



ANALYSIS OF BITCOIN'S IMPACT ON USERS AND THEIR IMPACT ON THE VALUE OF THE RUPIAH AND THE ROLE OF THE GOVERNMENT IN THE PRESENCE OF BITCOIN

Cut Nova Rianda

STAIN Teungku Dirundeng Meulaboh
cut.rianda@gmail.com

Abstract

Bitcoin has a peer to peer system that is in contrast to financial system by eliminating third parties in transactions. Countries in the world have different positions on Bitcoin, there are countries that are accept, reject or not both, so that understanding is needed more in depth to the factors that determine the position of the country above Bitcoin. This study aims to look for the influence of the development of Bitcoin, the performance of fiat money and the governance systems of countries in the world in determining its position on the legality of Bitcoin. Theories and concepts used inside this research is the international financial system and the state management system; with a quantitative approach as well as multinomial logistic regression analysis supported with secondary data. The results of the analysis in this study revealed that of the nine factors affecting the country's top position Bitcoin; it's just that the significance is different. Influencing Factors significant in determining the country's position on Bitcoin are factors political and economic factors have no significant effect. So it can be said that state acceptance of Bitcoin tends to be caused political reasons compared to the economy, even though Bitcoin itself is located on economic aspects. If Bitcoin acceptance is legalized, then the countries in the world still must accompany the role of government because Bitcoin is judged not to have clear rules and potentially detrimental to others.

Keywords: *Impact of Bitcoin, Users, Rupiah Value, Government Role.*

A. Introduction

Money is an economic medium of exchange that has various forms, some are made from animal parts, precious metals, precious stones, and currently in the form of paper. With the advancement of technology, a more sophisticated form of money has emerged, namely cryptocurrency, which is a digital currency that uses cryptographic

technology in every data transaction process. The existence of cryptocurrencies that are used as an alternative payment system still has unsolved problems, namely the double spending problem and the byzantine general problem. Until finally in 2008 a cryptography expert named Satoshi Nakamoto created a new digital currency called Bitcoin to solve this problem.

In line with technological developments in this era of globalization, economic activities have also developed in society. One of the impacts of existing economic development is e-commerce activities. The development of e-commerce in the world also raises the need for a fast, secure and confidential payment system. On the other hand, the development of e-commerce has also encouraged the development of payment instruments, from what was originally cash-based instruments to new payment instruments known as non-cash-based instruments. so it is no longer paper-based (paperless) (Raharja, 1994, pp. 55-59).

Commonly used payment methods such as bank transfers, credit cards and PayPal, besides that, a new payment method that has received public attention, namely virtual payment instruments is a series of computer programming codes used in transaction activities in the virtual world. (Chaudhry, 2012, pp. 83-87).

Virtual payment instruments have become a phenomenon in society since the emergence of computer programs called cryptocurrencies or crypto currencies. Basically cryptocurrencies are the same as other computer data such as music and movies so they can be destroyed and hidden. So far there are 88 cryptocurrencies with the top three based on market capitalization being Bitcoin, Ripples and Litecoin(Karim, 2007, pp. 26-29). However, along with the development of Bitcoin, the Bitcoin phenomenon raises several legal problems, the unclear regulation governing the use and legal protection for Bitcoin users causes unclear legal consequences arising from the Bitcoin phenomenon. the use of Bitcoin as a means of payment is against Law no. 7 of 2011 concerning Currency, hereinafter referred to as the ("Currency Law"), in which only Rupiah is recognized as legal tender in Indonesia. In addition, Bitcoin, which is often referred to as a cryptocurrency or crypto currency, raises several problems, namely whether Bitcoin has met what is called a currency (Widiarty, 2007, p. 54). When compared to other countries, such as the United States and Japan, Indonesia is very far behind these countries in terms of regulating Bitcoin. The United States Treasury considers Bitcoin to be a Money Service Business ("MSB"), but not a currency. Likewise, Japan also recognizes the potential of Bitcoin. Optimistic and confident in asking the Bitcoin community in

Japan to form a Self-regulatory authority, hereinafter referred to as JADA (Japan Authority of Digital Assets).

Bitcoin is a cryptocurrency that uses a peer-to-peer (P2P) network and open source software (Nakamoto, 2008). Unlike other digital currencies, transactions in Bitcoin are easier because they do not require a bank account, credit card or intermediary. Bitcoin is the first, largest, most popular cryptocurrency and is available on various cryptocurrency exchanges around the world (Feng, et al., 2017). According to data from www.indodax.com, on February 03, 2014, the price of Bitcoin was still Rp. 8,757,600.00 and on December 07, 2017, it reached Rp. 297,500,000.00. The price increase was caused by an increase in Bitcoin buying and selling transactions as an investment. Price prediction is one strategy to maximize profits in investing. Prediction is done by estimating something that is likely to take place in the future based on time series data or past information. A number of studies have been conducted to predict the price of Bitcoin.

Bitcoin Bitcoin is a cryptographic-based digital currency that directly connects users without any third party or is usually called peer-to-peer (Nakamoto, 2008). Bitcoin transactions are carried out computationally using a timestamp server so that the chronological order of transactions can be seen by the user. Cryptographic techniques in Bitcoin can ensure that Bitcoin can only be used by the user who owns it. Satoshi Nakamoto developed Bitcoin using open source software so that all users can be involved in the development process. Bitcoin has a unit commonly called BTC, to make it easier for users to divide 1 BTC by 100,000,000 (0.00000001 BTC) because the number is limited to 21,000,000 BTC. From the convenience offered by Bitcoin, its popularity is increasing and attracting the attention of many people. The price also increased, from less than US \$ 1 when it was first launched to US \$ 710 in the middle. Currently Bitcoin is available on many cryptocurrency exchanges as a means of investing like stocks. The history of the development of Bitcoin The year 2009 was the first year of the emergence of Bitcoin. this year, the inventor of Bitcoin, Sathosi Nakamoto, created Bitcoin through 31000 programming code uploaded on the internet Bitcoin is growing and used in various countries in the world as a transaction tool (Anshori, 2010).

Furthermore Bitcoin is increasingly popular in the world. On May 18, 2010 Bitcoin was first used to make the purchase of two pizzas. Subsequently on 27 March 2011, Britcoin launched the first exchange in Bitcoin trading with British Pound Sterling (GBP). In 2012, there began to be a ban on the circulation of Bitcoin. The government is hunting

for the creators of Bitcoin because Bitcoin is considered a competitor to the Dollar by the US government. (Hart & Moore, 1998). Two days later, regulatory issues surrounding remittances forced a company engaged in the same field, TradeHill, to end its business and immediately began selling Bitcoin assets to refund customers and creditors. 17 Furthermore, in November 2013 Bitcoin also reached the highest exchange rate on Mt.Gox, which was \$1,242. This is because Bitcoin investments from China are growing fast and continue to push prices higher. However, in December 2013 China rejected Bitcoin and the Bank of China considered the work of Satoshi Nakamoto not to be a currency (Hart & Moore, 1998).

In February 2014 Mt.Gox closed the company. This is because an allegedly leaked internal document shows that more than 744,000 BTC was lost by the company. However, in December 2013 China rejected Bitcoin and the Bank of China considered the work of Satoshi Nakamoto not to be a currency. In February 2014 Mt.Gox shut down the company. This is because an allegedly leaked internal document shows that more than 744,000 BTC was lost by the company.

Furthermore, on August 1, 2015 Mark Karpeles, CEO of Mt. GOX of the failed Bitcoin Exchange, was arrested in Japan on charges of fraud and embezzlement. Furthermore, in April 2016 the OpenBazaar software was launched, which is a decentralized software released to the public. The purpose of this software project is to facilitate peer-to-peer trading without intermediaries. Starting on May 1, 2017, the price of Bitcoin rose again above 2,000 USD per BTC for the first time, even surpassing 3,000 USD in the following weeks. On November 12, 2017 the exchange rate of Bitcoin was worth 75 million in several Bitcoin developments until November 20, 2017 it reached its highest point at \$8,000 or around 108,000,000/btc (Achmadi, 2005).

Advantages and Disadvantages of Using Bitcoin The increasing use of Bitcoin as described above cannot be separated from the advantages of using Bitcoin, namely:

- a. No need for 3rd party services
- b. Pressing the selling price of a commodity
- c. Can be used globally
- d. Have a high supply (demand)
- e. Using a decentralized system
- f. Transactions that are neatly recorded and have many digital recaps
- g. Bitcoins cannot be counterfeited
- h. Unaffected by regional and global geopolitics

- i. Can be used for donations
- j. Blockchain is almost impossible to hack Apart from the advantages that Bitcoin has, as a system, Bitcoin also has weaknesses in its use, namely:
 - 1. There is no guarantee of loss
 - 2. Can be used in illegal trade transactions
 - 3. Untraceable
 - 4. Transaction cannot be canceled
 - 5. Can be used as a money laundering medium
 - 6. Wealth tax evasion
 - 7. Transaction limitations.

Legal Arrangements for Bitcoin Transactions in Indonesia Juridically, the government has prohibited the use of virtual currency as a type of payment instrument. However, the government has not yet issued clear regulations regarding virtual currency trading activities that occur among the Indonesian people. In Indonesia, BI has provided an explanation regarding Bitcoin, in a press release BI stated:

- a. issued on the basis of money paid in advance to the issuer;
- b. the value of money is stored electronically in a media server or chip;
- c. used as a means of payment to merchants who are not the issuers of the electronic money;
- d. the value of electronic money managed by the issuer is not a deposit as referred to in the law governing banking. one of these elements is that electronic money must be issued based on conventional money that is deposited first, while Bitcoin is created through a mining process so that Bitcoin is created according to computer algorithms that are not related to the money deposited in advance by the user. This is certainly contrary to what is regulated in Article 34 letter a of PBI Number 18/40/PBI/2016 which says: (Achmadi, 2005):

Payment System Service Providers are prohibited from: processing payment transactions using virtual currency”

Legal Protection for Bitcoin Users in Indonesia The presence of a virtual currency type Bitcoin in Indonesia has not specifically been regulated, the presence of Bitcoin was stated by the government, namely Bank Indonesia on February 6, 2014, that Bitcoin is not a legal tender in Indonesia and all risks loss or loss of ownership or use of Bitcoin is borne solely by the owner or user of Bitcoin and other virtual currencies. The presence of Bitcoin as a virtual currency in Indonesia as an electronic product has been a concern

of the state since the beginning, but until now the government has not determined the steps on how to formulate written regulations regarding its circulation and supervision.

B. Research Methods

This study uses qualitative-descriptive analysis research using library research techniques (library study). This research method uses a normative approach and the sociology of knowledge. Normative research is used to examine the ideals of the development of the Foreign Exchange Market. While the sociological approach of knowledge is used to observe and analyze empirical facts in the field obtained from library materials that are relevant to the subject matter.

Analysis of the data used in this study using descriptive-qualitative. Problems or facts presented descriptively, then analyzed in order to obtain a complete picture of the problems studied, including by conducting context analysis. Qualitative descriptive research is a research that seeks to reveal the state of nature in a holistic manner. Qualitative research not only describes single variables but can reveal the relationship between one variable and another.

From the analysis of the relationship between the variables above, it can be drawn a conclusion that is relevant to be applied without having to harm other variables and it is hoped that it can make a good contribution to each of the analyzed variables.

It is hoped that this research can have a direct impact on the community, and for the government.

C. Discussion

1. The impact of botcoins on users to users.

Bitcoin also has weaknesses in its use, namely:

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- e. Can be used as a money laundering medium
- f. Wealth tax evasion
- g. Transaction limitations.

2. The effect of bitcoin on the value of the rupiah.

Furthermore Bitcoin is increasingly popular in the world. On May 18, 2010 Bitcoin was first used to make the purchase of two pizzas. Subsequently on 27 March 2011, Britcoin launched the first exchange in Bitcoin trading with British Pound Sterling (GBP). In 2012, there began to be a ban on the circulation of Bitcoin. The government is hunting for Bitcoin creators because Bitcoin is considered a competitor to the rupiah by the Indonesian government. Two days later, regulatory issues surrounding remittances forced a company engaged in the same field, to end its business and immediately start selling Bitcoin assets to refund customers and creditors. Furthermore, in November 2013 Bitcoin also reached the highest exchange rate on Mt.Gox, which was \$1,242.

3. The role of government in the presence of bitcoin.

Legal Arrangements for Bitcoin Transactions in Indonesia Juridically, the government has prohibited the use of virtual currency as a type of payment instrument. However, the government has not yet issued clear regulations regarding virtual currency trading activities that occur among the Indonesian people. In Indonesia, BI has provided an explanation regarding Bitcoin, in a press release BI stated:(Hasan, 2002): "Considering Law no. 7 of 2011 concerning Currency and Law no. 23 of 1999 which was later amended several times, most recently by Law no. 6 of 2009, Bank Indonesia stated that Bitcoin and other virtual currencies are not legal currencies or payment instruments in Indonesia. The public is urged to

Be wary of Bitcoin and other virtual currencies. All risks related to the ownership/use of Bitcoin are borne by the owner/user of Bitcoin and other virtual currencies." This is also reinforced by the existence of PBI Number 17/3/PBI/2015 concerning the obligation to use Rupiah wherein Rupiah must be used for all transactions in the territory of the Unitary State. Republic of Indonesia. Besides being said to be money, Bitcoin is often associated with electronic money, apart from not having the characteristics and requirements of being money, Bitcoin is also inappropriate to be categorized as electronic money, in Article 1 point 3 of Bank Indonesia Regulation Number 16/8/PBI/2014 concerning Changes to Bank Indonesia Regulation Number 11/12/PBI/2009 concerning Electronic Money states that the elements of electronic money are:

a) Unsupported by OJK

As the Financial Services Authority, this government agency has a vital role in maintaining the existence of the value of the rupiah in society. Therefore, the use of [Bitcoin](#) its circulation as an alternative transaction tool is prohibited.

In other words, it cannot be used as a medium of exchange for any goods. In addition, Bitcoin is also considered to be detrimental to the people of Indonesia. This is because the circulation is not regulated at all and does not receive a guarantee from the Indonesian government. Especially by the central bank or BI.

Another reason is that Bitcoin has the potential to disrupt the financial stability of the country due to the high inflation rate of money due to the Bitcoin trend. With such a large exchange rate, it is not surprising that many are trying to hack or break into it.

Even the financial system in local banks can be hacked by nosy hands. In fact, the local bank has been directly supervised by the OJK and approved by the Indonesian government. What about Bitcoin which is officially banned? Of course, every risk is no longer the responsibility of the government.

Money in digital form is not always safe. No matter how clever you hide your Bitcoin wallet passcode, you still have the possibility of being hacked. If the bits of Bitcoin that you have are lost, then no one can guarantee the alias can't come back again.

the Indonesian government prohibits Bitcoin, so by itself it is easy to be affiliated with prohibited practices. For example, money laundering from corruptors or mafia and terrorist groups to carry out acts of terror here and there. Do you want to be on par with them?

In addition, Bitcoin is also vulnerable to being used for various other crimes. For example prostitution. Because, Bitcoin users are allowed to transact using disguises. The circulation of money is also not tracked by the OJK system. There was once a case of the threat of breaking into the Alam Sutera Mall with a ransom request in the form of Bitcoin to the mall.

D. Conclusion

Commonly used payment methods such as bank transfers, credit cards and PayPal, besides that, a new payment method has received public attention, namely virtual payment instruments, which are a series of computer programming codes used in transactions in the virtual world.

Bitcoin also has weaknesses in its use, namely:

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