

BITCOIN'S SHARIA LEGITIMACY: STRENGTH ANALYSIS AND IMPLICATIONS AS A FINANCIAL TRANSACTION TOOL

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ABSTRACT

This study seeks to reconcile the conflicting viewpoints on Bitcoin by offering a Shariah-based perspective, utilizing contemporary interpretations of Quranic verses, fiqh principles, and hadith to demonstrate Bitcoin's supremacy as a currency. This study used a qualitative approach combined with normative analysis, interdisciplinary perspectives (economics and Islamic law), and a descriptive-comparative method based on David Ricardo's theory of comparative advantage to assess Bitcoin's legitimacy as a medium of exchange in Islamic economic contexts. These methodologies enable the research to address the core questions holistically, considering economic, legal, and ethical dimensions. The findings indicate that Bitcoin has attributes similar to gold, such as scarcity, divisibility, mobility, and durability, making it a suitable store of value. While institutes such as MUI and LBM NU East Java classified Bitcoin as haram owing to ambiguity, harm, and speculation, the study contends that with correct understanding, Bitcoin may be lawful under fiqh principles. Blockchain transparency reduces dharar and manipulation, providing an ethical alternative to fiat currency. Furthermore, Bitcoin's intrinsic worth is consistent with Islamic financial principles, as opposed to fiat currency's inflation and value depreciation. The researcher finds that understanding the foundations of Bitcoin can help consumers reduce gharar (uncertainty), dharar (harm), and speculation. Blockchain technology ensures transparency, prevents manipulation and abuse, and, like traditional currencies, allows for price formation based on supply and demand. These attributes highlight Bitcoin's potential as a Sharia-compliant medium of exchange that addresses fiat currency limits while also providing inflation protection.

Keywords: Bitcoin; Fiat Currency; Transaction Tool; Sharia Law.

ABSTRAK

Penelitian ini bertujuan untuk menjawab perbedaan pandangan seputar Bitcoin dengan memberikan perspektif berbasis Syariah, menggunakan interpretasi kontemporer terhadap ayat-ayat Al-Quran, prinsip-prinsip fikih, dan hadis serta menunjukkan keunggulan Bitcoin sebagai mata uang. Penelitian ini menggabungkan pendekatan kualitatif, analisis normatif, interdisipliner (ekonomi dan hukum syariah), serta deskriptif-komparatif menggunakan teori keunggulan kompetitif David Ricardo untuk mengevaluasi legitimasi Bitcoin sebagai alat transaksi dalam perspektif ekonomi Islam. Pendekatan ini menjawab pertanyaan penelitian secara holistik dengan mempertimbangkan aspek ekonomi, hukum, dan etika. Temuan menunjukkan bahwa Bitcoin memiliki karakteristik yang sama dengan emas - seperti kelangkaan, dapat dibagi, mudah dibawa, dan tahan lama - memosisikannya sebagai penyimpan nilai yang potensial. Meskipun lembaga-lembaga seperti MUI dan LBM NU Jawa Timur mengklasifikasikan Bitcoin sebagai haram karena gharar (ketidakpastian), dharar (bahaya), dan spekulasi, penelitian ini berpendapat bahwa dengan pemahaman yang tepat, Bitcoin dapat diizinkan berdasarkan prinsip-prinsip fikih.

Transparansi blockchain mengurangi dharar dan manipulasi, menawarkan sebuah alternatif yang etis untuk uang fiat. Selain itu, nilai intrinsik Bitcoin selaras dengan prinsip-prinsip keuangan Islam, berbeda dengan inflasi dan depresiasi nilai uang fiat. Peneliti menyimpulkan bahwa unsur gharar (ketidakpastian), dharar (kerugian), dan spekulasi dapat dikurangi melalui pemahaman pengguna terhadap dasar-dasar Bitcoin. Teknologi Blockchain memastikan transparansi, mencegah manipulasi dan kerugian, dan mendukung pembentukan harga yang didorong oleh penawaran dan permintaan, sebagaimana yang umum terjadi pada mata uang konvensional. Karakteristik ini menyoroti potensi Bitcoin sebagai media pertukaran yang sesuai dengan Syariah, mengatasi keterbatasan mata uang fiat dan menawarkan perlindungan terhadap inflasi.

Kata Kunci: Bitcoin, Mata Uang Fiat, Alat Transaksi, Hukum Syariah

INTRODUCTION

In this age of globalization and digitalization, the necessity for efficient and effective payment systems has spurred the emergence of financial innovations. This tendency is exemplified by the rise of credit cards and the transition to cashless societies. (Huang et al., 2021) In addition, the introduction of cryptocurrency, notably Bitcoin, marks a huge advancement in financial technology. Bitcoin stands out for its ease of usage, decentralized system, and independence from third-party intermediaries such as banks (Symitsi & Chalvatzis, 2019).

Powered by blockchain technology, Bitcoin is a digital currency without a physical form. Instead, it relies on hashed data blocks for secure and transparent transaction validation (Krückeberg & Scholz, 2020). Since its inception in 2009, Bitcoin has demonstrated remarkable growth, attracting global attention from investors, economists, and policymakers (Faturahman et al., 2021). By 2024, Bitcoin will be rated ninth among the top ten global financial assets, trailing only gold in market capitalization. Bitcoin's distinctive properties, such as deflationary tendencies, divisibility, and resistance to centralized control, have positioned it as a possible challenger to fiat currencies. However, its adoption and use remain difficult, particularly in the context of Islamic finance.

In Indonesia, the world's most populous Muslim-majority country, concerns concerning Bitcoin's Sharia legitimacy are particularly important. Divergent legal interpretations from Islamic experts, including fatwas issued by the Indonesian Ulema Council (MUI) and LBM NU East Java, raise concerns about gharar (uncertainty), dharar (damage), and speculative components in Bitcoin transactions. These concerns have caused uncertainty among Indonesian Muslims about Bitcoin's permissibility as a financial tool (Wahid et al., 2023). The development of Bitcoin has provoked substantial conversations among Indonesian Muslims, influencing economic, ethical, and religious views (Suratno & Ma'arif, 2024). Economically, Bitcoin draws

younger investors and provides financial inclusion for the unbanked, but its volatility raises questions about risk-sharing in Islam (Rahayu et al., 2024). Religiously, fatwas from MUI and LBM NU East Java declare Bitcoin haram owing to *gharar*, *dharar*, and speculation, but supporters emphasize blockchain's transparency and potential to match with Islamic principles.

Ethically, Bitcoin challenges views of gambling-like activities (Oksanen et al., 2022), while also providing chances to promote riba-free and inclusive financial practices. Culturally, Bitcoin splits opinions among the Muslim community, which is frequently hampered by misinformation and education gaps. While recognized as a commodity in Indonesia, the lack of Islamic banking norms prevents widespread implementation (Wiwoho et al., 2024). Bitcoin's impact underscores the need for clear guidance integrating Islamic principles and modern financial innovations (Lootah, 2024). This study seeks to address dissenting views surrounding Bitcoin by providing a Sharia-based perspective, utilizing contemporary interpretations of Quranic verses, fiqh principles, and hadith. It also examines Bitcoin's comparative advantages over fiat currencies through David Ricardo's theory of comparative advantage, which highlights the economic superiority of unique, hard-to-imitate attributes such as innovation, efficiency, and value creation. Bitcoin's decentralized structure, resistance to inflation, and potential to enhance financial inclusivity exemplify these attributes, making it a subject of significant interest.

The difference between previous and current research lies in both focus and methodology, defining the novelty of this study. Previous research primarily concentrated on Bitcoin's technical aspects, risks, and market volatility from a conventional financial perspective. Islamic studies often critiqued Bitcoin's compliance with Sharia principles such as *gharar* (uncertainty), *dharar* (harm), and speculation but rarely offered practical solutions. Additionally, comparisons with fiat currencies are often theoretical and lacked an interdisciplinary approach. In contrast, this study adopts an interdisciplinary methodology, combining Islamic jurisprudence, economics, and blockchain technology to evaluate Bitcoin's legitimacy.

The focus is on Indonesia, analyzing the cultural, legal, and religious factors that influence Bitcoin adoption within the country. It also explores how blockchain technology can address challenges in Islamic finance, such as *gharar* and *dharar*, while assessing Bitcoin's potential as a Sharia-compliant, inflation-resistant medium of exchange. The novelty of this research lies in providing a practical Sharia framework for cryptocurrencies with a focus on the Indonesian context, which has been largely unexplored in prior studies. Moreover, this research offers a fresh perspective on how potential of Bitcoin as a Sharia-compliant medium of exchange, capable of

addressing the shortcomings of fiat currencies while providing protection against inflation. This study, therefore, contributes uniquely to the fields of Islamic finance and digital finance.

RESEARCH METHOD

This study employed a qualitative method with a descriptive-exploratory approach. This method was chosen to thoroughly investigate differing opinions on Bitcoin's legal status in Islamic law and analyze the comparative advantages of Bitcoin over fiat currencies in the context of the global economy. The research began with a normative approach, analyzing Bitcoin's legal status based on the Qur'an, hadiths, Islamic jurisprudence principles (*fiqh*), and fatwas from Islamic scholars. It further incorporates an economic approach to understand how Bitcoin functions as a transaction tool in global markets. Additionally, a comparative approach was employed to evaluate Bitcoin and fiat currencies across various aspects, including efficiency, transparency, costs, inflation, and decentralization.

Data collection was carried out through library research, gathering literature from journals, books, fatwas, academic articles, and other relevant documents. This was complemented by document analysis, examining fatwas issued by Islamic organizations such as the Indonesian Ulema Council (MUI) and international scholars, as well as reviewing economic theories pertinent to the study. The data were analyzed using several techniques. First, thematic analysis was applied to identify key themes related to Bitcoin's Sharia law status and the economic aspects under study. Second, comparative analysis was utilized to contrast Bitcoin with fiat currencies, guided by the framework of comparative advantage developed by David Ricardo. Third, *istinbath* law analysis was conducted to derive conclusions on Bitcoin's Sharia compliance based on principles such as *qiyas* (analogy), *istihsan* (juridical preference), and *maslahah* (public interest).

The findings were systematically presented through detailed narrative descriptions to provide an in-depth explanation of the results. The study was grounded in two main theoretical frameworks: David Ricardo's comparative advantage theory, which serves as the economic analysis framework, and Islamic jurisprudence principles (*ushul fiqh*), including *qiyas*, *istihsan*, and *maslahah*, as the basis for legal judgments. These theoretical indicators form the foundation for developing the research instruments, which include document analysis guidelines and thematic frameworks to ensure systematic analysis of the collected data. This approach enables the research to provide a comprehensive understanding of Bitcoin's Sharia legitimacy while

offering a fresh perspective on its relevance and potential as a transaction tool in the modern economy.

RESULT AND DISCUSSION

Analysis of Bitcoin Comparison (Halal and Haram) As Currency

Ibn Taimiyah gives the opinion that money is a medium of exchange, which is in the form of physical and materials that can take from only and is valid because of the occurrence agreement customs ('urf) and conditions that the area has made said. Money is not restricted only to gold and silver, like dinars and dirhams alone, which does not have a natural or limited sharia. Dinar and dirham are only used as a tool swap (Zahara, 2020). According to Imam Al-Ghazali, having legitimacy or permission from law customs and local matters is obligatory (Janwari & Ridwan, 2023). Related to Constitution number 7 of 2011 concerning currency, it is money printed by the unitary state, the Republic of Indonesia, and regulation and supervision regulated by the government. Based on the opinions of Ibn Taimiyah and Imam Ghazali, Bitcoin is forbidden to use because it does not fulfil the criteria mentioned, as it does not have form and does not get legitimacy from the law, customs, or the government. But, here, the writer equates (compares) Bitcoin with one of the instruments tools the exchange that is in the Qur'an, namely gold. In Surah QS At- Taubah /9 verse 34, Allah says:

الَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ سَبِيلُ اللَّهِ فِي تِلْكَ آيَاتِهِ لِيُعَذِّبَ الَّذِينَ يَكْفُرُونَ وَالَّذِينَ

It means:

34. ... “And those who save gold and silver, but No spend it in the way of Allah, give it ' good ' news to them (that they will receive) a painful punishment.”

Surah at-Taubah [9]: 34-35 presents a powerful narrative about the moral corruption of religious leaders—specifically monks and rabbis—who exploit their followers for personal gain. These verses emphasize how some religious figures, entrusted with guiding their communities, instead succumb to greed by wrongfully consuming wealth through deceitful means (Taufiq, 2018). A central theme in these verses is the pursuit of gold, a symbol of immense value and desirability. At the time, gold was so coveted that these scholars were willing to abandon ethical principles to obtain it, even through unjust methods. The Quran condemns this behavior, underscoring the dangers of allowing wealth to overshadow moral responsibility (Taufiq, 2018). Ultimately, these verses serve as a cautionary reminder of the corrupting power of greed. They highlight the importance of integrity, justice, and the responsible stewardship of wealth, warning

against the temptation to prioritize material gain over ethical conduct and spiritual values. Based on its characteristics, the attributes of Bitcoin itself are the same as the following explanation (Sathya & Banik, 2020):

1. Scarcity: Bitcoin is limited by its demand, and there are only 21 million coins. Every four years, a breakdown block occurs on the coin called halving, so there is still scarcity in Bitcoin Alone.
2. Can be divided: Bitcoin is more accessible to share than fiat currency. When divided, Bitcoin has 8 decimal places, where the compiler is called Satoshi.
3. Acceptability: Increasingly, many people know about the value or the fundamentals of Bitcoin. People started to accept Bitcoins even though many countries still forbid its utilization. Moreover, in the business world, Bitcoin is more accepted because besides accepting payment, this Bitcoin is expected to have more value in the future.
4. Portability: Bitcoin is easy to use, even when it is cross-country transactions only with a country with an ownership account wallet on the Bitcoin site.
5. Power Hold: Because of its digital basis, as long as it exists in the digital space, Bitcoin will last according to the existence of connectivity Internet Network.
6. Uniformity: Bitcoin cannot be forged because it is formed from system technology blockchain, which has a large market capitalization but a rare quantity.

According to contemporary interpretation analysis, using Bitcoin as currency is deemed halal because it fulfils the gold fulfilment criteria.

Opinions Regarding Bitcoin Law as Currency

Several leading Islamic organizations have considered the status of Bitcoin below Sharia law. Some consider Bitcoin to be allowed as currency or asset investment, while others argue That it is prohibited. This is a summary of some fatwas and essential decisions issued by the organization Islamic Mass about Bitcoin topics:

1. MUI (Indonesian Ulema Council) believes that Bitcoin is a digital currency that violates the law because of its adapted element of uncertainty, danger, and contradiction with the Constitution. Cryptocurrencies used as digital commodities /assets are not legalized for buying and selling because of uncertainty, danger, Kumar, and failure (Manimuthu et al., 2019). They need to fulfil Sharia requirements regarding their form and physique.

2. LBM NU East Java has stated that using cryptocurrency as a transaction tool is forbidden; a pattern of transactions with more cryptocurrency is considered speculative and not measurable (Wahyudi, 2022).
3. LBM NU DIY, in his decision, concluded that Bitcoin is regulated halal from the aspect of goods merchandise and tools transactional. Fulfill condition tool transactional and as goods trade, including having benefits, can submitted, and its elements can be accessed by the sender or recipient (if as tool transactional) (Wahyudi, 2022). However, it's possible that This no, including other cryptocurrencies, does not sufficiently satisfy the requirements mentioned like Luna Coin.

Analysis Legal Istimbath of MUI and LBM NU East Java

Following is the reason for the sunbath haram law by MUI and LBM NU East Java for the use of Bitcoin as a tool:

1. Indonesian Ulema Council (MUI)

The reason it is haram, according to the MUI, is utilized as a tool because it contains gharar and dharar, which is contrary to Law 7/2011 and BI Regulation 17/2015. In contract transactions, Sharia trading prohibits the existence of Gharar in every transaction. Ibn Taimiyyah's opinion is that evil has consequences that are not known (the unknown consequences). Opinion by Ibn Qoyyim, who said evil is something that is not known the result or its nature and size. Evil transactions can cause damage and loss, resulting in the transfer of the proper ownership in a void (Farikhin & Mulyasari, 2022). In line with his teacher's teachings, Ibn al-Qayyim explains gharar as “something whose success is uncertain, or, in other words, something whose information is concealed and whose true nature is unknown.” (M. F. Rahman, 2018)

Rules fiqh “*alghararul katsiru yafsidul 'uqud duuna yasiiruhu.*” which means a transaction can damaged when Lots there are not known the result before transaction That happened, and not damaged when (ignorance will goods) that little. Rule this gives an understanding of related condition transactions that are considered Not valid, also like prohibition evil, as well as gharar, is permissible (Mohd Noh et al., 2024). Permission matters if the uncertainty is small. Scholars have reached a consensus, as detailed in Mi'yar al-Shar'i Li al-Mu'amalah al-Maliyah, that gharar (uncertainty) is prohibited under specific conditions (M. F. Rahman, 2018). These conditions include when the level of gharar is substantial, when it occurs exclusively in business transactions, when it affects essential components of the contract, and when there is no urgent necessity to justify its presence (Mohd Noh et al.,

2024). Such criteria emphasize the importance of ensuring clarity and fairness in Islamic financial dealings.

Building on the previous discussion, *gharar* can be further simplified into two main considerations. First, the extent of *gharar* within a transaction, which can range from substantial to moderate or minimal, determining its impact on the transaction's validity (M. F. Rahman, 2018). Second, the influence of *gharar* on the contract, specifically whether it compromises the integrity of the agreement (M. F. Rahman, 2018). Ibn Hazm further clarifies that *gharar* in trade occurs when the buyer is unaware of what they are purchasing, or the seller does not fully understand what they are selling. This underscores the importance of transparency and knowledge in commercial transactions, in line with Islamic principles that seek to protect both parties from deception and loss (M. F. Rahman, 2018).

It means no understanding of the value of the goods purchased or utilized, like this Bitcoin fundamental, which has underlying assets according to people who understand Bitcoin. Bitcoin uses transparent blockchain technology, allowing all transactions to be noted in a way that is public and can be verified. Bitcoin reduces risk manipulation and fraud (*dharar*) because a single party controls the Bitcoin network. This is different from traditional system finance, where sometimes there is ambiguity or abuse of power by certain parties. Bitcoin users have complete control over assets without needing supervision or a dependence authority centre, as well as transactions that use a peer-to-peer system. This gives greater certainty to Bitcoin owners that they have access directly to the assets they want, without risk intervention from a party outside.

2. LBM NU East Java

Reason utilization of cryptocurrency as a transactional tool is forbidden, with consideration of system trading crypto's component speculation. As for the existence of opinion about the matter, That No is justified; the ups and downs price on Bitcoin follows the market price Where That can there is, and it happens while the existence of demand and supply, which in Islamic law is permissible (Mujani et al., 2022). Mufti Muhammad Abu Bakar responded to opinions on cryptocurrency's speculative (gambling) elements (Kayal & Rohilla, 2021). This does not immediately make it haram because currency also has the same aspect, namely nature speculation, which is only until limitation certain because it still leads to supply and demand. Refer to hadith Rasulullah.

Anas Radhiyallahu'anhu, the correlation about limited supply increased the price of goods in Medina: "Prices have increased significantly at that time. Friends to inform the incident Rasulullah Sallahu'alaihi Wasallam: "O Rasulullah price has soared, please help set the price". Rasulullah Sallahu'alaihi Peace be upon you give Answer: "Indeed, Allah is the only one who has the right." determine price, which holds, expands and gives fortune. I hope that later I meet God in condition none of You sue me about cruelty in blood and property." (ad- Darimi). This is proof that price determines market procedures naturally. The Prophet rejected the offer and explained that prices in the market are formed naturally because God determines prices. The supply of crypto is limited, and there is a small possibility of inflation. That is, it can maintain sufficient value stability.

Analysis of Bitcoin's Advantages over Fiat Money as Currency

Bitcoin has a Blockchain Management System (BMS) base, and the draft can conclude as scheme accounting. BMS, like Bitcoin, is formed because of an existing copy - a device software for computer users. Users can communicate with others digitally and copy - updates for more than ten minutes; transactions that have been experienced and processed become components of historical transactions since the beginning (Teisserenc & Sepasgozar, 2021). As for the historical transactions that are not the same, read the system in the 'wrong' way and change it with a copy of the correct archive. Digital Blockchain Management System (BMS) can be obedient to prohibit usury through sound principles, namely guard objective start ', get benefit at a time, and avoid harm with method risk borne together (mutual risk-sharing) (Abbas et al., 2020). Hadith Sahih Muslim explains that money removes the element of usury when accepting or giving/paying. Therefore, value benefit is essential because of the limited supply and resilience of the money. For example, as for bartering, the amount of gold is reduced for gold too. Then, an exciting issue arises for everyone with fiat money, where his preference for the value of money will erode occasionally.

Fiat money created by central banks has already been developed since the beginning of 1971. In 1933, United States citizens who had a US Dollar committed a federal crime, where moment this is 1/35 equated to One troy ounce of gold (Troy ounce is a unit the size used to use to measure gold metal noble. Initially used in Troyes, France, one troy ounce The same with 31.1034768 grams, according to the UK Royal Mint) (Basosi, 2019). In 1973, the US dollar stopped its value based on the amount of gold still in it, and No one could promise to give a fee of 1 US dollar, supported by the Federal Reserve lending larger amounts than 1 US dollar

(Yeager, 2020). As a result, 1 US Dollar can give more payments significant than 1 US Dollar. Since 1971, the fiat has not had a fixed base or essential mark; inflation can weaken the value alone due to continuous printing without a limited supply.

That is why implementation interest (*riba*) was used on bank loan wages; late pay included risk inflation. While that, interest (*riba*) alone makes the condition worse. Because usury results in more printed money. Even system trading happens only nominal transfer from account to account, even though the money is new and not yet printed, can worsen the system transaction economy. This results in a decline in the value of money and inflation. Because the central bank applies system “conditions backup minimum”, the nominal value formed bigger than the existing money (Allen et al., 2020). From that, Islam provides an obligation to utilize currency that has intrinsic value, such as gold-filled economic value alone.

Fiat money does not include nominal storage in term length. For example, if somebody owns a certificate of gold with a nominal value of 35 US Dollars, which was in an envelope in 1970. With the prohibition of gold in America, there is hope that 35 US Dollars can pay One troy ounce of gold. Of course, this causes a feeling of disappointment. In this case, more than 95% of 35 US Dollars is lost, so just 35 US Dollars. No one can buy expected gold.

Different if holding Bitcoin based on XML (XML is Extensible Markup Language Blogger Templates is a design complete, concise, and easy data storage accessed in a layout or weblog or website that contains document) over a long period as a store of value, where the person accepts the risk if the market price is in the opposite direction (Goecke, 2020). Proven opposed inflation since 2009 has been experiencing a very significant increase. This reflects that Bitcoin has characteristics like gold, silver, land, and others that have a store of value. It is mentioned that rules jurisprudence related to forgiveness, namely “*dar ul mafasid aula min jalbil masholih*” means avoid loss and that there is more goodness than benefits. Rules This defines deciding and prioritizing at least forgiveness over the amount of maslahah. After comparison, has mentioned the mafsadah - the mafsadah of fiat money that occurred. Now, even many people realize this will matter. According to Islam, Bitcoin is a possible transactional tool because it avoids usury (the fiat money system by the Central Bank).

Strength Analysis of Bitcoin as a Financial Transaction Tool

Transaction Efficiency

One of the most prominent strengths of Bitcoin is its efficiency, particularly in terms of transaction speed and cost (Fauzi et al., 2020). Unlike traditional banking systems, which often

involve intermediaries and incur substantial fees, Bitcoin transactions occur directly between users, cutting down transaction times and reducing associated costs (Erdin et al., 2020). This efficiency is especially beneficial in the context of international payments, where Bitcoin's borderless nature eliminates the need for currency exchange and the fees charged by financial institutions (Makarov & Schoar, 2022).

Transparency and Security

Bitcoin operates on a decentralized ledger known as the blockchain (Badertscher et al., 2024). Every transaction is recorded in this transparent and publicly accessible ledger, which enhances accountability (Patel et al., 2019). This level of transparency reduces the risks of fraud and corruption, issues that are more prevalent in fiat-based financial systems (Renduchintala et al., 2022). Moreover, Bitcoin's security is bolstered by cryptographic techniques that make its transactions tamper-proof, providing a layer of protection that traditional financial systems often struggle to achieve (Alghuried et al., 2024).

Inflation Resistance

Unlike fiat currencies, which can be devalued through inflation caused by central bank policies or government intervention, Bitcoin's supply is limited to 21 million coins. This fixed supply makes Bitcoin resistant to inflationary pressures, offering a level of stability that is appealing to users who are concerned about the devaluation of their currency holdings (Caton, 2020). This characteristic positions Bitcoin as a potential store of value, akin to gold, especially in economies experiencing hyperinflation or financial instability (Belke & Beretta, 2020).

Decentralization

The absence of a central authority governing Bitcoin means that no single entity has control over its supply or transactions (Nabilou, 2019). This decentralization offers greater financial sovereignty to users, allowing them to transact freely without the influence of governmental policies or banking regulations (Zetsche et al., 2020). For individuals and businesses in regions with unstable or restrictive financial systems, Bitcoin provides an alternative that is immune to the risks associated with centralized control (Mas & Chuen, 2024).

Implications of Bitcoin's Strengths in Financial Transactions

Financial Inclusion

One of the most profound implications of Bitcoin's strengths is its potential to promote financial inclusion. Bitcoin allows individuals in underbanked or unbanked regions to participate in the global economy without the need for a traditional bank account (Cunha et al., 2021). All

that is required is internet access, making Bitcoin an accessible financial tool for people in remote or financially underserved areas (Adelaja et al., 2024). This opens up opportunities for financial services such as savings, remittances, and investments to individuals who might otherwise be excluded from the traditional banking system (El Hajj & Farran, 2024).

Facilitating Global Trade

Bitcoin's ability to streamline international transactions is another significant implication (Shoetan & Familoni, 2024). In global trade, businesses often face delays and high fees due to the involvement of multiple intermediaries, such as banks and currency exchange services (Javaid et al., 2022). Bitcoin eliminates these intermediaries, providing a direct, low-cost, and efficient means of transacting across borders and could potentially reduce the costs of doing business internationally and facilitate quicker and more secure payments (Naderi, 2021).

Challenges to Traditional Financial Systems

Bitcoin's strengths, particularly its efficiency, transparency, and inflation resistance, pose a challenge to traditional fiat-based financial systems (Bennett et al., 2023). As Bitcoin and other cryptocurrencies become more widely adopted, financial institutions may need to adapt their business models to remain competitive (Kayani & Hasan, 2024). Governments and central banks may also face challenges in maintaining control over monetary policy, as Bitcoin's decentralized nature reduces their ability to manage inflation or economic crises through traditional methods (Pagnotta, 2022).

Sharia Perspective

From a Shariah perspective, the potential power and permissibility of Bitcoin must be evaluated based on the principles of Islamic finance. One important aspect to consider is gharar (excessive uncertainty), which is generally prohibited in Shariah transactions. When analyzing Bitcoin, its fundamental characteristics indicate that it is free from gharar for those who know it. Bitcoin is a decentralized digital currency built on blockchain technology, which provides a secure and transparent ledger for recording transactions without relying on a central authority (Ahamad et al., 2022). Its design includes a fixed supply of 21 million coins, which is intentionally implemented to prevent inflation, making it a potentially stable store of value in the long term (Fantacci, 2019). New coins are generated through a process called proof of work, which ensures fairness and security in their issuance (Akbar).

Transactions made with Bitcoin are protected by cryptography, which ensures privacy and transparency features that are in line with Islamic principles of accountability and trustworthiness

(Chong, 2021). The divisibility of Bitcoin into smaller units, called satoshis, facilitates microtransactions, increasing its usability and accessibility (S. A. Rahman et al., 2023). In addition, Bitcoin offers financial sovereignty, which gives individuals control over their assets without the need for intermediaries (Belke & Beretta, 2020). The transparency and decentralized nature of Bitcoin aligns with the values of Islamic finance. The openness inherent in Blockchain ensures that all transactions are verifiable and immutable, reducing the potential for *dharar* and exploitation or unethical practices. These qualities support principles such as fairness and mutual benefit, which are the foundation of Shariah-compliant finance.

Digital Blockchain Management System (BMS) offers a potential framework for ensuring that Bitcoin transactions are compliant with Shariah law. This system, as described by Abbas et al., (2020), integrates principles that directly address key prohibitions of Islamic finance, such as avoiding *riba*, by embedding ethical and balanced practices into digital financial operations. BMS advocates promoting benefits while preventing harms. Financial activities within the system are designed to provide positive outcomes for all parties involved, while minimizing potential risks or negative consequences (Abbas et al., 2020). This dual focus reflects the Islamic principle of achieving *maslahah* (benefit) and avoiding *mafsadah* (harm), ensuring that economic interactions contribute to the well-being of society.

CONCLUSION

The Indonesian Ulema Council (MUI) and the East Java branch of Nahdlatul Ulama (LBM NU) have declared Bitcoin as haram, citing concerns related to *gharar* (uncertainty), *dharar* (harm), and speculation. However, a deeper analysis reveals that the elimination of *gharar* is indeed possible. From the perspective of Islamic scholars (*mujtahids*) and hadith, the speculative element in Bitcoin can be mitigated as its value is naturally determined by supply and demand, similar to conventional currencies. From the *fiqhiyah* perspective, the element of *gharar* (uncertainty) can be minimized when individuals engaging in Bitcoin transactions possess a thorough understanding of its fundamentals. Meanwhile, the element of *dharar* (harm) can be eliminated through blockchain technology, which ensures a highly transparent system, enabling secure and trustworthy transactions.. Additionally, Bitcoin presents the potential to serve as a Sharia-compliant medium of exchange. It addresses the limitations inherent in fiat currencies, particularly in terms of inflation protection. As the economic landscape evolves, Bitcoin could

emerge as a viable alternative that aligns with Islamic financial principles, offering both stability and security in transactions.

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