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ABSTRACT

This paper is based on bitcoin phenomenon in Indonesia recently. Since the spike that occurred at the end of 2017, bitcoin attracted the attention of the people and Government, especially in Indonesia. Although not yet get the legality as in other countries, Japan, the United States and others, the circulation of bitcoin in Indonesia is quite popular. Writing this paper uses a qualitative approach by collecting literature in the form of articles, research journals, and publications from several credible websites on the internet as well as interviews with bitcoin practitioners in Indonesia. Until now, although many Indonesians have transacted using bitcoin, the Government of Indonesia has officially stated that bitcoin is not acceptable in Indonesia as a means of payment or equivalent currency in accordance with the laws and regulations of Bank Indonesia.

Keywords: Bitcoin, Economy, Legal, Indonesia.

INTRODUCTION

The development of e-commerce technology in Indonesia runs rapidly in recent years, especially in payment systems and payment instruments. One of them is Bitcoin. Bitcoin uses peer-to-peer technology to operate, without central authority or central bank; transaction management and bitcoin publishing are done collectively by the network. Bitcoin is an open source; the design is general, no one is the owner and controls Bitcoin and everyone can take part. (Source: <https://bitcoin.org/en/> access date June 25th, 2018).

Although many reap the pros and cons of legality in Indonesia, it does not mean that bitcoin has stopped circulating. According to Setiawan (2017), the value of bitcoin on Indonesian Bitcoin currently reaches Rp 161 million. But on the other hand, in April 2018, According to the Director of the Bank Indonesia Payment System and Policy Monitoring Department (DKSP), Ida Nuryanti, the number of users of virtual currencies has declined from one million to 300 thousand. (<https://tirto.id/bi-number-user-bitcoin-in-indonesia-merosot-tersisa-300-ribu-cHn>, date of access June 25th, 2018).

5 On the other hand, Bank Indonesia emphasized that virtual currency, including bitcoin, was not recognized as a legal payment instrument, so it was prohibited from being used as a payment instrument in Indonesia. This is in accordance with the provisions of Law no. 7 of 2011 concerning Currency which states that currency is money issued by the Republic of Indonesia and every transaction that has the purpose of payment, or other obligations that must be met with money, or other financial transactions carried out in the territory of the Republic of Indonesia use Rupiah. (Press release of Bank Indonesia January 13, 2018, date of date June 25th, 2018).

Money

Solikin and Suseno (2002) state that Money is an object that can be exchanged with other objects, can be used to judge other objects, and we can save. Furthermore, do not forget that money can also be used to pay debts in the future. In other words, money is an object that basically serves as: (1) medium of exchange, (2) store of value, (3) unit of account, and (4) the size of a deferred payment (standard for deferred payment). It should be mentioned also that initially money serves only as a medium of exchange but, in line with the development of human civilization in meeting its economic needs, the function has grown and increased so as to have a function like money at the moment.

Still defining about money, according to Yuliadi (2004), money is an inseparable part of the pulse of people's economic life. Economic stability and economic growth of a country are determined by the extent of the role of money in the economy by the people and monetary authorities. The definition of money can be divided into two terms, namely the definition of money according to law (law) and the definition of money according to function. The definition of money according to law is something that is stipulated by law as money and is valid for the means of trading transactions. While the definition of money according to function, which is something that can generally be accepted in trade transactions and for the payment of debts.

Electronic Money

4 According to Bank Indonesia, Electronic Money is defined as a payment instrument that meets the following elements:

1. Issued on the basis of the value of money deposited in advance by the holder to the issuer;
2. The value of money is stored electronically in a medium such as server or chip;
3. Used as a means of payment to traders who are not issuers of electronic money; and
4. The value of electronic money deposited by the holder and managed by the issuer is not a deposit as referred to in the law governing banking.

The legal basis for the implementation of electronic money in Indonesia has been regulated in Bank Indonesia Regulation Number 11/12 / PBI / 2009 dated April 13th, 2009 concerning Electronic Money and Circular Letter of Bank Indonesia No.11 / 11 / DASP dated April 13th, 2009 regarding Electronic Money.

Noversyah (2013) stated that the development of electronic money circulating five years ago was only 165,193 cards. The transaction volume is only 586,046 worth only Rp 5.3 billion. In five years, the number of electronic money added 7.667% to 12,831,293. The volume of electronic money increased rapidly to 4,120,120 transactions with a value of Rp 77.2 billion as of November 2011. The amount is relatively small compared to the volume and value of APMK transactions. The development of the volume and value of electronic money transactions within the period from January 2009 to December 2012 can be seen in the table below.

Cryptocurrency

Before the emerging digital era as now, the instrument of payment in the form of physical objects be it gold, silver or currency that has been widely used today. The role of money itself has 3 functions, namely as a means of payment, unit unit, store value (Conway in Mulyanto, 2015). Based on a journal written by Joey Conway entitled *Beginners Guide to Cryptocurrencies*, in the range of 1982, David Chaum of the University of California first published the idea of making a cryptographic based payment method that can maintain the confidentiality of the owner's data. And in 1990, David Chaum created a company called DigiCash, with the main product of making a payment using smart cards and electronic cash (ecash). The type of virtual currency (virtual currency) consists of 2 kinds, the first virtual currency in the form of digital money such as money used in video game applications, telkomsel cash, XL cash, Indosat Wallet, and some other digital payment tools. This virtual currency type is centralized, regulated and managed by an institution or company (Conway in Mulyanto, 2015).

The second is virtual currency that uses cryptographic technology or is known called cryptocurrency where for each transaction data will be encoded using a particular cryptographic algorithm. This digital money is issued in addition to the monetary authority obtained by mining. Among other things, Bitcoin, Dash, Degecoin, BlackCoin, Ripple, Litecoin, and others.

Lesmana (2016) reveals that Cryptocurrency is a digital currency that uses encryption techniques to regulate each new currency unit and verify every fund delivery that occurs. This digital currency operates independently without central bank intervention.

Seeing this, Centennial Coin for Prosperity (CCP) through its subsidiary, Coinpayments.net, introduces a new digital currency that is named Centcoin to the online market in Indonesia. Centcoin is one of cryptocurrency-protected digital currencies.

Previously there are other cryptocurrencies that are widely used in various transactions such as Bitcoin, Ethereum, Ripple, Litecoin, Maidsafecoin, Dogecoin, Dash, Peercoin, Bitshares, Monero and others.

Bitcoin, History, and Development

Bitcoin is a virtual currency that was first developed in 2009, by Satoshi Nakamoto, (a pseudonym). Digital currency functions as well as Rupiah, Dollar, Euro, or others. However, this digital currency is only available in the digital world. Examples of digital currencies such as eGold, but the concept is quite different from Bitcoin. (<https://www.edukasibitcoin.com/pengertian-bitcoin/> Access date June 27th, 2018)

Still from the same source said that the technology used Bitcoin is using peer-to-peer technology. That is, with this peer-to-peer technology, Bitcoin is quite unique, because it does not require central authority or central bank. Managing transactions and publishing bitcoin is carried out collectively on the network. With Bitcoin, one can transfer instantly with peer to peer to others, with a wider reach, to anywhere, to any country. In addition, the transfer fee is very small, far smaller than the transfer fees of other financial institutions. Transactions in Bitcoin, are irreversible, meaning that transactions that have been made can not be canceled. Bitcoin transactions are anonymous, because Bitcoin is not controlled by any agency or government.

On January 3, 2009, the bitcoin transaction was recorded for the first time or called the genesis block, the bitcoin price was still empty. On October 5th, 2009, the New Liberty Standard opened a service for the sale of bitcoin at a price of US \$ 0.00076. (<http://www.bitcoinfree.web.id/harga-bitcoin-from-years-2009-and-sejarah-perkembanganya/>, access date June 29th, 2018).

At the time of writing, June 29th, 2018, at 18:00 Western Indonesia Time, bitcoin listed itself at a price of US \$ 5,890.1 or equivalent to Rp 84,375,682.5, - . (<https://www.tradingview.co/chart/?symbol=BITFINEX:BTCUSD> access date June 29th, 2018). The bitcoin development chart on the day the paper is written is shown in the figure below.



Source: <https://www.tradingview.co/chart/?symbol=BITFINEX:BTCUSD>

Figure 1: Bitcoin Graph Price US Dollar (BTC / USD) June 29th, 2018 at 18.00

The highest price of bitcoin occurs on December 17th, 2017 which is US \$ 19,891.39 or equivalent to Rp 269,741,254.27, -. (<https://www.tradingview.co/chart/?symbol=BITFINEX:BTCUSD>, access date June 29th, 2018). Shown in the following table:



Source: <https://www.tradingview.co/chart/?symbol=BITFINEX:BTCUSD>

Figure 2: Bitcoin Graph of US Dollar Prices (BTC / USD) December 17th, 2017

³ In Indonesia, Bitcoin Indonesia is one of the first exchange centers to pioneer the circulation of virtual currency. Bitcoin Indonesia was established in December 2013. However, before becoming a digital asset exchange company, the three founders; Oscar Darmawan, Ricky Andrian and William Sutanto, pioneered the Bitcoin enthusiast community through the bitcoin.co.id website. One year later, Bitcoin Indonesia has developed into a Bitcoin exchange market with 50,000 members and an average daily transaction volume of up to Rp. 500,000,000. This achievement also makes Bitcoin Indonesia as the largest Bitcoin exchange market in Southeast Asia. (Renata, 2017)

³ The main advantage of Bitcoin lies in the ease of payment without the distance. So wherever Bitcoin users are, they can easily make payments by utilizing the blockchain network. Bitcoin Indonesia utilizes these key features to partner with several online merchants to make their products easily purchased by Bitcoin Indonesia members anytime, anywhere. Over time, the number of online merchants affiliated with Bitcoin exchange exchanges began to mushroom. Well, this rapid development will certainly get a response from financial regulators. Although it has not obtained its legalitas, it does not mean that bitcoin transactions are considered illegal in Indonesia. (Renata, 2017)

On March 14th, 2018 Bitcoin Indonesia changed its name to Indonesia Digital Asset Exchange (Indodax). This name change in the framework of the rebranding process to the wider community to expand their service function as a marketplace cryptocurrency.

In Indonesia, the Government through Bank Indonesia has stated that bitcoin is not a valid means of payment and payment instruments are legitimate and acceptable only rupiah. According to Melani (2017), that does not mean that bitcoin in Indonesia is not circulating. According to Oscar Darmawan, CEO of Bitcoin in Indonesia is growing even though not too significant compared to Japan and Europe. The development of bitcoin in Indonesia, according to him, is supported by young Indonesians who are increasingly open with technology. Moreover, bitcoin also has blockchain technology that is developing well.

Sofian, et al (2016) in his research entitled "Implementation of Payments Using Bitcoin at Peer to Peer Based Online Stores" concluded that:

1. Users who will use Bitcoin must understand the internet or have already made transactions using other means of payment available on the internet;
2. Businesses that will use Bitcoin either offline or online must have a computer and its medium-sized businesses such as indomaret and superindo or a large business unit.
3. The use of Bitcoin in terms of cost is relatively cheap but has an unstable price risk;

4. Bitcoin Ownership is the responsibility of its users because Bitcoin is stored directly by its users, so that when loss occurs it is a personal responsibility;
5. The Bitcoin network is regulated by cryptography from shipping transactions and verification of ownership but no guarantees when the network will be error and stop working;
6. Before beginning to use Bitcoin, a novice user needs to read the literatures that connect to Bitcoin;
7. Bitcoin integration process with online store especially wordpress is very easy to do by following the procedures described above.

One of the users of bitcoin transactions in Indonesia, Allfred (2018), also a trader of cryptocurrency states that it was introduced with crypto currency since 2011. In 2014, Allfred started a small transaction with bitcoin. According to him this is done to facilitate the necessary transactions with low cost and fast time. One bitcoin transaction is used in the purchase of Virtual Private Network or commonly called VPN.

Still according to the results of interviews with Allfred (2018), the increase or decrease of bitcoin transactions is not only due to the decision of the Government of Indonesia in its prohibition. As a trader, transactions with bitcoin are only one of many transactions using crypto currency. There are many other crypto currencies like Ethereum, etc which are also traded. For him, some people who still survive also because it considers that this is a form of investment decisions or just the ownership of crypto currency to be stored, not to be traded, only to be owned.

The Impact of Bitcoin over Indonesian Economy

Some countries that have legalized bitcoin as a means of payment include Japan, the United States, Denmark, South Korea, and Finland (<https://finance.detik.com/moneter/d-3633834/bitcoin-si-uang-sakti-udah-biasa-dipakai-di-the-negara-negara-ini>, date access date Juni 29th, 2018). But it is different in Indonesia, which until now bitcoin is still in a gray area, which means that although it has not been accepted as a legitimate exchange tool, it does not mean that bitcoin transactions are considered illegal in Indonesia.

Herusantoso (2014), states that the Central Bank has concerns that bitcoin volumes (or other currencies) will enlarge and threaten the existence of the national currency itself (in this case the Rupiah), allowing it to be no longer effective in managing the State's economy. Without control of the virtual currency, the central bank can not back up the value of bitcoin and other virtual currencies to control fluctuations, prices and inflation.

Bank Indonesia press release on January 13rd, 2018 stated that "virtual currency including bitcoin is not recognized as a legal payment instrument, so it is prohibited from being used as a payment

instrument in Indonesia. This is in accordance with the provisions of Law no. 7 of 2011 concerning Currencies stating that currency is money issued by the Unitary State of the Republic of Indonesia and any transactions that have a purpose of payment, or other obligations to be fulfilled with money, or other financial transactions conducted in the Territory of the Unitary State of the Republic of Indonesia shall be obliged using Rupiah". (https://www.bi.go.id/id/ruang-media/siaran-pers/Pages/sp_200418.aspx., Date of access Juni 29th, 2018)

The previous statement is based on fluctuating exchange rates. Increase or even decrease in bitcoin value is very unusual so it can be said vulnerable and at risk to harm society in general. In addition, related technologies used ie virtual currency can also lead to potential criminal acts of money laundering or even financing terrorism.

In line with this, the Minister of Finance, Sri Mulyani, stated emphatically that the public should not use digital currency as a means of payment or investment, because in terms of the Law it does not allow. In addition, digital currencies are at high risk because they do not have an investment valuation base, potentially in money laundering, and create bubble, "

Furthermore, the PPATK (Reporting Center and Financial Transaction Analysis) in its press release on February 14th, 2018 also warned the public to be careful in using virtual currency. PPATK as the authority in the field of prevention and eradication of money laundering crime and terrorism funding terrorism appealed to all people to be more wise in using virtual currency, including the use of Bitcoin and others that as look like as your digital assets ((speculative investment purposes) (http://www.ppatk.go.id/siaran_pers/read/764/siaran-pers-hati-hati-user-virtual-currency.html, date of access June 29th, 2018)).

Associated with some economic turmoil and rules issued by the Government of Indonesia, the decline in the number of bitcoin transactions in Indonesia decreased in April 2018. Although it has not been studied statistically whether the decline is closely correlated with the rules issued by the Government or other factors which can affect the decline.

Legal Aspects of Bitcoin in Indonesia

As stated previous, Bank Indonesia stated that bitcoin cannot be said to be a legal currency or payment instrument in Indonesia. This is based on Law No. 7 of 2011 concerning Currency. It is stated in Article 1 Act No. 7 of 2011 (1) Currency is money issued by the Unitary State of the Republic of Indonesia hereinafter referred to as Rupiah and (2) Money is the legal means of payment.

Further to Article 21, it is stated that Rupiah shall be used in:

1. Any transaction that has a purpose of payment;
2. Settlement of other obligations that must be met with money; and / or
3. Other financial transactions carried out in the territory of the Republic of Indonesia.

Bank Indonesia Regulation Number 18/40 / PBI / 2016 concerning Implementation of Payment Transaction Processing in Article 4 states that every party acting as the organizer of Payment System Services as referred to in Article 3 paragraph (1) must first obtain a license from Bank Indonesia.

Furthermore in article 34, Bank Indonesia stated its firmness in prohibiting the implementation of payment system services:

1. Processing payment transactions using virtual currency;
2. Misuse customer data and information as well as payment transaction data and information; and / or
3. Own and / or manage equitable value with value of money that may be used outside the scope of the respective Payment System Service Provider.

For providers of payment system services that violate these provisions will be subject to administrative sanctions in the form of:

1. Reprimand;
2. Fines;
3. Temporary suspension of some or all payment system services activities; and / or
4. Revocation of permits as providers of payment system services

CONCLUSION

Bitcoin from an economic point of view and the legal aspect are interrelated, in which all economic transactions in a country can occur due to regulations from the Government through legislation and other regulations issued by the relevant State institutions.

Transactions using bitcoin in Indonesia are enough to take the public's attention broadly and moreover by the Government, there has been an increase in the number of bitcoin transactions in Indonesia but in April 2018, public interest has declined. Until now, there is no further research whether the decline is caused by the rules of the Government of Indonesia or there are other factors that influence it.

Bitcoin can not be said as a currency because its exchange rate is very volatile. In addition, there is no official authority responsible for the transaction. Bitcoin is also identified to be detrimental to the community and has the potential as a means of criminal acts of money laundering. If the legal aspect is not getting certainty, then the protection of consumers also become very vulnerable.

In subsequent research, it can be done quantitatively and statistical tests to find a significant influence on the factors of decreasing or increasing the transaction of bitcoin or other crypto currencies. For qualitative research, it can conduct comparative study of both legal and economic aspects in other countries.

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