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Cryptocurrency in the Perspective of Maqasid al-Shariah: A Critical Analysis of the *Mafsadah* (Harm) and the Maslahah (Benefit) of Cryptocurrency

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ABSTRACT

This study explains the Islamic economic perspective on cryptocurrency, in this case, in the light of maqashid shariah. This research was a literature study and qualitative in nature. The data analysis applied a descriptive-analytical technique with a normative juridical approach to Islamic law. The results of this study conclude that cryptocurrency has a much greater element of mafsadah than maslahah. It is an investment commodity rather than a currency with a very high level of risk and volatility that reflects the mafsadah. This is the attraction of a new investment model because it only follows the trend of global market developments that are far from the function and benefits of currency in the perspective of Islamic economics.
Keywords: Cryptocurrency, Maqashid Sharia, Fiat Money, Blockchain

INTRODUCTION

Cryptocurrencies are a new phenomenon in the investment industry in particular and in the financial world in these two decades that offer both opportunities and threats, causing a debate about *cryptocurrencies,* which makes some people hesitate whether to accept or reject the currency. On the other hand, it also brings inevitable advantages and disadvantages as it is operated online, which is vulnerable to a number of threats and dangers.[1]

Since its launch in 2009, cryptocurrencies have caused controversy in the financial industry. Some opinions are optimistic and supportive and believe that it will become part of the economic and political fundamentals of the world in the future, but many others are pessimistic and doubtful about its sustainability and predict its collapse in the end. Krugman, for example, still doubts the existence and contribution to the economic values that this cryptocurrency will provide in the future.[2]

So far, cryptocurrencies that are already popular such as Bitcoin, Ethereum, Litecoin, Dogecoin and the like, have been able to provide alternatives for some people in making transactions and investments. Aspects of ease, speed and transparency that are more compared to currencies, in general, have driven the intensity of their use among millennials who are so obsessed with different types of cryptocurrencies and all kinds of derivatives that various kinds of crypto tokens have emerged that make more diverse types of digital currencies.

But behind all the advantages offered, there are great risks that must be borne by cryptocurrency holders, including the very high volatility value, the absence of real supporting assets and the absence of supporting rules that can protect against losses that may be suffered. This is what then makes cryptocurrencies controversial and is still the object of debate between its supporters and repellents. The debate about the pros and cons of its use has become dynamic among experts, including scholars who have studied it from the Islamic point of view.[3]

The main problem in cryptocurrencies is related to volatility risk, where the rise and fall of the value of cryptocurrencies are very sensitive to the dynamics of the world's market, politics, and economy. Even the value of cryptocurrency seems to follow a certain trend of some people who have a strong influence in controlling the market and its distribution. For example, in June 2021, when Elon Musk gave a certain gesture to a cryptocurrency, it would immediately affect the increase or decrease in the value of the cryptocurrency. This is, of course, the negative side of cryptocurrency because its value is unstable and tends to follow market flows and uncertain politics, it will be very vulnerable for anyone, so it is not suitable to be used as a major currency or even just a commodity in investing.[4]

Several fatwas prohibit crypto money, including those issued by the Egyptian Mufti and the Turkish State Government on the grounds that crypto money is very vulnerable to being used for unlawful activities such as money laundering, can only be used in transactions on the internet, and there is no supervision from the competent authorities in each country. Others argue that cryptocurrencies, in this case, especially bitcoin, cannot be categorized as currencies because several reasons, such as: not being backed by real assets, having no intrinsic value, and the absence of supervision from the authorities so that bitcoin money can be classified as *gharar* and *maysir* goods that can result in injustices in the economy.[5]

As for those who allow cryptocurrencies based on the fiqhiyah rule, which states that "*in muamalah, all things are basically okay until there is a prohibition that forbids it*". In the case of cryptocurrencies, according to them, they already qualify as a currency because of 4 things, namely: proven to have a value recognized by everyone, accepted as legal tender and applicable to some people or certain groups, the value can be measured, and can be used as a unit of calculation. In addition, cryptocurrencies are, in principle, allowed because they are treated as valuables reflected by the prevailing market prices on global exchanges and are accepted for payment at various merchants, including bakeries, restaurants, and even large retailers and *e-commerce.*[6]

Meanwhile, the Fatwa of the Indonesian Ulema Council (MUI) has expressly stipulated that the use of *cryptocurrency* as a currency is haram, as it contains *gharar* and *dharar* and is contrary to existing regulations. Meanwhile, *cryptocurrency* as a commodity/digital asset is not legally traded because it contains *gharar, dharar, qimar* and does not meet the requirements of *sil'ah in syar'i,* since there is a physical form, has value, is known for its exact amount, property rights and can be handed over to the buyer.[7]

In line with the fatwa, several studies discussing cryptocurrencies concluded that cryptocurrencies have a greater *mafsadah* (harm) than the *maslahah* (benefit) they gave because they are still very thick with elements of gambling *(maysir).* Also, there is high speculation and profitability by utilizing the level of volatility. In addition, cryptocurrencies are vulnerable to illegal practices such as money laundering and human trafficking that are difficult for financial and banking systems to detect.[8]

Meanwhile, other studies have found that cryptocurrencies can be traded on Islamic commodity exchanges on the condition that the state protects these trades under a legal umbrella and issues cryptocurrencies where the pricing rests on gold or the country's currency. Cryptocurrencies cannot be used as commodities in Sharia derivatives contracts in Indonesia, as they still contain speculation and maysîr and are vulnerable to use for illegal activities. Therefore cryptocurrency is *legally harâm lighairihi* or haram due to external factors, so it should be avoided.[9]

It is interesting to study this issue, especially when viewed from the perspective of *maqashid sharia,* regarding whether the presence of this cryptocurrency provides more *maslahat* or *mudharat* for the current and future economic world. Because whether you like it or not, cryptocurrencies already exist and are present in the life of modern humans today, and there have even been several countries that openly accept them as legal tender for use. Although in Indonesia itself, the government seems to be still difficult to determine attitudes, so it has not issued a strict regulation on whether or not to use cryptocurrency in business transactions in the community.

This article studies the following the problems; *first,* is the cryptocurrency qualified, criteria and worthy of being used as a currency? *Secondly,* has cryptocurrency fulfilled its function as a currency from an Islamic economic perspective? *Third,* what is the position of cryptocurrencies in the Islamic economy when viewed from the aspect of *maqashid sharia?*

Method

This study is a type of literature research with a qualitative approach and analyzed using descriptive-analytical techniques. Data collection was carried out by tracing previous studies on *cryptocurrencies* through various approaches and analyses, especially those with the *maqashid sharia* approach.[10] The data that was collected was then analyzed using the concept of *maqashid shariah* with an emphasis on the *maslahah* paradigm. *Maslahah* is the maintenance of aspects of life *(nafs)*, religion *(dien)*, reason *(aql),* treasure *(maal),* and offspring *(nasl),* which are categorized into three levels as follows: *daruriyyah, hajjiyah, and tahsiniyyah.* The maslahah approach is a step to eliminate difficulties in various aspects of life, especially in social problems.[11] The concept of *maqashid shariah* was chosen based on the interest that the debate over the validity of *cryptocurrency* as a currency cannot be seen only from the perspective of Islamic law, which is always solely based on text *(nash)* because there are other aspects of this problem that cannot be achieved using a legal approach but must use an approach that looks more at the side of its benefit to humans, especially in modern times.[12]

Literature review

The presence of *cryptocurrencies* managed to attract a lot of attention, inseparable from the observations of academics, especially those who have an interest in the field of network computers and also finance. As a new phenomenon, there are many opinions on its pros and cons. This is what attracted several researchers to conduct research related to Bitcoin or other cryptocurrencies, both in terms of legality, feasibility, and several other cases. Accordingly, some research has examined Bitcoin from the aspect of Islamic law.

Cryptocurrencies have an excellent future for being an alternative currency in the world because they have an appeal that lies in simplicity, flexibility, and decentralization, being easy to understand but difficult to subvert. In essence, *cryptocurrencies* can be expected as long as the system is still protected by its users.[13] In addition, *cryptocurrencies* can also be used as an alternative medium in investing or diversifying investment portfolios because they are consistently correlated with investments that use conventional assets. Even the average daily return can be higher than traditional investment. Along with the growing popularity of Bitcoin, it is hoped that in the future, the governments of countries in the world will provide a legal basis for Bitcoin to provide stability between demand and supply. The feasibility of[14] *cryptocurrencies* as an investment commodity is very prospective, but while still paying attention to the characteristics of good cryptos, such as 1. Knowing its creator, 2. There is real work to get it, 3. Coins are not distributed free of charge, 4. In accordance with Pareto's law, 5. Have the right incentive scheme, 6. Developers have good credibility, 7. Unique, 8. Proper selection of launch time (ICO).[15]

On the other hand, there are also research results that argue that *cryptocurrencies* are not suitable for use as currencies or investment instruments for several reasons, including 1. Bona fide currencies serve as a medium of exchange, store of value, and unit of account, but Bitcoin largely fails to meet these criteria. 2. Bitcoin reaches very little consumer transaction volume, with an average of under one daily transaction of 3. Bitcoin has a very high risk because its value is unstable with higher volatility than currencies or gold, so it cannot be used as a reference in managing financial risk for a long period of time. 4. In the future, Bitcoin is at risk of being hacked as technology advances 5. Bitcoin seems to behave more like a speculative investment than a currency.[16]

Other opinions consider *cryptocurrencies* to be a breakthrough in the world of digital finance, but it is difficult to predict their future existence with the development of the world of technology. The chances of *cryptocurrencies* in the long term are highly unlikely due to weak support, both in terms of technology and currency stability, not to mention when there is resistance from the government.[17]

Other studies that discuss *cryptocurrencies* from the perspective of Islamic economics and finance view that *cryptocurrencies* are very much in line with the concept of Islamic finance because they are able to eliminate elements of speculation and also usury that has been complained about by most people who are on *fiat currencies.*[18]

Cryptocurrencies are highly compatible with Islamic finance on the grounds that cryptocurrencies cannot be faked, do not experience inflation because of their limited supply, minimize the occurrence of *gharar,* and because of their decentralized nature, give complete freedom to their owners without having to comply with third-party rules in addition to[19] *cryptocurrencies* Systemically, its characteristics and functions already meet all the criteria required in Islam, so that undoubtedly its validity is used for business transactions.[20]

Bitcoin is not the only cryptocurrency. To date, there are no less than 1000 types of *cryptocurrencies* in circulation. And not a few of these cryptocurrencies end up "dying" for various reasons, but mostly because they are not in demand by the market, so they are no longer taken care of by their developers. Some of the digital currencies that still survive and are the prima donna today, as well as Bitcoin, are Ethereum, Ripple, Monero, Dogecoin and Litecoin and other alternative coins that are then known as Altcoins.[21]

In addition to crypto coins, there are currently also other *derivatives of cryptocurrencies* known as crypto tokens. If a crypto coin operates on its own blockchain network, then the crypto token operates by hitchhiking on the blockchain of other *cryptocurrencies,* as it does not have its own blockchain network. Crypto tokens are commonly used to describe functions representing the value of *cryptocurrencies,* such as Bitcoin value tokens, security tokens for account protection, and utility tokens for specific purposes. In other words, tokens can be understood as a type of encryption consisting of long lines of numbers and letters used for money transfers or bill payments.[22] In Indonesia itself in 2021, several local crypto tokens such as ASIX tokens and i-Coin were circulated, but in their development, they could not survive, and in the end, the rug was pulled or abandoned by their developers because they were no longer in demand.

The Concept of Money in an Islamic Economic Perspective

There are two major theories about money, namely the classical theory of demand and the Keynesian theory. In classical demand theory, money is recognized only as a medium of exchange *(medium of change)* and a unit of account *(unit of account).* Whereas in Keynesian theory, the demand for money is based on three motivations: transaction purposes, just in case and lastly, for speculation purposes. From these two theories, it is clear that Keynesian considers money not only as a tool for transactions but also seen as a commodity that can be used as an investment instrument. This theory later gave birth to other derivative theories related to money, which are still applied today in the world of finance around the world.[23 24]

In concept, money has several functions that must be owned so that it can be used as a reference in transactions. This is what then encourages changes in the physical form of money from time to time-correlated with the aim of making it easier for humans to make transactions using one payment instrument that is truly trusted, stable and easy to transfer. However, the function of money remains unchanged, namely as a *medium of exchange,* a *unit of account* and as a *medium of store of value.*[25]

As a *medium of change,* money has the function of making a transaction easy, cheap and simple. Therefore, a currency must have the following specifications and features: accepted by the majority in a group in a particular region, stable and not easily changed to the extreme, trusted by its holders, standardized, has the right denomination value, are easy to be cultivated and transferred, old and not easily damaged, have a safety net system.[26]

The second currency function is as a *unit of account.* The point is that money serves to determine the value or *narga* of an item or objects to be transacted. Or it can be a jugu to determine how much wealth or property is owned by a person. In order for the function of currency as a unit of calculation to be fulfilled, it must have several requirements, including being widely applied, reducing transaction costs and information costs.[27]

The third function of money is as a unit of a store of value. The currency also allows humans to store wealth where wealth can later be used as capital in carrying out an effort to create added value. A currency must meet several requirements in carrying out its function as a store of value, namely:[28]

1. It can be stored for a certain period of time, and it can maintain the price value of the money.
2. It can be used as capital with the aim of obtaining higher profits in the future.
3. Maintained liquidity. Wealth may be invested in the form of precious metals or high-priced works of art. But still, wealth in a more liquid form (cash) will be more able to be used more flexibly for any purpose and at any time without having to be sold first.
4. Can avoid the possibility of *hyperinflation.* Inflation will inevitably be experienced by all types of *fiat money*; this is due to the pure or intrinsic value of the paper not being equal to its physical value. So, inflation can definitely occur at any time. This is normal as long as inflation can still be controlled by generating incomes that are higher than the money they have.

From the explanation of the function of money above, it can be clearly understood that money in a conventional economic perspective has two properties at once, namely *the flow concept and the stock concept*. *The flow concept* is illustrated from the function of money as a medium of change and a unit of account, while the nature of the stock concept can be seen from the function of money as a *store of value.* The implications of this view clearly have an impact on the behavior and current economic conditions, where in the capitalist economy, money is used as a commodity that can be traded or rented out to make a profit.[29]

When money is treated as a commodity, then there arises a so-called money market which then develops again into a derivatives market that uses interest instruments as the price of its products that is not based on the motive of real transactions completely. In fact, most of them are motivated by speculation, which can eventually create a *bubble economy* that can cause an economic and monetary crisis when it reaches its breaking point.[30]

Meanwhile, the concept of money in Islamic economics is very clear that money is *a flow concept,* meaning that money is not always synonymous with capital which is a *stock concept.* Because in the Islamic economic view, money is *public goods* while capital *(capital)* is *private* *goods.* Because money is *public goods,* it should not be used as *a store of value* because it will cause scarcity that can disrupt price stability and possibly be used as a speculative medium. This means that money must be rotated (investment) in the real sector in order to get *a return* or profit.[31]

In general, Muslim scholars and economists agree that money only serves as *a medium of change.* Among these scholars are Imam Ghazali, Ibn Taymiyah, Ibnul Qayyim, Raghib Al- Ashbahani, Ibn Khaldun, and Al-Maqrizi expressly stated that the main function of money is as a medium of exchange. Despite some scholars' differing views, the majority *(jumhur ulama)* adhere to the original opinion.[32]

Does cryptocurrency qualify as a currency?

In economics, money is anything generally accepted as a medium of exchange. Because, in concept, all goods or objects that are considered valuable and mutually agreed upon by a certain group can be called money. When referring to this definition, other *cryptocurrencies* can already be categorized as money. Because indeed, *another cryptocurrency* was created as an alternative means of payment for people who do not want their private data and transactions to be known by certain authorities.[33]

Cryptocurrencies offer many of the same functions as currencies that a country's government issues paper. There are generally three main functions of a currency: as a medium *of change*, a unit of *account*, and a *store of value.* Digital currencies are an efficient means of exchange. Users can purchase goods and services using digital currency units. Digital currencies can also serve as a store of value. Privately issued tokens have a value that can remain stable over time. Account owners can use digital currency as a savings account for long-term storage of value. *Cryptocurrencies* are a modern, recognizable and scalable economic unit accepted in the global economy.[34]

Of the three functions, *cryptocurrency,* in general, has qualified as a *medium of change* because it almost meets all aspects of the requirements as a medium of exchange among them, is accepted by the majority in a group in a certain region, is stable and not easy to change in the extreme, trusted by its holders, standardized, has the right denomination value, is easy to carry and transfer, durable and not easily damaged, and have a safety net system.[35]

But for the other two functions, it seems that cryptocurrencies are not able to meet all the requirements to fulfill their functions as *a unit of account* because, in the future, it is doubtful that they can be widely applied due to their inclusive nature. After all, they transform into commodities from the medium of exchange. In full function as *a store of value*, cryptocurrency in real terms still cannot be fulfilled. The difficulty of cryptocurrencies as a tool for storing value is their very high volatility. It is difficult to mitigate the risk of volatile and drastically moving values.[36]

With these conditions, we cannot *hedge* bitcoin, so the risk becomes even greater. Compared to the volatility of bitcoin, the average in a year can reach 300%. This figure is much greater than the average currency in the world, about 7% to 12%. Gold, whose volatility is about 20%. Or stocks that range from 20-30%, although for some stocks that are at risk, it can reach 100%. From the comparison, it can be seen that holding bitcoin, even in the short term, carries a high risk, which is inconsistent with the nature of money that serves as a store of value.[37]

Considering aspects of Maslahah and Mafsadah Cryptocurrency

Speaking in the study of *maslahah* and *mudharat,* of course, the simplest thing to use as a measure is to look at what can be the benefits or advantages of *cryptocurrency* and how are the sides of mafsadat or its shortcomings. Therefore, in the next discussion, several advantages and disadvantages of this digital currency will be identified. Bitcoin as a digital currency has several advantages compared to *fiat* money, or *e-money* that is currently in circulation, including:

1. Cannot be faked

   Unlike the banknotes that are very easy to counterfeit, for the time being, counterfeiting against Bitcoin and other *cryptocurrencies* has never happened. This is because the security system contained in a *peer-to-peer* network where all data is stored on an open blockchain will make it difficult for anyone to forge Bitcoin money. In addition, Bitcoin will be difficult to forge in the form of physical bitcoin itself does not exist because Bitcoin is just a series of cryptographic codes that are systematically arranged and stored in the accounts of each owner, making it almost impossible for a person or group of people to commit counterfeiting.[38]

2. Transact online but like cash
   One of the advantages of using a *cryptocurrency* is that users can transact online as well as transact in cash. There are no excessive transaction fees, as is the case when using *e-money.* By eliminating third-party (banking) restrictions, transactions between users will be easier, cheaper and faster.[39]
3. Decentralized system
   Whether one realizes it or not, when a person decides to place his money in a bank or in another financial institution such as mutual funds or insurance, it is indirectly "forced" to be subject to the terms and conditions made by the company. All our identities and privacy are taken away so that almost nothing else can be covered, such as identity, family, or job, even until our income is all obligatory to give to those third parties. Whereas we do not know who they are, whether they will use our personal data really only for business purposes or for other interests that we do not know for sure. On the other hand, after we have handed over all the personal data, we also hand over our assets to them. With the surrender of these assets, we will no longer be able to take full control of these assets. For example, if we hand over 100 million, then when we need the money immediately, there is a mechanism that prevents us from being able to take and utilize the asset even though it is really our full right. This happens because there is a limit to the number of withdrawals allowed per day, the minimum amount of money that must settle in the account and not mention that every month there are administrative fees and other fees charged in making each transaction. In another aspect, the security system implemented in its financial institutions has

proven to be still very vulnerable to break-ins, both by[40] [41] *hacking, skimming* and other methods. This causes the risks that will be borne by customers to be many times over. By using *cryptocurrencies*, all of that will never happen because everyone can protect all their privacy when transacting with others. In addition, all the *cryptocurrency* assets that we have are all completely within our own power and can be used whenever, wherever and whatever we want.[42]

4. Low transaction fees

   The use of *cryptocurrencies,* for example, bitcoin, in transactions is not really free of fees. There is a provision for a number of costs that must be borne, which is 1 sathosi or 0.0001BTC per 1000[43] *bytes*. The size of the fee in the Bitcoin system uses a standard byte, where every 1000 *bytes* of transaction data is charged 0.0001 BTC, which when converted to an exchange rate of 1 US $ = Rp. 15,000 is approximately Rp.10,000. Compared with the fees charged in the transaction process in banking, in addition to the monthly routine administration fees, which amount to Rp. 10,000-Rp. 15,000 / month, in each transaction made, is also charged a fee depending on the amount the value of the money transacted. From the aspect of flexibility, payment of transactions using *e-payments* from banks sometimes hinders, for example, transactions made on holidays, not to mention the risk if the *bank's database* network experiences disruptions caused by human error and hacking activities. This will not happen to cryptocurrencies because transactions on the *cryptocurrency* network does not recognize holidays.[44]

5. Does not cause inflation

   The value of *cryptocurrencies* does experience ups and downs following the *supply* and *demand* mechanisms that occur in the market on the *cryptocurrency* network. However, with the restriction that the number of *cryptocurrencies* such as Bitcoin in circulation amounts to 21 million BTC, naturally, the value of Bitcoin will continue to rise, along with the smaller and fewer bitcoin reserves that have not been mined. Even *cryptocurrencies* are predicted to continue to increase in value so that they can be economically profitable both in terms of exchange rates and from the aspect of being a commodity in investing.[45]

6. Future investment instruments

   Cryptocurrency, which was originally intended as a substitute for centralized *fiat currencies,* has now begun to be used as an instrument in investing. It is suspected that the need for cryptocurrency for investment today is much greater than its need to transact. For example, investing in Bitcoin is almost the same as investing in using other currencies, which is buying at a time when the value falls and selling it to take advantage at a time when the value of Bitcoin is high. In addition to the advantages and advantages previously explained, *cryptocurrencies* also, of course, have disadvantages as follows:

   1. Unclear system of oversight and accountability

      Cryptocurrencies aim to break into the current financial system, which is *server-based* with centralized control, into a *peer-to-peer* network system. When viewed in terms of security and privacy, it is clear that the *peer-to-peer* network used by *cryptocurrencies* provides a much stronger security and privacy guarantee so that if a transaction occurs, it could be that the two parties to the transaction do not know correctly who the transaction is with. With such a strict security system and protection against[47] *privacy*, this network is widely used by people who carry out illegal activities such as drug trafficking, arms trafficking and also humans. For this reason, there are still many countries that ban the use of *cryptocurrencies* because they are worried that the risks posed outweigh the profits obtained.[48]

   2. It costs a lot to get it

      To do *cryptocurrency* mining nowadays, it can no longer be done by people in general because, in *the cryptocurrency* system, the more users who participate in mining and transactions will increase the energy resources and technology needed. Several studies have found that in a mining process, the cost of supplying[49] electrical energy is much greater than the results of mining *cryptocurrencies* obtained. So, it is not economically profitable. In addition, currently, pliers' equipment is used to carry out mining in the form of ASICs, and the price is no longer affordable for the public. So that only people with large capital can carry out mining activities. So in this aspect, *cryptocurrency* is still very thick with the nuances of capitalism.[50]

3. Based on networks that are still possible to engineer and hack
   A *peer-to-peer* network with all its security attributes in the form of cryptography and other functions that currently guarantee the security and privacy of each of its members may currently be very difficult to hack its network. But keep in mind that the world of technology in the world with the fastest development. Everything considered[51] *impossible* is done at this time, not necessarily valid in the future. Remember how we used to be amazed by *e-mail* technology that was so sophisticated that it was declared the most secure medium of communication and information exchange is no longer an example of this assumption because e-mail can be hacked by inserting malware that can snoop on all the contents of an e-mail. Also, it is not likely that this will happen in the next 5 or 10 years on the *cryptocurrency* system.[52]
4. Depends on user consensus
   As a currency, of course, the value of its applicability will largely depend on the extent to which a particular group or community agrees on the validity of a type of currency. Likewise, *cryptocurrencies* will only have value when most of the members in the network still agree to continue using and recognizing *cryptocurrencies* as legal tender. Due to the beginning of the control of[53] *cryptocurrencies* by only some people with large capital, it is feared that there is a kind of

jealousy and feeling of injustice from some of them that cause the abandonment of the use of Bitcoin. This began to happen when there appeared a lot of alternative *cryptocurrencies* besides Bitcoin, which numbered more than 1000 types.[54]

5. The limited scope of circulation
   Asa currency that operates on the basis of high-tech devices, the spread of *cryptocurrency* as a currency feels impossible to be widely used because the limitations of human and natural resources between one country and another are still very high. For the people of developed countries who have become accustomed to high technology, such as America, China, Japan, Korea and European countries, perhaps the availability and use of *cryptocurrencies* will be easily carried out, but what about societies in developing and underdeveloped countries?[55]
6. Not based on its intrinsic value.
   Cryptocurrency is a digital currency with no real physical form. In this aspect, then *cryptocurrency* can be called worse than the fiat currencies that exist today due to its unclear physical existence. This results in the high volatility of the value of cryptocurrencies in the market which sometimes rises economically and then a little later fall also to extremes. Why can this happen? In addition to being caused by the laws of demand and supply, the absence of[56] intrinsic value backing also exerts a great influence, so the stability of the value of *cryptocurrencies* as a currency is greatly affected by internal and external issues.[57]
7. Tendency to be a commodity rather than a medium of exchange
   Lately, the tendency of *cryptocurrency* users is no longer to treat it as just a medium of exchange but rather as a trading commodity, with the aim of seeking to profit from the difference in the price of *cryptocurrencies* over time. It is very similar to the dollar currency, which can be traded and used as a commodity rather than a medium of exchange or in

terms of[58] *forex trading*. This fact certainly deviates from the original purpose of creating cryptocurrencies, namely as a means of payment or alternative currency that is more independent and far from the intervention of certain financial authorities to cut the bureaucratic flow in transactions and trust problems of third parties who control the financial system. With this tendency, the future of[59] *cryptocurrencies* will eventually only circulate among certain groups (owners of large capital), so the function of Bitcoin as a currency will be increasingly lost and turned into a commodity, as is currently the case with metals starting.

8. Easy to abuse for criminal acts
   In the world of internet networks, generally, humans only know *open*-access sites that are commonly available on the surface and used for various purposes of their use. Few know that there is an area or area in the network world that has been rarely known by humans in general, which is called the *deep web* or also known as the *dark web,* which is a network site that is in the depths of darkness. As with the internet on the surface, as we know it, in the *dark web* area, there are also many types of services and sites that are used for various purposes, for example, places to store research results on the military, medical, and cutting-edge technologies that are still in the development stage and are confidential. It is undeniable that the birth of[60] *cryptocurrency* cannot be separated from this *dark web* because the beginning of the cryptocurrency's fame was caused by the discovery of the SilkRoad network, an online store on the *dark web* that sells various types of drugs using Bitcoin as a means of payment.[61]

Discussion

Cryptocurrency, with all its advantages and lack thereof, is undoubtedly a brilliant invention of the decade, in which it was able to break the established modern financial system and provide an alternative for everyone to make a choice in making transactions. As a currency, *the* function of cryptocurrency is undoubtedly its function and benefit because it can provide more profitable services compared to payment systems using *fiat currencies* or *e-money* that exist today.

However, the concept of money in the Islamic economy itself is basically only recognized as a *medium of change* and as far as *a unit of account* because if a currency has been categorized and treated as a commodity, what will happen is a transaction that contains elements of *gharar* (speculation) and usury. With the large possibility of[62] *cryptocurrencies* being used as commodities, the recent trend shows that this is currently becoming a prima donna, characterized by the existence of a special money market for buying and selling cryptocurrencies called the *Cryptocurrency Index.*[63]

If *a cryptocurrency* has been traded in the money market, then its nature has changed from *public goods* to *private goods,* which will be more widely used as speculative instruments in seeking profits based on interest. Ultimately[64] *cryptocurrencies* will resemble fiat currencies more than gold because they are not backed by a clear intrinsic value.[65] Moreover, most cryptocurrency users want to get a share of the increase in the value of *cryptocurrencies.* In fact, this behavior is not in line with the philosophy of *cryptocurrency* itself. On another aspect, *cryptocurrencies* also cause legitimacy problems for Muslim users in terms of Islamic Fiqh. Although many Islamic religious institutions and scholars say that *cryptocurrency* is haram, some Islamic scholars consider that *cryptocurrency* is halal.[66]

From this explanation, *cryptocurrency* is no longer included in the level of *daruriyat* needs for humans because there are still major currencies that are standard transactions and are used more widely by the public, especially with the emergence of various cases so far that show the instability of *cryptocurrencies* to be used as the main currency of a country, which can completely replace the type of fiat currency in general. The case that occurred in the Elsavador country, whose country's economy was in danger of being destroyed because it tried to make *cryptocurrency* the country's main currency, is proof that the stability and reliability of *cryptocurrencies* are far from feasible.[67]

Another serious problem contained in *cryptocurrencies* in the Islamic economic perspective is the presence of legality and control from the authorities, in this case, the government through the Central Bank. Because according to Al-Ghazali that the terms of an object can be said to be money. In addition to the money being printed and circulated by the government, the government declares that the money is the official means of payment in a region, and the government has gold and silver reserves as a benchmark for the money in circulation. Thus, Bitcoin transactions do not meet these three conditions to be referred to as a means of payment.[68]

Cryptocurrencies have the advantage of freedom and freedom from third-party intervention because they are based on *peer-to-peer* networks so that the security and privacy of each user are also able to remove the attachment of certain trustworthy financial authorities while minimizing the necessary transaction costs. But when examined further, behind all these advantages, it is powered by another, the greater risk that the Bitcoin system is likely to be used for activities that threaten the security and future of a country. Suppose it is used for illegal activities of buying and selling drugs, illegal weapons, terrorist financing and human trafficking that is not tracked by the authorities.[69]

Based on this description, *cryptocurrencies* are also not included in the needs of the human *hajjiyat* level because there are still many investment instruments and other commodities whose value is more stable and has clear *underlying assets,* such as stocks, bonds, oil and others. Not to mention that if you look at risks that cannot be measured definitively, with their high volatility, they are very vulnerable and sensitive to world political and economic issues that can change at any time.

Another advantage, namely that the value of *cryptocurrencies* tends to be more stable and also does not experience inflation is completely unprovable because the evidence is found to the contrary, where[70] *cryptocurrencies* have high volatility as a currency, even higher than the volatility of fiat currencies by and large. As for the possibility of inflation, Bitcoin is designed in such a way (with a limit of 21 million BTC) that it will theoretically cause deflation in the future.[71]

This reality even has negative consequences for *cryptocurrencies* in carrying out their role as currencies in the future because they will negate their function as a currency transformed into a commodity or asset that is more attractive to have with the aim of being traded the aim of making a profit. Some of the research results provide input for investors who want to invest using[72] *cryptocurrencies* should not be careless and make investment decisions because *cryptocurrencies* are "*new goods*" that are still excellent and "*fun toys*" for investors and speculators, so cryptocurrencies such as Bitcoin and Altcoins could just be a "*one-season wonder*" that in the years to come will even be abandoned by their users if a better and more sophisticated replacement technology has been found.[73]

Economically, today *cryptocurrency* is a rather controversial financial instrument: on the one hand, it has a great investment appeal, but on the other hand, it is subject to great volatility and seems to be a very risky financial asset. From a legal point of view, *cryptocurrencies* have not found consistent consolidation and further legal regulation in legislation almost all over the world.[74]

In the Islamic economic perspective, the use of *cryptocurrency* is allowed as long as it meets certain conditions, namely by eliminating the vanity element as in the Qur'an surah An-Nisa verse 29, the vanity element is *gharar* and *mayshir.* In addition, *cryptocurrencies* must also have clear legality in a country for the sake of security in their use.[75]

Apart from the benefits of *cryptocurrencies,* there are some challenges that *cryptocurrencies* face in ensuring financial stability. This is based on the widespread use of *cryptocurrencies,* causing the payment system to be disrupted, especially in the absence of a guarantee mechanism. In addition, the impact of *cryptocurrencies* on the activities of commercial banks can exacerbate financial stability risks. The loss of control over monetary policy and the Central Bank's lack of *last resort lenders* led to higher systemic risk exposure. Nevertheless, sharia-compatible *cryptocurrencies* can avoid many problems and ensure financial stability and better social cohesion in a dual system.[76]

Another problem that occurs today, *cryptocurrencies* are more regarded as commodities than currencies, so they are very vulnerable to containing elements of usury that are of great concern in the Islamic economy. In addition, they have the potential to have negative implications for the market, such as their use in money laundering, drug trafficking, and other illegal transactions.[77] Some researchers argue that *cryptocurrencies* can be traded on Islamic commodity exchanges, provided they issue or make their own *cryptocurrencies* whose price depends on gold or the country's currency. So cryptocurrency, for the time being, cannot be used as a commodity in sharia derivatives contracts because it contains a lot of speculation, is chaotic and vulnerable to being used for illegal activities. *Cryptocurrency* is haram *li ghairihi* or haram due to external factors, so it should be avoided.[78]

Thus, then *cryptocurrencies* can be seated at the level of *tahsiniyat* needs. Because although it has many vices *(mafsadah)* that can harm the community and the state, there are still benefits that can be enjoyed if used carefully and can become one of the commodities and *unit accounts* on assets that are quite promising in the future.

Conclusion

Based on studies and analyses, the characteristics of *cryptocurrencies* cannot qualify as currencies because they tend to be exclusive, have no intrinsic value and are not as accessible to everyone as fiat money in general. In addition, *cryptocurrencies* have the potential to be abused in illegal or criminal activities. With the current trend of c*ryptocurrencies* starting to switch functions and currencies to commodities that are traded with a high level of volatility so that they have a high risk as well, the benefits caused are limited and not universal, with more *mafsadat* than *maslahat.* In this case, Islamic Economics views that the benefits caused by *cryptocurrencies* do not reach the level of *dharuriyat* or even *hajjiyat,* but are still in the stage of tahsiniyat, which is legal in Islam and can be implemented but only as a complement to transactions.

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