari Muslim, Ibn Abbas stated, "The Prophet prohibited the sales of food before it is readily available." It means that the transactional law is invalid if the items are not yet present (ready stock). Meanwhile, it is known that bitcoin is a digital currency that does not have a physical form that can be held. Because of the difference between the rulings of the hadeeth and the reality, the Muslim society and the government needs to refer to the religious aspect so that they can be sure that the cryptocurrency in the form of bitcoin is according to the constitutional regulations concerning money. In principle, Muslims must refer to the Holy Qur'an and the hadeeth in undergoing their activities as they are the guidelines to the Muslims' lives. This is explained in the Holy Qur'an, Chapter Thaha verse 123, "Then whoever follows My guidance will neither go astray nor suffer." (The Indonesian Ministry of Religion 2010)

So that Muslims can carry out all activities according to the Holy Qur'an and the hadeeth, they must fulfill the sharia. This sharia is determined through certain methods, one of which is through *maqasid syariah* (the aim that is wished to be achieved through Islamic law). The aim of *maqasid syariah* is an important aspect of Islamic legal studies. The core of *maqasid syariah* is to create benefit and to prevent harm.

As the creator of the Sharia, Allah (God) do not create laws and regulations without purpose. On the contrary, all laws and regulations are created with certain purposes, where the aim of sharia is benefit and goodness in the world and the hereafter. The sharia is fair. It contains *rahmat* (kindness) and *hikma* (wisdom). Thus, if there are issues that deviate from justice, benefit, *rahmat*, and *hikma* they are certainly not stipulated in the sharia. Thus, to determine whether or not something may be said as permissible according to the sharia, experts analyze it using the stipulations of the *maqasid syariah*. According to Ibn Ashur, *maqasid syariah* aims to promote public interest and to prevent harm.

Meanwhile, the development of modern technologies may shift people's social lives – starting from lifestyles to the Muslim people's perceptions that do not have concerns for religious laws. Many Muslims are currently tempted to carry out activities that are deemed normal, unproblematic, and profitable without considering its permissibility according to the sharia, although carrying out impermissible things can cause great sins.

There are many uncertainties on the bitcoin currency in Indonesia, such as the legality of bitcoins up to the statement that bitcoins are not the official currency of Indonesia. But, if we see the rapid development of globalization and technological advancement, there is still a chance that people choose to still use bitcoins as a currency for making transactions or as a form of investment. Thus, this article aims to answer the problem of transactions using bitcoin digital currency from the perspective of Islamic law.

Money in the Islamic perspective

In the Islamic perspective, money etymologically comes from the word *Al-naqdu-nuqud* that contains several meanings. *Al-nuqdu* means the goodness of *dirham* (silver coins), holding *dirham*, and also including cash. If analyzed in the Qur'an and Hadeeth, the word *Al-nuqdu* cannot be found, as Arabs, in general, do not use the word *nuqud* to refer to a price. Arabs tend to use the word *dinar* to refer to a currency made of gold and *dirham* for a currency made of silver. The word *wariq* refers to silver *dirham* and the word *'ain* refers to the golden *dinar* (Ilyas 2016). The word that may refer to money is *fulus* meaning copper money, namely an additional tool of exchange used in transactions for cheap things. According to *fukuha* (Islamic legal scholars), money is not limited to gold or minted gold, but also all of its forms, including *dinar*, *dirham*, and *fulus*. The term *naqadin* is used to refer to *dirham* and *dinar*, and there are differing opinions among *fukuha* on whether or not *fulus* is part of the term *naqadin*. Thus, there are two opinions: the Syafiah group suggest that *fulus* is not part of *naqd*, meanwhile the Hanafi school of thought suggests otherwise,

The function of money

According to the sharia financial system, there are three concepts of money according to its functions. First is money as a tool of exchange. As a tool of exchange, in the Islamic perspective, the money must be circulated to obtain greater profit and to maintain economic stability. Money is a public good rather than a private good. It is not right for people to hoard money as it may limit the money that circulates in society.

Second, money is a unit of account, meaning that money is created to determine the value of goods and services, to determine the amount of wealth, and to measure the value of debt. In the religious aspect considering money’s function as a unit of account, money may be used to count certain things in religion, such as determining the amount of *zakat* (almsgiving), *nisab* (the minimum wealth that a Muslim must own before being obligated to pay zakat), the minimum amount of *mahr* (dowry for the bride from the groom), *diyya* (compensation from crime perpetrators to the victim or the victim’s family), *jizyah* (tax) etc. that are directed to the measurement of stipulated things in Islam.

The third is money's function as a store of value. Money functions to store purchasing power, meaning that a person who has money may not use all of his money at one time. But he may keep some to buy certain items or pay for certain goods in the future. He sets aside savings for an emergency condition such as a sudden loss of income or emergency health conditions. In Islam, it is not permissible to keep money with speculative motives. This is because Islam only allows money to be used for transactions or emergency conditions. Imam Ghazali explains this as follows, "Selling money is the same as confining the money’s functions. If a lot of money is sold, it will impact the small amount of money that functions as money.” Thus, money’s function as a store of value does not contradict the flow concept, as its regulations concept emphasize that the money must be circulated to run the economy, considering that money is a public good rather than private good.

Bitcoin

Another term for bitcoin is BTC, which means digital money that is not issued by authorized institutions, organizations, or the government. Bitcoin utilizes the peer-to-peer network as a distribution media using a sophisticated cryptographic protocol (Ferry and Mulia 2014). If there are transactions using bitcoins, the data on the buyer and the seller are automatically recorded in the bitcoin network database (Oscar 2014). Bitcoin is one of the several types of virtual currency that uses cryptography in its creation and management, thus it is often called cryptocurrency (Herusantoso 2014). Bitcoin consists of several features, namely transferring everywhere, transferring without fees, and irreversible transfers. The bitcoin transfers are anonymous (Sholihah 2014).

To obtain bitcoins, one must first of all register a bitcoin account. There are four ways to obtain bitcoins:

1. Mining bitcoins

Bitcoin may be obtained through mining it using a computer with an internet network. Its operations require a computer with high specifications. The mining process is carried out by using computation instruments to calculate using the hash functions so that a new block can be approved in a blockchain. The transaction carried out by the miners will be verified in a ledger. Thus, they will obtain competencies in the form of bitcoins after completing a transaction.

2. Buying Bitcoins

Bitcoins may be obtained by buying them from bitcoin sellers. Many companies in the world provide the service to buy and sell bitcoins. There are no inflations in bitcoins, unlike normal currencies. A stability shock will not influence bitcoins. But, the demand and the supply of bitcoins influence its price.

3. Receiving payment from bitcoins

One may obtain bitcoins by accepting payments for her goods/services using bitcoins. In January 2018, the Bank of Indonesia has found 44 merchants in Bali Island, Indonesia, that provide services such as vehicle rents, hotels, and tour packages that accept payments in the form of bitcoins.

4. Bitcoin Faucet

It is a method to obtain bitcoins freely without buying or mining. It is in the form of pay-per-click which aims to spread the use of bitcoins to the general society.

Maqasid syariah

Etymologically, *maqasid syariah* means an objective or a goal that is stipulated in Islamic law. *Maqasid syariah* consists of two elements, namely *maqsid* and *Al Syarah. Maqasid* the gap or an objective. *Al-Syariah* etymologically means the road that directs to a water spring. Thus, *Maqasid Syariah* means the road to a water spring, i.e., the road to the main source of life.

The following are the definitions of *maqasid syariah* according to some Islamic scholars:

a. Yusuf Al-Qarad defines *maqasid syariah* as an objective that becomes the target of texts or laws in realizing human life, in the form of orders, prohibitions, and permissible things directed to individuals, families, the congregation and the ummah (Yusuf 2007).
b. Imam Al-Ghazali defines *maqasid syariah* as a guard of the aim and the objective of the sharia. It is the most fundamental effort to survive, to prevent the spread of harm and to encourage the achievement of welfare.

c. Abdul Wahb Khallaf states that God's general aim in determining His laws is to bring benefit to humans by fulfilling *arriyat*, *hajiyat*, and *ta siniyah* (Fauza and Riyadi 2014).
d. The Al-Syaib doctrine on *maqasid Al-Syariah* is the effort in upholding benefit as the main element of the legal objective, which is the element of virtue and prosperity for humans. This aim is *Al-kulliyatul khamsah* that consists of maintaining the religion, maintaining the soul, maintaining the mind, protecting the children, and protecting wealth. This *Al-kulliyatul khamsah* is part of *arriyat* where if the aim of *darriyat* is achieved, it will result in a prosper and a dignified life both in the world and in the hereafter. However, if these five things are unfulfilled, it may cause harm to the survival of mankind.

Al-syathibi divides *maqasid syariah* into *dharuriyat, hajiyat*, and *tahsiniyat*. The three are interrelated to each other:

1. *Al-dharuriyat* is the basis for *Al-hajiyat* and *Al-tahsiniyat.*
2. If there are distruptions at the *Al-dharuriyat* it will influence the *Al-hajiyat* and the *Al-tahsiniyat*.
3. The distruptions that happen at the *Al-hajiyat* and *Al-tahsiniyat* will not disturb the *Al-dharuriyat*.
4. The disruptions that happen at the whole *Al-hajiyat* or *Al-tahsiniyat* will result in the distruption to part of the *Al-dharuriyat*.
5. The necessities and the protection of the *Al-hajiyat* and *Al-tahsiniyat* need to be fulfilled to preserve the *Al-dharuriyyat*.

RESEARCH METHOD

This research uses the juridical doctrinal or normative method. This is descriptive research with a qualitative approach (Narbuko and Ahmadi 1997). According to Locke, Spirduso, and Silverman in Cresswell, "Qualitative research is interpretative research. Thus, bias, values, and assessment of the researcher are directly stated in the research report. Such openness is deemed to be beneficial and positive" (Arikunto 2002).

RESULTS & DISCUSSION

The development of technology and information becomes a good opportunity for business owners and consumers, as it allows certain actions to be carried out quicker and simpler, including in undergoing commercial transactions. An innovation that stems from technological advancement is the creation of the bitcoin digital currency that attracts the interest of many people.

The society's high interest in bitcoin encourages economic experts and experts on *fiqh* (Islamic jurisprudence) to analyze it further. Islamic *fiqh* experts undergo further analysis as there are differences between bitcoins and the currencies that are already acknowledged in Islam, namely gold (*dinar*), silver (*dirham*), paper money (fiat money).

Bitcoin digital currency provides fantastic profits to business owners and flexibility to users. Even so, there are some disadvantages. For example, its security cannot be fully taken accountability for, as there are no legalities on the circulation of bitcoin as a valid currency.

Imam Ahmad stated that "It is impermissible to issue a currency other than the state printing press under the permission of an authority or a government. This is because if the society, in general, is allowed to issue money, they will create great harm" (Al-Farra 1986).

Syaikhul Islam Ibnu Taimiyyah Al-Jauziah states that "The government should issue money for the people as a unit of exchange in their transactions" (Taimiyyah 1995)

Al-Ghazali argues that money does not have to be validated by the authorities, but the printing, validation, and the determination of the money's value may only be carried out by the government and the authorized official institutions. His opinion suggests that an item that is not yet validated by the government cannot function as money even though the society has used it in undergoing transactions (Dimyati 2008).

The Islamic *fiqh* principle on the issuing of currencies by the government can be understood more clearly in Caliph Umar's teaching on economic *fiqh*. His behavior can be analyzed at the practical level, where the Caliphate state at his time did virtue by issuing money. He stated, "I wish to create dirham from camel hide" (As-Subhani 1997).

Umar's statement shows that he opines that the issuing of money is the authority of the government (*uli amri*), as it happened when Umar was the caliph of Muslims. In this case, *uli amri* refers to authorities that have the job to become the leader in bringing order to currencies according to the determined stipulations. In the perspective of Islamic values, the production of money must be limited according to the condition of the ummah.

According to the Islamic economy, what is used as money must also be considered (Isra 2015). To optimize the money's functions, one must know the terms and conditions that must be fulfilled so that something can be said as money. It must be guaranteed by the government. But it is known that there are no applicable regulations on the bitcoin currency that applies in Indonesia.

The Bank of Indonesia states that virtual currency is issued by non-authorized parties that are obtained by buying, transferring purchases (rewards), or the process of generating some amount of new virtual currency that involves complicated mathematical processes (mining) (The Bank of Indonesia 2018). The Bank of Indonesia also expressed a statement to the public on the legality of bitcoins:

"Considering Law No. 7 of 2011 on Currencies and Law No. 23 of 1999 that is amended to become Law No. 6 of 2009, Bitcoins and other virtual currency are not a valid currency nor a valid tool of exchange in Indonesia. People are suggested to be careful with them. All risks that occur due to the ownership or the use of bitcoins are at the risk of the owner or the users of bitcoins and other virtual currencies" (The Bank of Indonesia 2014).

This statement from the Bank of Indonesia does not clearly explain the legal sanctions and the prohibitions against the use of virtual money as stipulated in Law No. 7 of 2011 Article 33 which states, "As aforementioned in Article 21 clause (1), punished with imprisonment for at most a year and the maximum fine of Rp. 200.000.000,00 (two hundred million rupiahs)" (BPK 2011)

Other institutions such as the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) in its press conference explained there need to be further analyses on the usage of virtual money (Financial Services Authority (Otoritas Jasa Keuangan/OJK) 2018).

1. Generally liked, meaning that the money must be widely accepted by society to function properly. Regarding this, there is a principle that "what is usually carried out by many people is a *hujjah* (reasoning) that must be carried out". But the usage of bitcoins in Indonesia has not been widely accepted by society. Thus, this principle does not apply to bitcoins.

2. A stable value. It must have the smallest fluctuation possible, but bitcoins' prices fluctuate from time to time.
3. Easily kept. It means that money must have flexibility where there is no problem in keeping money even in small places. Regarding bitcoins, it is easy to keep them as they are digital money that can easily be kept in an e-wallet.
4. Easy to bring. Good money is easy to be brought everywhere. In the case of bitcoins, it does not have a physical form but it can be kept in e-wallets; thus, it is easy to bring them everywhere, though to access it, one requires an internet connection.
5. Not easily damaged. Paper money can be damaged if ripped or if eaten by animals such as termites. Meanwhile, bitcoins may be damaged or even destroyed if there are viruses in a network.
6. Easily dividable. Money must easily be a dividable unit with rounding, Bitcoins however are digital money with nominals that are not easily divided.

The conventional economy perspective defines money as interchangeable, where money is both money and capital. According to the Islamic economy, money is solely money and not capital (Karim 2017). Concerning bitcoins, they can be used as a tool of payment as well as a commodity – a saved capital.

Al-Ghazali in his book *Ihya Ulumuddin* states that money functions as a medium of exchange. But money is not needed for the money itself. It means that the money is created to ease transactions and to determine an appropriate value in that transaction. Also, he states that money is not a commodity (Hasan 2004). If this concept is put in the context of bitcoins, bitcoins are a digital asset/commodity.

Thus, if it is reviewed, the circulation of bitcoins in Indonesia as a tool of exchange cannot be said as a currency, as it does not fulfill the terms and conditions of money. In terms of its function, bitcoins do not commensurate with the function in the concept of Islamic economy, as it is directed to be a traded commodity rather than money as a medium of exchange.

This is in line with the decision on bitcoins issued by the Indonesian Islamic Scholar Assembly on November 11th, 2021 in The 7th Islamic Scholar *Ijtima* (consensus) Forum in Indonesia:

> "Cryptocurrency as currency is haram (prohibited) as it contains *gharar* (uncertainty, hazard); *dharar* (a transaction that may bring loss to a party) consists

of something uncertain, and it is contrary to Law No. 7 of 11 and Regulation of the Bank of Indonesia No. 17 of 2015."

The element of *gharar* in bitcoins happen as there is doubt, speculation, it has unclear value, and it is anonym. It is *dharar* because it may bring losses to some people or some parties. This refers to the game of speculation that may make other people experience losses as there are no assets that support its existence. The price cannot be controlled and its existence is not officially secure (Sidik 2021).

Regarding its contradiction to Law No. 7 of 2011 and the Regulation of the Bank of Indonesia No. 17 of 2015, it is explained that:

- Law No. 7 of 2011 on Currencies
  - o Article 1 number 1 of Law No. 7 of 2011 states that currencies are money issued by the Republic of Indonesia Unified State that is hereinafter called rupiah. It made clear in:
  - o Article 2 clause (1) of Law No. 7 of 2011 that the currency of the Republic of Indonesia Unified State is the rupiah.
- Regulation of the Bank of Indonesia No. 17 of 2015 on the obligation to use rupiah in the territory of the Republic of Indonesia Unified State:
  - Article 1 number 1 states that the rupiah is the currency of the Republic of Indonesia Unified State that applies as a valid tool of exchange in the territory of the Republic of Indonesia.
  - Article 2 clause (1) states that all parties must use rupiah in transactions in the territory of the Republic of Indonesia.

From the two regulations above, it is concluded that as bitcoin is not rupiah, it is invalid to be used in the Indonesian territory.

In the perspective of *maqasid syariah*, the issuing of money is directed to money that functions as the pillar of life. It means that money must have binding legal power. As bitcoins do not provide such a guarantee, the government does not guarantee it, as bitcoins are prone to cause fraud. Moreover, bitcoins may only be accessed via digital media such as computers, tablets, and smartphones which are prone to viruses or theft by hackers. Due to the various risks that occur from the weak security in accessing bitcoins, especially if it is controlled by untrustworthy parties, the risks may fall to the community of bitcoin users. For example, in England, a divorced couple had difficulties dividing the wealth in half, as one of them kept wealth in the form of cryptocurrency. The cryptocurrency is anonymous; thus, it is difficult to track (Agung 2018).

From that case, it can be seen that there is the element of *gharar* (uncertainty, hazard). In Islamic law, such an activity is prohibited or haram. Also, the usage of bitcoins contains speculation, where the bitcoin buyers buy bitcoins to make use of the price fluctuation: buying when it is cheap and selling it when its price increases. It leads to usury and gambling that are prohibited in Islam. Thus, the usage of bitcoin that is based on speculation is not directed to investment. It is only a game of losses and profit and it is not categorized as a promising business. Thus, this speculation will lead to the impression that there is unclarity that causes harm. Some risks and disadvantages that may occur from bitcoins include:

1. The usage of bitcoin digital currency is prone to the risk of bubbling, as there is a highly fluctuating exchange value, where investment values increase unreasonably. This may potentially bring harm to society (The Bank of Indonesia 2018) it may also cause lethargy to the macroeconomy.
2. The party that provides the virtual money exchange service, namely the wallet and exchange providers are prone to hacking due to the lack of supervision. Thus, the rate of consumer protection is low (The Bank of Indonesia 2018).
3. It is prone to be used for criminal actions such as money laundering, the funding for terrorism, such as in the following cases (The Bank of Indonesia 2018):
    a. The closing of the Silk Road by the FBI, namely an online black market which was a place for illegal transactions including drugs using bitcoins (2013).
    b. Hacker Ghost Security was able to uncover some financial accounts of ISIS in the Bitcoin bitcoin with the value of Rp 41.1 billion (2015)
    c. The bombing perpetrator at Mall Alam Sutera threatened that mall's management with a bomb and asked for a ransom of 100 BTC (2015)
    d. In a money laundering case in London, England. The police confiscated bitcoins with the value of 114 million pound sterling or 2,2 trillion rupiahs of laundered money (CNN Indonesia Team 2021) (2021)
    e. In the suspected case of money laundering using bitcoins carried out by PT Asabri with the estimated loss of state wealth as much as Rp 23, 7 Trillion from the collected confiscated assets as much as Rp 10,5 Trillion (CNN Indonesia 2021). (2021)

4. It does not have a central authority as the party that is responsible for monitoring the system. Thus, bitcoins may disturb the control of the central banks and the governments in monitoring and in controlling the monetary system. In consequence, it may disturb a state's financial stability, causing a low level of consumer protection.

Concerning the issuing of money as a medium of transaction, the issuing of money in the Islamic sharia must be protected by general regulations, as its issuing and the determination of its amount affects the good of the society (*kemaslahatan umat*). The *fukaha* state that in issuing money, the authority is only in the hands of the state. Individuals are prohibited from issuing their own money.

The usage of bitcoin is *mubah* (permissible). It is stipulated in the *fiqh* norm, "In essence, the law of each *akad* (covenant) and *muamalah* (transaction) is valid until there is an argument that may make it invalid or prohibited." But, if we review the cases that have happened and the risks that come with the usage of bitcoins, it shows that it violates the *maqasid syariah*. Thus, it may cause harm to other people when it is carried out on purpose. This is because in general, if one wishes to carry out certain actions such as using the bitcoin, that person must understand about it beforehand. Here, we can see that there is the element of intent, because the users have understood the negative side that may be caused by using bitcoins, but they still choose to use them. There are bitcoin users who do not intend to cause harm to others. They only want to make use of the ease provided by the bitcoins and gain profits from them. Even if they do not intend to cause harm to others, bitcoins certainly still have negative impacts. It means that the harm is more certain to occur than the benefit.

If we see the level of benefit (*maslahah)* that may occur with the use of bitcoins, it is categorized as *hajiyat. Al-hajiyat* is all things that humans need to live prosperously and to prevent suffering (Rohman 2017). Bitcoins are used by some people to increase welfare and ease transactions. However, the level of harm caused by bitcoins is greater as it is categorized as *Al-dharuriyat. Al-dharuriyat* according to the level of benefit is essential for human life. Thus, it is obligatory and is an absolute requirement to achieve good human life both in the world and in the hereafter. Thus, if the *Al-dharuriyat* is disrupted or if it becomes *mafsadat*, it will cause great disharmony and chaos in the world and the hereafter (Rohman 2017). It will also harm humans. Considering that bitcoins is money that is also wealth, in *Al-dharuriyyat* there is the element of *maslahah* that if one of them is wealth, wealth must be kept and maintained because if not, it may cause suffering and chaos. This is because wealth or money smooths various transactional issues in the world. Thus, if there is no wealth, the affairs of the world and the hereafter will not run optimally.

In terms of their functions, bitcoins do not commensurate with the function in the concept of Islamic economy, as it tends to be directed to a traded commodity. It doesn't focus on money that functions as a tool of exchange. The speculative use of bitcoins also risks one violating regulation on *gharar* (uncertainty, hazard); *dharar* (a transaction that may bring loss to a party); and *qimar* (game of chance). Worse, there are no authorities that guarantee the existence of bitcoins and this may result to harm.

Because of that, if reviewed from the aspect of *fiqh* principles, harm must be eliminated. Most Islamic scholars agree that the wisdom of all regulations in sharia is to make the people obtain benefits and to protect them from harm. These stipulations do not only refer to the desires and the benefit of humans, but Imam Ghazali stated that it aims to maintain the five sharia (*kulliyat Al-khamsah*) namely protecting the religion, the soul, the wealth, the mind, and the offspring. Thus, prevening oneself from using bitcoins is a good step as it means avoiding harm that is more prioritized that creating benefit, as stated in this fiqh principle:

درء المفاسد مقدم على جلب المصالح

"Preventing harm is more prioritized than creating benefit."

CONCLUSION

Based on the discussion on the existence of bitcoins, bitcoins can't be regarded as a valid currency that may circulate in Indonesia, as it does not fulfill the definition of money in the Islamic perspective and neither does it fulfil the criteria and the requirements for money. Apart from that, the functions of bitcoins do not fulfill the functions of money according to Islam as bitcoins tend to be a traded commodity rather than a tool of exchange. Also, there are no laws that clearly regulate the legality of the circulation of bitcoin. The Indonesian Islamic Scholar Assembly decision on November 11th, 2021 state that bitcoins are deemed as haram if they are used as a currency in commercial transactions. If analyzed from the aspect of *maqasid syariah,* bitcoins bring more harm than good. The harm is categorized as *hajiyat* that may even elevate to the *Al-dharuriyyat* category. Thus, this makes bitcoins haram.

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