

Zakah and Waqf for Cryptocurrency in Islamic Law

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Abstract

Cryptocurrency is a virtual currency based on block chain. Yet, some countries forbid it as a means of payment in transactions. It can only be used as diversification in investment. In fact, cryptocurrency is a liquid asset even though it fluctuates. In Islam, there are different views whether cryptocurrency can be assets or can be *zakah*, *infaq*, *sadaqah*, and *waqf*. The object of this study is to answer whether the crypto can be *al-ammal az-zakawiyah* or something that can be *zakah* and *waqf* which can be *maslahah* for the society. Another purpose of this research is to enlighten about *zakah* and *waqf* managers on what cryptocurrency is for. The theory used is the theory of *zakah* and *waqf* in Islam. This is a qualitative study with a conceptual approach and an Islamic law approach. The result of this research is that cryptocurrency can be said as wealth or *al-maal* that can be *zakah*, *infaq*, and *waqf* because it has fulfilled several requirements to be classified as wealth or *al-maal* in Islam. *Zakah* calculation of crypto currency must exceed the *nisab* 2,5% equivalent to 85 grams of gold, the owned can already be an object of *zakah*.

Keywords: Islamic law; *zakah*; *waqf*; cryptocurrency; digital currency

Introduction

Cryptocurrency was first recognized by the pseudonymous programmer Satoshi Nakamoto in 2008 with the concept of distributed peer-to-peer digital money, Bitcoin, and operated in January 2009 as an experiment between cryptography enthusiasts who transacted and mined tokens until October 2009 listed on the exchange at \$0.000764 per bitcoin.¹

Cryptocurrency is now also used as a diversification in the field of investment. The research conducted by Wee Seng Wong explained that cryptocurrency has an opportunity as an investment vehicle and he also concluded that Bitcoin was negatively correlated with S & PP500 and not significantly correlated with other assets. In contrast, Litecoin was negatively associated with bonds and gold but not with stocks. Still, Ripple, positively correlated with other assets, makes it a valuable investment tool for diversification.²

Cryptocurrency is now widely known in Indonesian society. This is the only representation of blockchain that is enjoyed by the community, but its potential must continue to be explored; in general, people's interest in cryptocurrency is as a means to invest, and now the types of cryptocurrency continue to grow. There are more than 1568 types of cryptocurrencies in the world, and those will continue to grow along with the existence of ICOs (Initial Coin Offerings) carried out in various countries, including in Indonesia.

The more people interest in the use of cryptocurrency, the more potential it will have to be part of the economic revolution. As explained by cryptocurrency observer Murad Mahmudov, "It is a new form of thinking about money, storing money, transferring money, and just dealing, managing, and understanding money, and all kinds of second-order financial effects that come out of it". Cryptocurrencies offer several improvements in terms of finance including: 1. Valuable, *crypto currency* is made in limited quantities to make it a rare asset that is unlikely to depreciate, 2. Efficient, cryptocurrency transactions are also cheaper because they do not use third parties, 3. Uncensored, cryptocurrencies are regulated by mathematics and cryptography.

Cryptocurrencies have properties like other assets that can be *zakat* and *waqf*, and there are several previous studies about them. The first one is the previous research by Isti Nuzulul Atiah Priyatno that shows that cryptocurrency

¹ Saifedean Ammous, "Can Cryptocurrencies Fulfil the Functions of Money?," *Quarterly Review of Economics and Finance* 70 (2018): 38–51, <https://doi.org/10.1016/j.qref.2018.05.010>.

² Wee Seng Wong, Dennis Saerbeck, and Dante Delgado Silva, "Cryptocurrency: A New Investment Opportunity? An Investigation of the Hedging Capability of Cryptocurrencies and Their Influence on Stock, Bond and Gold Portfolios," *SSRN Electronic Journal*, no. 2611450 (2018), <https://doi.org/10.2139/ssrn.3125737>.

can be said to be a digital asset with a design to be used as a cryptographic-based exchange medium through encryption algorithms for securing financial transactions, controlling new additional units, as well as validating and verifying asset transfer activities.³

The second research is conducted by Eka Purnama Harahap. Based on the discussion, blockchain technology can take the crowdfunding platform to a different level, not only increasing security in transactions but efficiency and affordability of costs. This technology has several advantages, including very fast disbursement of funds using smart contracts without waiting for days for the verification process of disbursement of funds when the target of the campaign has been met. This convenience will make project makers and investors comfortable using this platform to carry out social programs in the current technological era. However, there are still several things that must be considered regarding the use of block chain technology because at this time there are no clear legal regulations governing the use of block chain in Indonesia.⁴

The other research is from Afrizal. His research discusses cryptocurrency from a sharia perspective; there are two groups of Islamic scholars and scholars who have different views on the presence of cryptocurrency. One group allows cryptocurrencies and the other group prohibits them. Furthermore, the study also argued that money, in Islam, is treated as a unit of account and a means of exchange and not a store of value; it could be argued that cryptocurrencies meet this criterion. In another perspective, it is reported that a comparative analysis has been carried out which shows that Bitcoin is free from usury, inflation, debt and thus even more permissible (*halal*) than fiat digital money today. Its non-inflationary value is the result of the quality of a valuable asset, unlike fiat currency, but "mined" using a rare intrinsically valuable asset - human capital. It is compliant with Islamic law and applies to all forms of cryptocurrency and other related matters in its ecosystem such as options, futures, proof of stake and proof of work, tokens, and initial public offerings.⁵

From the several studies above, researchers have not found research that is similar to the topic that will be discussed in this study: how Islamic law views zakat and cryptocurrency *waqf*. Therefore, the authors want to do research

³ Isti Nuzulul Atiah Priyatno, Prima Dwi, "Melirik Dinamika Cryptocurrency Dengan Pendekatan Ushul Fiqih," *Jurnal Ilmiah Ekonomi Islam* 7, no. 03 (2021): 1682–88.

⁴ Eka Purnama Harahap, Qurotul Aini, and Reza Khaerul Anam, "Pemanfaatan Teknologi Blockchain Pada Platform," *Technomedia Journal (TMJ)* 4, no. 2 (2020).

⁵ Afrizal Afrizal, Marliyah Marliyah, and Fuadi Fuadi, "Analisis Terhadap Cryptocurrency (Perspektif Mata Uang, Hukum, Ekonomi Dan Syariah)," *E-Mabis: Jurnal Ekonomi Manajemen Dan Bisnis* 22, no. 2 (2021): 13–41, <https://doi.org/10.29103/e-mabis.v22i2.689>.

related to this. The urgency of this research is to answer how some scholars view the crypto currency law as a mal which can be zakat or *waqf* or not.

This research discusses the currency in Islam prespective, *maqashid sharia* views on cryptocurrencies whether it can be for *zakat* and *waqf* in Islamic law. The authors discuss this issue because so far there are only a few journals that have written about it in Indonesia and most of them only discuss regulations or legality. Then, the author also has not found writing about cryptocurrency management against sharia principles in Indonesia. Moreover, the novelty of this research is to provide another view on cryptocurrency law, the law of *zakab* and *waqf* from Islamic perspective.

This is a qualitative research by applying literature study. The data sources are taken and collected from books, journals, previous research, or websites which are then read and processed into research material.⁶ And Grand theory used in this study is the theory of Islamic economics; both are the theory of *zakab* and the theory of *waqf*.

Researchers hope that this research can contribute to decision-making for Amil Zakat institutions to consider cryptocurrencies as a new facility for *zakab*, *infaq*, *shadaqah* and *waqf* to attract cryptocurrency investors dominated by millennials to pay *zakat*, *infaq*, *shadaqah*, and *waqaf*.

Discussion

Currency in Islam

Etymologically, the definition of currency in Islam is derived from the word *al-naqdu-nuqud*, which has several meanings including *al-naqdu*, which means more than dirhams, holding dirhams, and cash, the word *nuqud* is not mentioned in the Quran and hadith because the Arabs do not use the word *nuqud* to indicate the price, but use the word dirham and dinar, and the word *fulus* (copper money) to buy cheaper goods.⁷

Then the definition of *nuqud* according to some Islamic scholars: according to Abu Ubaid (d. 224 H), dinars and dirhams are a price value of something which means dinars and dirhams are a measure that is paid in a transaction of goods or services. According to Al-Ghazali (d. 505 H), Allah created dinars and dirhams for intermediary judges between all wealth and all wealth can be measured by dinar and dirham. In addition, according to Ibn al-

⁶ Muhammad al Ikhwan Bintarto, "Implementasi Pembiayaan Mudharabah Untuk Kegiatan Usaha Masyarakat Sebagai Upaya Pemulihan Ekonomi Nasional Akibat Pandemi Covid-19," *Jurnal Ilmiah Ekonomi Islam* 7, no. 2 (2021): 571–76, <https://doi.org/10.29040/jiei.v7i2.2489>.

⁷ Rozalinda, *Ekonomi Islam: Teori Dan Aplikasinya Pada Aktifitas Ekonomi*, 4th ed. (Jakarta: Raja Grafindo Persada, 2014). p. 279.

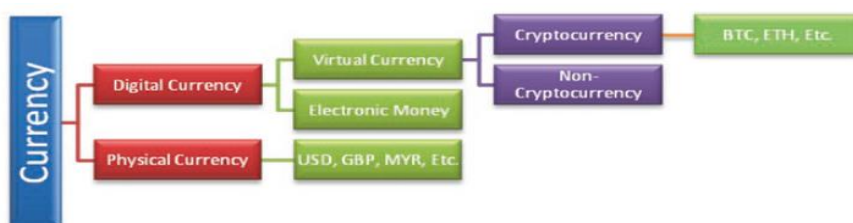
Qayyim (d 751 H), the dinar and dirham are a price value of a commodity, which means money is the standard for the unit of measure for the price of a commodity.⁸

Imam Ibn Taymiyah in *Majmu' Fatawa* explains that money is an object that has been agreed upon by users to be used as a medium of exchange, even if it is from a stone or a piece of wood. This means that the use of cryptocurrencies up to this point is allowed, but Imam al-Ghazali requires the use of currency to be issued and circulated by government authorities and the government has declared the money to be a legal and official means of payment transactions. Cryptocurrency is still a debate in its use in various countries; Indonesia itself has not or even banned the use of cryptocurrency as a legal means of payment transactions. So in this case, the use of cryptocurrencies as a currency and a means of payment transactions are not allowed from a sharia point of view, because Islam itself emphasizes obeying orders or rules from *ulil amri*, namely the government.⁹

According to the requirements for an object to be used as money, the object must be generally acceptable, the material used for money must also be durable, the quality tends to be the same (uniformity), and the amount can meet the needs of the community and is not easily counterfeited. Money must also be easy to carry (portable), and easily divided without reducing its value (divisibility), and has a value that tends to be the stability of value.¹⁰

Currency is divided into two, both are digital currency and physical currency. Digital currency is divided into two, both are electronic money or e-money. On the other hand, virtual currency is divided into two types, *cryptocurrency*, and *non- cryptocurrency*. This is explained in the chart below:

Picture 1. Distribution of Currency.¹¹



⁸ Ahmad Hasan, *Mata Uang Islami Telaah Komprehensif Sistem Keuangan Islam*, 1st ed. (Jakarta: Raja Grafindo Persada, 2005). P. 201.

⁹ Priyatno, Prima Dwi, "Melirik Dinamika Cryptocurrency Dengan Pendekatan Ushul Fiqih."

¹⁰ Afrizal, Marliyah, and Fuadi, "Analisis Terhadap Cryptocurrency (Perspektif Mata Uang, Hukum, Ekonomi Dan Syariah)."

¹¹ Farrukh Habib and Salami Saheed Adekunle, "Case Study of Bitcoin and Its Halal Dimension," in *Halal Cryptocurrency Management*, ed. m. billah (Cham: Palgrave Macmillan, 2019).

The concept of money demand for speculation is not known in the Islamic concept, and Islam makes property as an object of zakat. Al-Qur'an and hadith explain that dinars and dirhams are currencies used for currency exchange at the time of the prophet, a measure of the value of wealth that is stored and not as a commodity, but in the Qur'an and hadith it is not explicitly ordered to apply dinar and dirham as currency.¹²

Currency in Islam is divided into two. They are:

1. *al-Thaman-ul-Kbilqi'* or *al-Nuqood-ul-Kbilqiyyah*: the type of currency that is made to fulfill the currency itself or price or as an exchange in trade, services, or by using it as a medium of exchange. This currency is often referred to as "artificial currency" or "intrinsic money". Islam does not recognize anything as intrinsic currency except gold and silver.
2. *al-Thaman-ul-Istilabi* or *al-Nuqood-ul-Istilabiyya*: the type of currency determined by mutual agreement, tradition, and custom, this currency can be in the form of paper or coins.¹³

The issue of *cryptocurrency* as a substitute for currency is an exciting thing, especially from an Islamic perspective, this is because cryptocurrencies use a cryptographic technology in the financial system, and the value of cryptocurrencies also uses algorithms in the block chain system, the advantages of block chain are that it is safe, efficient, complicated and difficult to erase. Moreover, the requirements for the criteria of money in Islam are that it must be stable, secure, and effective. Cryptocurrency may fulfil some of the characteristics of money, but in general, there are three opinions about this cryptocurrency. They are the pros, cons, and neutral groups.¹⁴

The cons group says that *cryptocurrency* can be money. According to Bakar et al. (2017), cryptocurrency is not said to be money characterized by no intrinsic value, the unknown owner (anonymous) and unstable. In addition, Meera (2018) mentions that "Islamic" money must be backed by assets, while cryptocurrencies do not have physical evidence so they have not can be said to be money.¹⁵

The pro group who says that cryptocurrency follows the characteristics of money; Oziev and Yandiev (2018), argue that cryptocurrencies do not have

¹² Teddy Kusuma, "Cryptocurrency Dalam Perdagangan Berjangka Komoditi Di Indonesia Perspektif Hukum Islam," *Tsaqafah* 16, no. 1 (2020): 109, <https://doi.org/10.21111/tsaqafah.v16i1.3663>.

¹³ Muhamed Zulkhibri, "Halal Cryptocurrency and Financial Stability," in *Halal Cryptocurrency Management*, ed. M. Billah (Cham: Palgrave Macmillan, 2019).

¹⁴ Dodik Siswanto, Rangga Handika, and Aria Farah Mita, "The Requirements of Cryptocurrency for Money, an Islamic View," *Heliyon* 6, no. 1 (2020): 1–9, <https://doi.org/10.1016/j.heliyon.2020.e03235>.

¹⁵ Siswanto, Handika, and Mita.

an emitter, monetary control, and transparency. According to The Sharia Review Bereau (2018), cryptocurrency is said to be money because it fulfills transaction habits other than requirements such as *maal* (property), benefit, *haq*, and *dayn*. According to Amalin (2018), cryptocurrencies that can be used for transactions are those that have transparent regulations, and do not contain usury.¹⁶ Finally, the neutral group is Azalbaidi and Abdullah (2017), who argue that the issue of digital money needs to be studied further to see the suitability of Islamic teachings¹⁷

Professor Charles W. Evans in his research states that cryptocurrency (bitcoin) may also be an appropriate medium of exchange for Islamic banking to transfer its value and for the inefficiency of the banking system, and this is positive to support the scope and reach of new phenomena such as blockchain and cryptocurrency for Islamic banking innovation.¹⁸

Cryptocurrency on *Maqashid Sharia* View

Traditional *Maqashid* is divided into three; those are needs (*dharurat*), desire (*hajiyat*), and will (*tabsiniyat*) or primary, secondary, and tertiary. The theory of *maqashid* sharia continues to develop. Now modern science introduces new concepts in the *maqashid* specification, including:

1. General *maqashid*: This *maqashid* is found in all Islamic law, such as needs and desires in the meaning of *maqashid* above, and the proposed new *maqashid* such as justice and facilities.
2. Specific *maqashid*: This *maqashid* discusses certain chapters of Islamic law, such as child welfare in family law, preventing criminal law crimes, preventing monopoly in financial transaction law, etc.
3. Partial *maqashid*: This *maqashid* focuses more on the intention of a confident decision, allowing sick people in a state of trying to break their fast to alleviate their difficulties.¹⁹

Al-Qarafi (1868) argues that a goal (*maqashid*) is said to be invalid if it does not lead to the fulfillment of goodness (*maslahah*) and avoiding damage (*mafsadah*). This shows that there must be a close relationship between *maslahah* and *maqashid*.²⁰

¹⁶ Siswantoro, Handika, and Mita.

¹⁷ Siswantoro, Handika, and Mita.

¹⁸ Mufti Abdul Kadir Barkatulla, "How Does Sharia View Crypto-Currencies?," Ebrahim College, 2016, <https://ebrahimcollege.org.uk/how-does-sharia-view-crypto-currencies/>.

¹⁹ Jasser Auda, *Maqasid Al-Shariah As Philosophy Of Islamic Law A Syatem Approach* (London: the international institute of islamic thought, 2007).

²⁰ Jasser Auda, "Maqasid Al-Shariah As Philosophy Of Islamic Law A Syatem Approach" (London: the international institute of islamic thought, 2007).

Ahmad Sarwat identified al-Syatibi's view of *maqashid* sharia, which is different from the views of previous scholars. First, it is necessary and important to make *maqashid* sharia a separate discipline; Second, the correlation of *al-fitrah* (religious), *al-samahab* (tolerance), *al-musawat* (egalitarian) and *al-hurriyah* (independent) in the context of *maqashid* sharia. In addition, al-Syatibi made *maqashid* sharia an autonomous scientific discipline. This departs from the efforts of al-Syatibi who tried to classify and categorize absolute propositions with relative propositions (*džanny*). This argument is actually disaggregated to identify the objectives of sharia which are understood by al-Syatibi in two perspectives: *maqashid al-syari* and *maqashid al-mukallaf* (purpose of *mukallaf*). *Maqashid* sharia contains four aspects, which include *qasd al-syari 'fi wad'i al-syari'ah*. This aspect basically identifies God's purpose in enforcing Islamic law. In this context, al-Syatibi believes that Allah has established a law which purpose is to realize *maslahab* and anticipate *majshadat*. In its context, al-Syatibi categorizes *maqashid* sharia into: First, needs that are *dlaruriyat*, which are maintaining essential needs for human life. Essential needs include the protection of religion, soul, mind, lineage, and property.²¹

The *maslahab* above is something that provides benefits for human life, and *majshadab* is anything that can cause harm in human life, the criteria for *mashlahab* according to the Islamic scholars; first, *mashlahab* must be measured under the principles of *maqashid* syariah, the *kulliyah* argument (in general from the Qur'an and hadith), the spirit of the teachings and the principles *kulliyah* of Islamic law. Second, *maslahab* must be beneficial to the majority of society and third, *maslahab* provides ease and not a difficulty and can be implemented.

If cryptocurrency is linked with *maqashid* sharia, the explanation of *maslahab* (benefits) of cryptocurrency can be seen below:

1. *Blockchain* technology is not regulated by law and without regard to specific standards, but here it can be an opportunity for sharia management to run every platform component, function, and technology following Islamic principles
2. Many platforms offer illegal *cryptocurrency* transactions. This practice can cause harm. In sharia management, the operational prerequisite for a platform is to be legally registered to reduce damage.
3. There is no tax provision in *cryptocurrency*, and any commercial activity that ignores taxes will be a threat to public finances. Here sharia management is present in offering the concept of 2.5% *zakat* on income subject to applicable laws and regulations in an area.

²¹ Deri Wanto and Rahmad Hidayat, "Maqasid Shariah's Change as Theory: From Classical to Cotemporary Maqasid Shariah Deri," *Al-Istinbath: Jurnal Hukum Islam* 6, no. 2 (2021): 427–54, doi: <http://dx.doi.org/10.29240/jhi.v6i2.3122> Received:

4. Humanity concern: In *cryptocurrency*, there is no provision or concern for caring for humanity, etc. If it is managed according to sharia principles, it is recommended that some income be set aside based on the *at-tabarruat* (charity) principle for humanitarian concern; this is to show that with humanity economic justice can be achieved and enforced.²²

After analyzing Bitcoin to see if these criteria are met, arguably, Bitcoin is *Māl* and has *Taqawwum*. According to some scholars, there are some things that have not been fulfilled by cryptocurrency in *maqashid sharia*. However, Bitcoin fails to fulfill the role of money that has been described by *Sharia* and thus cannot be considered to have a *Thamaniyyah*. This is ensured by taking into account the risks associated with Bitcoin as well as *Maqāshid al-Shariah*.²³

The division of *cryptocurrency* is divided into two: They are *asset-backed cryptocurrency* and *non-asset-backed cryptocurrency*. The definition of *asset-backed cryptocurrencies* is a *cryptocurrency* used to assess the economic value of a fixed asset, for example, currency associated with gold assets, property, crude oil, world currencies, etc. Examples of *asset-backed cryptocurrencies* that have been put into practice are AABBG. It is an *asset-backed cryptocurrency*, and its value is linked to gold. AGX is a silver commodity, and the Venezuelan government-issued Petro is a crude oil *asset-backed cryptocurrency*.²⁴

The comparison between fiat currency, *cryptocurrency (not asset-backed)* and *cryptocurrency (asset-backed)* is as follows:

Table 1. difference between fiat currency and cryptocurrency

	fiat currency	<i>Cryptocurrency (not assets-backed)</i>	<i>Cryptocurrency (assets-backed)</i>
<i>Maisir</i>	Medium	High	Low
<i>Gharar</i>	Medium	Low	Low
<i>Maqashid Syariah</i>	No	No	Yes

²² Mohd Ma'Sum Billah, "SWOT Analysis of Halal Cryptocurrency Structure," in *Halal Cryptocurrency Management*, ed. M. Billah (Cham: Palgrave Macmillan, 2019).

²³ Mufti Faraz Adam, "Bitcoin: Shariah Compliant," *Amanah Finance Consultancy* 2017 (2017): 1–54, <https://afinanceorg.files.wordpress.com/2017/08/research-paper-on-bitcoin-mufti-faraz-adam.pdf>.

²⁴ F. Yudhi Priyo Amboro and Agustina Christi, "Prospek Pengaturan Cryptocurrency Sebagai Mata Uang Virtual Di Indonesia (Studi Perbandingan Hukum Jepang Dan Singapura)," *Prospek Pengaturan Cryptocurrency Sebagai Mata Uang Virtual Di Indonesia (Studi Perbandingan Hukum Jepang Dan Singapura)* 21, no. 2 (2019): 14–40, <http://www.ghbook.ir/index.php?name=فرهنگ‌های رسانه>

<http://www.albayan.ac%0Ahttps://scholar.google.co.id/scholar?hl=en&q=APLIKASI+PENGENA>

Data Source: Muhamed Zulkhibri, "Halal Cryptocurrency and Financial Stability," in *Halal Cryptocurrency Management*, ed. M. Billah (Cham: Palgrave Macmillan, 2019).

Behind the risks in cryptocurrency transactions that may cause harm or damage, some things provide problems if managed by Islamic management.

Zakah and waqf for crypto currency

1. Zakah for crypto currency

Islamic scholars have different opinions about the source of zakah able wealth (*al-Awwal al-Zakawiyah*). In the book of "AL-Amwal", it is explained that *al-awwal al-zakawiyah* is divided into two parts; First, *zahir* wealth, treasures that are visible and impossible to find, such as plants and fruits; Second, the wealth that may be found by someone, for example, gold and silver.²⁵

According to Kahf (1997), there are three views of *fiqh* about wealth that can be seen as zakat. First, the opinion that wealth includes agricultural produce, gold and silver (except for personal use), merchandise, short-term net yields, and cash. This is the most agreed-upon method of calculating zakat. Second, the opinion includes all types of assets listed in the narrow opinion plus income on fixed assets, as well as wages, salaries, and professional income. The third opinion includes goods under income plus fixed assets, and those assets used to generate income. This will consist of assets like buildings, machines, containers, etc.²⁶

Based on the explanation above, *cryptocurrency* can be said to have fulfilled most of the conditions for property (*maal*) in Islam based on several definitions and concepts of property in Islam.²⁷ The criteria for property (*maal*) according to the four schools of thought are: 1) According to the Hanafi School in terms of property (*maal*) that is desired, has physical and can be stored; 2) Property or *maal* according to Yusuf al-Qardhawi is everything that humans want to be stored and owned.²⁸ However, the criteria that have not been found in *cryptocurrencies* are physical evidence because *cryptocurrency* uses algorithms but can be stored and has value; 3) Then the criterion for property or *maal* according to the Maliki Madzhab is that it can be owned and has security. This has been fulfilled in *Cryptocurrency*, that is, every *cryptocurrency* can be owned and every transaction using *cryptocurrency* is recorded and permanently distributed by the

²⁵ Didin Hafidhudin, *Zakat Dalam Perekonomian Modern*, 1st ed. (Jakarta: Gema Insani Press, 2002).

²⁶ Ade Nur Rohim, Hendri Tanjung, and Irfan Syaqui Beik, *Analisis Fiqh Pola Penyaluran Zakat*, vol. 7308 (1978), p. 217–236.

²⁷ Asnaini Asnaini and Riki Aprianto, "Kedudukan Harta Dan Implikasinya Dalam Perspektif Al-Qur'an Dan Hadis," *Al-Intaj: Jurnal Ekonomi Dan Perbankan Syariah* 5, no. 1 (2019): 15, <https://doi.org/10.29300/aiej.v5i1.1713>.

²⁸ Didin Hafidhudin, "Zakat dalam Perekonomian...." 4

network. It can actually be obtained, and while it can be stolen by hackers, it is clear that any property owned by the public carries such a risk. According to the Shafi'i Madzhab, the criterion of wealth is something profitable, and in *cryptocurrency* its value increases all the time, even though it fluctuates; 4) Lastly, the criteria for wealth or *maal* according to the Hambali School are profitable and useful, in this case *cryptocurrency* can be used for investment transactions.²⁹ Another opinion about property (*maal*) was explained by Ibnu 'Asyur about the nature of *maal*, that it can be stored, the desire to get it, easy to carry everywhere, circulated, limited in number and can be searched.

Cryptocurrencies have similar properties to gold, those are: 1) *cryptocurrency* has a limited supply; 2) It is unknown who the creator was, and *cryptocurrency* was not created by a central bank or government but from a decentralized network that runs automatically with mathematical algorithms; 3) It cannot be duplicated; 4) It has a durable and unbreakable nature; 5) It is obtained by the mining system; 6) It can be transacted worldwide; 7) It can be traded and exchanged with various currencies in the world; 8) It cannot cancel the transaction, unless the recipient wants to send it back.³⁰

The philanthropic sector in Islamic financial institutions can be enhanced by *blockchain* technology and can help and improve the quality in this sector. Blockchain can maintain the data in it and reduce money embezzlement, and if blockchain is used in the micro sector of investment returns and *cryptocurrencies* for *zakat*, *infaq*, *sadaqah*, current humanity organizations that have accepted *cryptocurrencies* like Red Cross, Save the Children, United Way, and the Wikimedia Foundation, and a Crowdfunding platform that also opens options for using *cryptocurrencies*, namely bitgive, bithope, and helperbit where donors can get bitcoins for campaigns. Fundraising or what is often called *crypto-philanthropy*.³¹

Several innovations are offered if blockchain in cryptocurrency for zakah management system: 1. The Global Solution Networks (GSN) work system for ecosystem platforms and applications, and the blockchain system have a strong framework, and this can strengthen the zakah management system, 2. Blockchain can increase efficiency in collecting and distributing zakah, because zakah can be seen in general using applications, 3. Blockchain can be used to collaborate with the private sector so that it can absorb many donors, 3.

²⁹ Mohammad Soleh Nurzaman Sari Irfan Syauqi Beik and Aisha Putrina, "Zakat Standard Framework of Halal Cryptocurrency," in *Halal Cryptocurrency Management*, ed. Mohd Ma'Sum Billah (Cham: Palgrave Macmillan, 2019).

³⁰ Darmawan Oscar, Rosse, and Sintha, *Bitcoin Trading for Z Generation Cara Gaul Mengenal Dan Trading Bitcoin.*, 1st ed. (Jakarta: Jasakom Publisher, 2017). p.4

³¹ Ahmada Khoirul Umam, Onny Herlambang Putra, and Ira Humaira Hany, "Dinamika Cryptocurrency Dan Misi Ekonomi Islam", *An-Nisbah: Jurnal Ekonomi Syariah*, vol. 07, no. 2 (2020), p. 366–386.

Blockchain can also improve the zakat management system because the data is not edited and can still be accessed by everyone.³²

Blockchain technology can be used to reduce risk in financial institutions. Risk reduction is a significant challenge that banks in developing countries have to face as it can affect remittance recipients, businesses that require bank correspondents, and humanitarian organizations in conflict countries. Blockchain has the potential to lower verification fees when sending money as well as for providing trade finance.³³

If *cryptocurrency* is analogous to wealth or *maal*, it is included in wealth or liquid assets, then the zakah calculation is based on the standard 85 grams of gold with a *nisab* of 2.5%, and if it exceeds the *nisab* equivalent to 85 grams of gold, the cryptocurrency owned can already be an object of zakat. One of the advantages of using cryptocurrencies is increasing the options in zakat, and especially nowadays, cryptocurrencies are favored by many millennials in Indonesia.

2. Waqf for cryptocurrency

Waqf according to contemporary Islamic scholars is to hold a wealth; either temporarily or permanently, used directly or indirectly, and then to take advantage of it continuously for the good things, general or specific. This definition contains several elements, those are: 1. Holding waqf object is intended so that it is not be used personally and can provide benefits to others, 2. The definition of waqf here covers movable or immovable property waqf, 3. The definition of waqf above is maintained and preserved. its integrity so that its benefits can be taken continuously, 4. The definition of waqf above contains a repetitive meaning which means the waqf object must run, 5. The definition of waqf produces benefits from the waqf object, 6. The above definition of waqf must be used in public ways such as religious, social, etc., 7. Waqf does not go on except with the wishes of one person, he is wakif, 8. The management of waqf must be good at maintaining the integrity and preservation of the waqf object so that it can always be useful.³⁴

The application of *blockchain* in waqf can support the accuracy of recording, tracking, and offering more securities in waqf from the time the waqf is started to the end user.³⁵ The concept of *cryptocurrency* waqf offered by Irfan Syauqi Beik in his research "*Waqf Led cryptocurrency Model*" is explained that waqf for *cryptocurrency* consists of three pillars. The pillars are 1. Waqif, the people who

³² Irfan Syauqi Beik and Putrina, "Zakat Standard Framework of Halal.....".

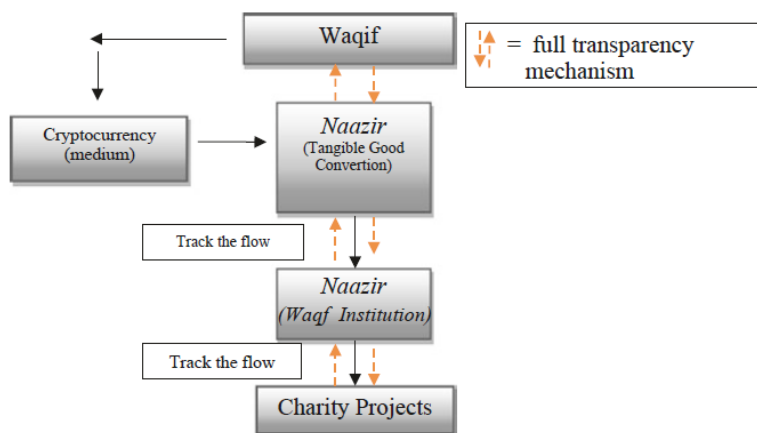
³³ Douglas Miller et al., "Blockchain: Opportunities for Private Enterprises in Emerging Markets," no. January (2019). p.5

³⁴ Abdurrohman Kasdi, *Fiqih Wakaf Dari Wakaf Klasik Hingga Wakaf Produktif* (yogyakarta: Idea Press, 2017). p.15

³⁵ Umam, Putra, and Hany, "*Dinamika Cryptocurrency*".

do *cryptocurrency* waqf. 2. *Shigat*, the waqf contracts, in this case carried out with technology, 3. *Nadzir*, the people who manage waqf and related to waqf, 4. *Maquf alaiib*, the people who need and have the right to receive waqf. The explanation is described in the chart below:

Picture 2. Scheme in Cryptocurrency waqf.³⁶



Crypto currency Waqf offers a secure and transparent network, so avoiding a closed and non-transparent charitable model. By accessing it from the device, the waqif can also receive proof of ownership of the waqf, while the primary mechanism is a hybrid system, by combining issued *cryptocurrencies* with the waqf donation system, with the following flow: 1. *Naazir* issues waqf coins and provides a "wallet software" platform, 2. The donation process has been initiated by *wakif*. By sending waqf coins to nazir from the wallet software, Naazir has accepted a donation and process of converting it into tangible goods.³⁷

The concept of integration between blockchain and waqf is in the form of collecting waqf money through crowdfunding with cryptocurrency to be developed as productive waqf. It aims to generate sustainable benefits and benefits, deliver greater benefits and reach globally effectively and efficiently, with a high level of transparency and accountability.³⁸

And the analysis of the explanation above that *cryptocurrencies* can be said to be *maal* according to Yusuf al-Qardhawi and the Maliki Madzhab because

³⁶ Muhammad Hasbi Zaenal Priyesta Rizkiningsih Irfan Syauqi Beik, "Waqf Led Halal Cryptocurrency Model," in *Halal Cryptocurrency Management*, ed. M. Billah (Cham: Palgrave Macmillan, 2019).

³⁷ Irfan Syauqi Beik.

³⁸ Lu'liyatul Mutmainah, Nurwahidin, and Nurul Huda, "Waqf Blockchain in Indonesia: At A Glance," *AL-AWQAF: Jurnal Wakaf Dan Ekonomi Islam* 14, no. 1 (2021): 31–49.

assets can be stored and owned and have security for these assets and this has been fulfilled in cryptocurrency, so it can be zakated and waqf.

Conclusion

From the results of the research presented, it is concluded that *cryptocurrency* is included in the category of *al-maal* or wealth which of course can be issued as *zakat* and *waqf*. Here the authors argue that *zakat* in *cryptocurrency* is based on *zakab* on valuables or liquid assets that the *zakah* is equivalent to 85 grams of gold with a *nisab* of 2.5% and if it exceeds the *nisab* equal to 85 grams of gold, the *cryptocurrency* can be the object of *zakab*. Cryptocurrencies that are allowed to be traded in Islam are crypto currencies based on asset value or asset-backed *cryptocurrencies*, for example, AABBG for gold commodity-based *cryptocurrencies*, AGX for silver, and Petro for crude oil commodities. With the growing interest of millennials in owning crypto currencies in their investment assets, of course, this will be a new facility for *zakah* and *waqf* for millennials in Indonesia.

The authors hope *zakat*, *infaq*, *shadaqah*, and *waqf* managers in Indonesia accept *cryptocurrency* as a new facility to pay *zakat*, *infaq* *shadaqah*, and *waqf* so that *cryptocurrency* can be used to equalize the economy in an Islamic way and can also be used in social and humanity activities to eliminate a negative stigma about *cryptocurrency* that can only be used for illegal things. Examples of social institutions that have accepted *cryptocurrency* as donations are the Red Cross, Save the Children, United Way, the Wikimedia Foundation, bitgive, bithope, and Helperbit.

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