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## The original "PRODUCTION" of Cryptocurrencies

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**Abstract:** The article provides detailed information and explanations about cryptocurrency. There is a clear and detailed set of ideas about its nature and origin, why it does not actually create or have value, and why cryptocurrency cannot be money in its current state. The views and opinions of leading Islamic finance scholars and leading Islamic finance economists on cryptocurrency, and whether or not it is permissible to engage in it are detailed.

**Key words:** Cryptocurrency, jeton, money, Onecoin, advanced technology, Taqi Usmani, AAOIFI

### Introduction

I've been asked a lot about Bitcoin and cryptocurrencies so I decided to write this article. When I talk about cryptocurrencies, some people think:

"Do you know blockchain technology", "Do you understand how mining is done", "How do you give an opinion without knowing", such critical questions are actually due to the lack of knowledge and information of those people themselves.

Think for yourself, how can a person say something about he does not know?

Taking into account such objections, I will try to explain in the simplest possible language, and I think it will be beneficial for all of us, Insha'Allah.

Financial and money-related transactions are divided into two types in Sharia: negotiable transactions and gratuitous transactions.

Gifts, bequests, and the like for which nothing is expected in return for thoughtful transactions.

Trade, rent, etc. are included in the transactions. For example, you rent out your house and in return you receive a certain amount of rent from the tenant, which is an example of consideration. That is, one party receives the right to use the house, and the other party receives the rent.

In exchange transactions, the exchange includes things that have a certain value, for example, meat, bread, rice, and similar things. If the exchange does not have a certain value in itself, then it should be seen as a means of achieving something that has value in itself. In Shariah this is called "Money". That is, it has no interest in itself, but it is a means of achieving useful

things. In ancient times, copper, gold, silver and similar precious metals were used as means of exchange instead of money. Therefore, the main function of money is to act as an intermediary in obtaining other things that are of interest to it. In a word, money is a means of exchange.

Question. What are the conditions for something to be considered money?

Answer. For something to be considered money, it is enough that it is accepted by all or the absolute majority as a means of achieving something useful in a certain society. For example, let's say that 200 people were flying in a plane and suddenly the plane crashed and they landed on an island that was inaccessible to humans. Now they will have to try and grow something there. Then someone will have to do fishing, someone farming, someone doctor, and someone else. Let's say that if a doctor wanted to eat fish, he had to look for a sick fisherman. In this way, it became necessary for something to be a general equivalent.

Then a fur or a stone can be accepted as money. Even if 1 person out of 200 people says "I don't consider this skin as money", the majority of the rest accept it, so fur or stone is used as a means of transaction.

Now back to the main topic, can Bitcoin and similar cryptocurrencies be considered as such money?

To answer this question, we need to pay attention to another aspect. There are concepts of "financial bubble" and "economic bubble" in the economy. As we all know, the bubble will burst one day if it is not stopped from inflating.

What will the financial bubble look like?

For example, a man named Akmalboy makes a round "Jeton" from ordinary iron. Each token is numbered individually, token 1, token 2, token 3, etc. And then he says, "Whoever buys this token from me, someone else will buy it at a 10 percent higher price." Let's say the first person buys the token for \$100 and then sells the token for \$110. The third person sees that the first person is making a profit and says that I will do the same, and this process begins to expand in this way. But it is very heavily advertised through social networks, by attracting famous influential people. At first, he sells it to his friends and relatives. The first people who sold started buying cars and houses. The people around them start buying because "it's a get-rich-quick way" and this process starts expanding by itself. Naturally, when people start buying, the price of the token starts to increase, it is normal for a token that was initially worth \$100 to reach \$10,000 or \$20,000. However, there is a rule that when the price of a token reaches a certain amount, no one will buy it, that is, in the psychology of people, there is a view that the price will not increase further. This price can be \$10,000, \$100,000 or even \$1 million. Then no one will buy the token, as a result, its price will start to fall, and in the end, people who bought it will start selling it as soon as possible so that their losses do not increase. This means that the financial bubble has burst. Where does the money of the victims go? Of course, it goes into the pockets of the first person who sold and those who bought after him. As a result, no new money was created in the economy, just one person's money was transferred to another person.

But a person can take this token before it expires and say "I want to buy clothes, meat or something else from you, I don't have money with me, take this token". But does this mean token money? Above, we saw the example of fur on the island, and now we see it in the example of a token, it is not a question of which is a token or which is a fur, it is a matter of their essence. Is there a difference between the above the fur and the token? Of course, there is a difference. The differences are in the following points:

People on the island take skin money as a tool for other things, that is, their primary goal is not to profit from the fall or rise of fur money. The primary purpose of the token is to take it and

sell it at a higher price. The value of fur money to the people of the island will not increase any more, let's say that even now 1 kg of meat will give 1 kg of meat in 10 years, people will continue to buy it, because their purpose is not to profit from its rise, but to see it as a means of exchange for other things. they are happy. According to this and other reasons, fur money of the islanders is called "money" and there is no place where it is not permissible to deal with it. Akmalboy's token is called "gambling" because it is a speculative relationship, that is, making money from money, and it is not allowed to make a profit from it.

Allah Almighty says: "O you who have believed, intoxicating drinks, alcohol, gambling, fortune-telling sticks, these are all dirty and abominable things, all of these are the works of Satan, so stay away from them, if you can be saved."

Now let's go back to the main question. Are there similarities between Akmalboy's token and cryptocurrencies?

Cryptocurrencies, including Bitcoin, appear in the process of mining by supercomputers, and anyone can do this and sell cryptocurrencies. The main point is that cryptocurrencies are not owned by any country, organization or institution. That is, the USA is responsible for the dollar, Uzbekistan for the soum, and Russia for the ruble. The lack of accountability by any organization means that it undermines credibility. There is no guarantee that people will get their money back if it suddenly disappears tomorrow. And there may be sparks of fraud.

In 2019, the OneCoin cryptocurrency is worth \$4 billion worldwide. An example is the fraudulent extortion of dollar money.

Cryptocurrency traders seek to make a profit by buying it at a low price and selling it at a high price. Cryptocurrencies, which they call digital money, do not include any monetary functions. There are just profit-making operations going on. So what do you call cryptocurrencies if you don't consider them digital money? I just know it as "**advanced technology**".

On the other hand, cryptocurrencies are distinguished by the fact that they do not bring any benefit to people, on the contrary, they cause harm. The electricity needed to mine one Bitcoin would be able to supply the whole of Uzbekistan, which would lead to a huge waste of electricity.

Cryptocurrencies are highly unproven. That is, the price changes every second. If you want to sell your house and value it for, say, 5 bitcoins, the price may change until you register the house, which will lead to recalculations. If you sell a house in bitcoins, you multiply the amount by the current price of bitcoins in dollars. This in itself means that Bitcoin and other cryptocurrencies are not money. So the dollar will be money and Bitcoin will be gambling. After all, exchanges actually have a benefit or serve as a tool for a benefit, Bitcoin has no real benefit and you are treating it as a tool, and tools determine the prices and damages of things and should be accepted as money by all people. Bitcoin has none of these three qualities.

Now the final question is whether Bitcoin and cryptocurrencies will ever become real money. It is possible. It can only happen when people start accepting bitcoins and cryptocurrencies as a means of exchange and not for profiting from price increases. But cryptocurrencies in their current form are far from being able to perform such tasks.

#### **Fatwas of Shariah scholars on cryptocurrencies:**

##### **1. Answers of Mufti Muhammad Taqi Usmani**

First of all, we will quote the answers of Mufti Muhammad Taqi Usmani. Mufti Muhammad Taqi Usmani is considered one of the most advanced scholars of Islamic finance and economics of our time. Currently, he is the Chairman of the Shariah Board of the State Bank of Pakistan, the Chairman of the Shariah Board of AAOIFI, the Vice President of the International Academy of

Islamic Fiqh, and the Chairman of the Shariah Board of several Islamic banks and international organizations.

In the answer shown in the picture above, the teacher said that cryptocurrency is now mainly used for speculative purposes, there is no basis for its permissibility, and they did not recommend doing it. The translation of the question and answer in Uzbek is given below.

**Question:** The use of cryptocurrency for business purposes is becoming more and more popular. So much so that it is the basis for the creation of various financial organizations, and many countries are in the process of regulating it at the state level. In the current situation, how should Sharia scholars guide the public who are questioning the Sharia status of cryptocurrency trading?

**Mufti Muhammad Taqi Osmani's answer:**

"We cannot be satisfied with this yet. Cryptocurrency is mainly used for speculative purposes. I personally do not recommend it. However, its actual commercial use may expand in the future, and we may need to reconsider our current decision.

There is no doubt that this currency is speculative in nature. Even public use of it is not preferred from the point of view of Sharia. Initially, paper currencies were introduced and now the world is moving towards digital currency that is not attached to any asset. It is part of an international plan. The plan for the near future may be to make economies dependent on cryptocurrencies. And then those money holders can turn weak economies into financial slavery. There is currently no clear basis for their legal permissibility, so we cannot support cryptocurrency."



**2.Dr. Fatwas of Sheikh Ali Muhyiddin Al Qaradoghi**

Sheikh Ali Muhyiddin Al Qaradoghi, the Secretary General of the World Association of Muslim Scholars, is considered one of the world's leading specialists in Islamic economics. He is the author of hundreds of research works and more than thirty books on jurisprudence, economics, and banking, a member of the Sharia Council of many Islamic organizations, and a professor at Qatar University.

"There are 2 different requirements for the existence of a monetary unit in the Shariah.

1. Having value in one's own breed. For example, like gold and silver. We have no problem with this type of currency.

2. It must be credible, the state must stand behind it, protect and guarantee it.

Based on this, Bitcoin and similar digital currencies, like gold and silver, do not have their original value, and there is no state behind them to guarantee and protect them. Everyone agrees that cryptocurrency is not a commodity. In addition, it does not have any financial rights, it is just an advanced program. After a deep study on this, the ruling of Sharia is as follows: Investing in Bitcoin and similar encrypted or digital currencies is not permissible and it is for the protection of money (property). It is not forbidden because of *riba*. I call on Islamic countries to issue digital currencies, state guarantors for them, and create a system for them."

### **3. Answers of teacher Hondamir Nusrathojayev**

You can find out in detail the answers to the question about crypto-currency by Mr. Hondamir Nusrathojayev, a member of the AAOIFI board, who has many years of experience in Islamic finance and corporate finance.

Question: ... In the case of *Gharar*, it can be concluded that because there is so much uncertainty now, can we conclude that the scholars have ruled that the trading of cryptocurrency is not permissible according to Islamic finance?

Ustoz Hondamir Nusrathojayev mentioned the following reasons:

1. Not a medium of exchange.

2. You don't know who you're dealing with.

3. It is being used for speculation, that is, making money from money. The main goal is to make money from money. Ask any scholar (who understands finance) and they will tell you that speculation and gambling go hand in hand. Speculation ends in gambling. This money is being created out of thin air and then used to buy real wealth. In contrast, money like the dollar, sum, ruble works on the basis of a real economic mechanism.

4. Fatwas and answers of other scientists and experts on cryptocurrency

In addition to the above fatwas and answers, you can find several other sources about the impermissibility of cryptocurrency. In particular, the Grand Mufti of Egypt, Shoki Ibrahim Allam, issued a fatwa that dealing with cryptocurrency (mining, trading, etc.) is haram. One of the famous Islamic scholars, Sheikh Assim al-Hakim, also said that Bitcoin and similar cryptocurrencies are not permissible. Also, the fatwa panel of the Office of Muslims of Uzbekistan said that cryptocurrency is not allowed.

But now there are also Islamic scholars who support the positive aspects of cryptocurrency and emphasize that certain cryptocurrencies such as Bitcoin are permissible. In general, there are currently 3 different views on the integrity of cryptocurrencies.

Scholars who consider cryptocurrency to be haram. We can cite as examples of these scholars Sheikh Ali Muhyiddin Al Qaradoghi, Sheikh Shoki Ibohim Allam, and Sheikh Assim al-Hakim.

Scholars who believe that there are now suspicious and abstract cases related to cryptocurrency and that there is no clear basis for its honesty. These scholars did not recommend

dealing with crypto just yet and postponed their final decision. We can cite Mufti Muhammad Taqi Osmani as an example of these scholars.

Scholars who consider cryptocurrency to be halal. These scholars did not say that all types of cryptocurrencies are halal, but only cryptocurrencies that meet certain criteria are halal. Examples of these scholars are Mufti Faraz Adam and Sheikh Yasir Qadhi.

In the current situation, we did not find it necessary to dwell in detail on the cases that are said to be halal, following the fatwas and instructions of famous scholars who said that cryptocurrency is not permissible or did not recommend to deal with it. After all, we believe that the fatwas and recommendations of Mufti Taqi Osmani and Sheikh al-Qaradoghi that cryptocurrency is not allowed now are enough reasons not to engage in this business.

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