



Analysis of Cryptocurrency as a Public Investment Tool in Indonesia (Review of Literature Studies)

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ABSTRACT

Cryptocurrency is an asset as digital currency for digital transactions. People use cryptocurrencies as investments. Cryptocurrency is a type of high-risk investment but has a lot of public demand for these assets. Apart from that, cryptocurrency can be a source of crime by irresponsible individuals because it cannot be controlled by anyone. This research aims to analyze cryptocurrency as an investment tool and the legality of cryptocurrency as an investment tool in Indonesia. This type of research method is research using a normative approach with qualitative methods. The data source is public secondary data originating from reputable articles. The results of the discussion in this article are that cryptocurrency as an investment tool is a high-risk investment that must be based on demand and supply in the crypto asset market. Cryptocurrency can provide large profits and losses depending on the number of people who transact on crypto assets. Crypto legality and regulations are really needed as a form of legal protection by the state so that people don't get caught in crypto fraud. There are many crypto assets that are legalized by the government and promised by crypto exchanges.

INTRODUCTION

Cryptocurrency has become very famous and a global phenomenon due to technological developments in the financial sector. Cryptocurrency is known as a medium of exchange in the world, in Indonesia coins are used as a means of investment, transactions or payments and remittances, namely transfer activities to different countries. Because Indonesian banks have not recognized cryptocurrency as a legal means of payment in Indonesia, the government prohibits transactions using coins, especially bitcoin (Saputra, 2018).

Technological advances bring better and more contemporary changes. Changes can be seen in the economic sector, when carrying out buying and selling transactions, cash is usually used as the only means of transaction. With advances in technology, buying and selling transactions can become digital without having to meet face to face. Through the use of technology, the presence of cryptocurrency can increase time efficiency in transactions, but it has a negative impact that is worrying if it is misused by irresponsible parties. Based on Bappebti data (Kominfo, 2023), there was an increase in the crypto asset market at the end of November 2022 by 48.7% percent, reaching 16.55 million people from 2021 with a total of 11.2 million people. This number is dominated by millennials and Gen-Z aged 18-30 years.

Despite the benefits of using cryptocurrencies, there are some drawbacks that can occur due to the fluctuating nature of the cryptocurrency system, which can cause cryptocurrency prices to fluctuate greatly. Every system always has risks, even with cryptocurrencies. This is because the regulations surrounding cryptocurrencies are still in their infancy. The aim of cryptocurrency is to meet the needs of the general public, where it is explained that offline transactions experience many problems and become increasingly difficult when dealing with third parties. Here, "third party" usually refers to payment solutions developed by businesses entrusted with handling digital transactions, such as credit cards, PayPal, Visa, etc. Cryptocurrency laws in Indonesia are regulated by the country's financial regulators, Bank Indonesia (BI) and the Financial Services Authority (OJK), which prohibit the use of cryptocurrencies in any form as a means of buying, selling or trading. As a result, it is difficult for the public to understand whether cryptocurrencies are legal or not as commodities that can be traded on term exchanges. Rapidly growing cryptocurrencies do not necessarily indicate a certain likelihood of loss. One particular type of loss that occurs in cryptocurrencies is the withdrawal of investor capital by developers or programmers, which causes investors to lose capital, which is also known as "rug pulling".

A problem can be addressed from the background, including: how does cryptocurrency work as an investment tool? 2. What is the legality of cryptocurrency as an investment tool?

LITERATURE REVIEW

Cryptocurrency

According to (Huda et al., 2023) the word Cryptocurrency is a combination of words: "cryptography" means secret code, and "currency" means currency. Saefullah

said Cryptocurrency is a digital currency that can be exchanged under peer-to-peer cryptographic regulations.

The mention of cryptocurrency was discovered in 1983 by a freelance journalist named David Chaum, who was born in America. He created an electronic payment system called electronic cash (e-cash), which cannot be cashed by government agencies or banks and other organizations. David and others said that a programmer named Satoshi Nakamoto, whose identity could not be found at the time, created and traded a very popular cryptocurrency known as Bitcoin (BTC) in 2009. (Nuraini & Budiharjo, 2021).

The name "cryptocurrency" is given to any system that uses cryptography. The term "cryptocurrency" comes from two terms: "cryptography", based on the type of code, and "currency", which refers to money. As a digital/virtual currency, cryptocurrencies have a function similar to standard currency and it is possible for users to make virtual payments for payment (in Syamsiah, 2017). Cryptocurrency is digital money without requiring a third party as an intermediary because it has blockchain technology. Thus, there is transparency in carrying out every transaction. Every existing data will continue to be connected via cryptocurrency which uses blockchain technology to ensure that everyone who uses the system is part of the same community. The development of digital currency has attracted public attention in recent years because:

1. Fact-cheating: with cryptocurrencies created, every verified transaction is recorded in volume. Each individual coin is encrypted to ensure data accuracy. You have access to it because the currency is not centralized. Neither the government nor the banks have any defense against this.

2. Personal data hijacking: An important report confirms that any payments between "digital wallets" can contain real disputes. Each payment process is scrutinized to see that the coins used belong to the participant at that time. Financial statements are sometimes referred to as "blockchain transactions." Utilizing encryption and "smart contracts", blockchain technology ensures digital transactions are secure by making content immutable and free from phishing.

3. It's easy to do: Blockchain makes cryptocurrency more valuable. User friendliness is a key factor why cryptocurrencies are so popular. The things needed are peers, network, then setting up a bank account so you can make transactions and transfer money.

4. Easy to customize: millions of people who have internet access do not have the ability and right to use password protection rules. People often call it a cryptocurrency starter kit.

5. Has high privacy where the financial system is only owned by yourself

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Investment

According to Jogiyanto (in Huda et al., 2023) Investment is defined as an activity of transferring assets to productive assets by postponing current consumption. Furthermore, Tandelin stated that he could gain profits by transferring a certain amount of funds which were currently declared as investments.

According to economic theory, investment is defined as a financial investment made with the aim of purchasing capital goods and manufacturing equipment with the aim of maximizing the value of capital goods in the economy which will be used to produce goods and services in the future.

In other words, investment refers to cooperative efforts to increase the production capacity of a particular economic good. As stated by Samuelson, investment consists of building production facilities and inventory for a period of one year. Investment is a time-sensitive way of sacrificing consumers.

Investments are categorized into 2 based on the time period, namely: short-term investments and long-term investments. Short-term investments are investments that provide profits in less than three years through dividends received from the company or sold. Meanwhile, long-term investments are investments that provide/obtain profits within more than three years.

Hadijah (in Huda et al., 2023) there are several objectives of investment for 1). As preparation for certain funds/expenses in the future, 2). Protecting finances from inflation, 3). Developing business, and 4). Obtain returns / profits. In contrast to Kamarudin, there are 3 goals for someone to invest, namely: 1). Reducing inflationary pressure, 2). Encouragement to save taxes and 3). To get a more decent life in the future. (Huda et al., 2022)

METHODOLOGY

Research approach

This research uses analytical methods with a normative approach which is carried out by studying cryptocurrency as an investment tool and its legality in Indonesia.

Specific

Descriptive analysis is the specification for this research, by providing an overview of how cryptocurrency is an investment tool in the economy of society in Indonesia so that research results can be obtained. Grouping the same material and information according to sub-aspects and then interpreting them by giving meaning to each sub-aspect and their relationship to each other is analytical descriptive. This research uses inductive reasoning by analyzing all general aspects to understand the meaning of the relationship between one aspect and another which is the main problem and then provides a complete picture of the research results.

Data collection technique

In this research, library research techniques were used to collect data by researching secondary data. Secondary data that can be researched according to Ronny Hanitijo Soemitro (in Saputra, 2018) is secondary data that is private and

secondary data that is public. This research uses public secondary data in the form of abstracts, research results, scientific publications, namely those with a reputation, Sinta and others.

Data analysis technique

The data analysis method in this article uses qualitative methods from data obtained during research. With qualitative descriptive, providing a specific picture based on material that has been collected systematically, making a classification of the data that has been collected to facilitate analysis and construction is qualitative descriptive.

RESULT AND DISCUSSION

Cryptocurrency As an Investment Tool

The increasing price of cryptocurrencies shows that more and more people are interested in them, even though their value is still relatively low compared to the value of a country's currency. As a result, people use cryptocurrencies as an investment tool because they believe that their value will increase over time.

The value of a country's currency will decrease if its economy continues to deteriorate, but the reason for the sudden drop in cryptocurrency prices is the law of supply and demand. If cryptocurrency is often used as a trading tool for exchange transactions, eventually its potential value will increase greatly, as a result making it an extraordinary price. Therefore, these desires are more likely to be influenced by specific motives or investments.

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Legality of Cryptocurrency in Indonesia

As many as 10% of Indonesian internet users have cryptocurrency (Global Web Index survey). With this relevance, Indonesia was able to reach the 5th percentile among global cryptocurrency users. The survey was conducted in the second quarter of 2019. As of 2019 (Lidwina). Given the growing interest in cryptocurrencies among the Indonesian public, the government has worked tirelessly to establish regulations, monitor market exchanges, and ensure that cryptocurrency assets listed on Indonesian exchanges are safe and comply with Indonesian legal requirements.

In carrying out crypto investment transactions, namely buying and selling crypto assets. Can be done on exchanges in Indonesia, the Ministry of Trade of the Republic of Indonesia has inaugurated the Indonesian Crypto Exchange which is run

by PT Bursa Komoditi Nusantara or Commodity Future Exchange (CFX). There are crypto asset traders who act as intermediaries between sellers and buyers of crypto asset commodities registered as members of crypto exchanges in Indonesia, namely Ajaib Kripto, Triv, Nanovest, Stobick Crypto, Naga Exchange, Bitwewe, Dex Exchange, Reku, Pintu, Cyra, Galad, Gudang Crypto , Max, NVX, KMK, Indodax, Pluang, Vonix, Zipmex, Luno, Mobee, Upbit, Tokocrypto.

With the existence of a complete crypto asset industry ecosystem, it can provide legal certainty, transparency and protection for investors in it. Can strengthen Indonesia's position as a center for crypto asset trade and innovation.

CONCLUSIONS

Cryptocurrency as an investment tool is a high-risk type of investment. This happens because it depends on demand and supply in the market. The value of a crypto asset can experience a drastic decline if there is no demand for the asset. In Indonesia, the government has developed institutional regulations for a complete crypto asset industry ecosystem that can provide legal certainty, transparency and protection for investors in it.

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