

CHAPTER I

INTRODUCTION

1.1. Background of Research

Technological developments have recently experienced fundamental changes, so various forms of direct human research have emerged using technology. Now everyone can communicate with others in different places by using the internet. The Internet of things is a recent technology that creates a global network of devices capable of sharing and exchanging data through the Internet.¹ This could encourage people to make anything on the Internet. These are just some of the products of research and development that have become regular fixtures. Furthermore, now is the beginning of society 5.0, which is the vision of future society, and will be human-centered, with a high degree of merging between cyberspace and physical space. The scheme of society 5.0 is that data is collected from the real world and processed by computers, with the result being applied in the real world.²

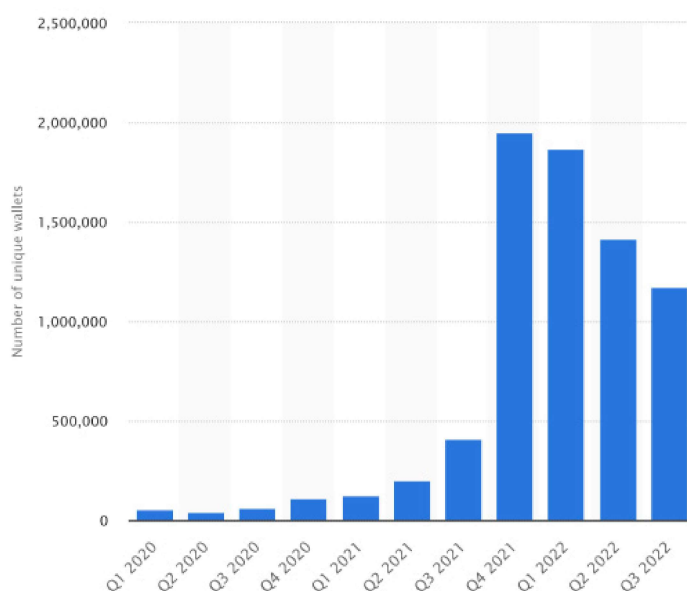
One of the current development processes is blockchain technology which provides security in transactions based on peer-to-peer systems. Many things are based on blockchain systems, like cryptocurrency and NFT. NFT is not a currency in itself.³ Generally, NFT is unique things that can be collected and valued. However, it could be sold. NFT is digitalized, and we need a device to make and trade it. Benyamin Ahmed is a child from London. He is under 12 years old and earned 400.000 dollars from making

¹ Yasser Ismail, *Internet of Things (IoT) for Automated and Smart Applications*, (London: Intechopen, 2019), p. 3.

² Hitachi-Utoko Laboratory (H-Utoko Lab.), *Society 5.0 A People-Centric Super-Smart Society*, (Singapore: Springer), p. 2.

³ Pietro De Giovanni, *Blockchain Technology Applications in Business and Organizations*, (Hershey: IGI Global, 2021), p. 12.

NFTs. He made pixelated whales, each with distinct traits.⁴ In Indonesia, he popularized after Ghozali NFTs boomed in late 2021. His account is named Ghozali Every Day, and he created his own NFTs by selfie in 2017. He successfully got billions of rupiah after selling his face picture in the open sea.⁵ When talking about alienation, most traders are into NFT purchasing marketing because they can get more profit, even if y do not understand their job and cannot control it. They tend to be controlled by capitalistic mechanisms toward profit maximization.⁶ However, they do not harm each other.



(Source: Statista, 2022)

Figure 1. Several Unique Wallets That Sold an NFT Asset Worldwide from Q1 2020 to Q3 2022.

⁴ Taylor Locke, “*This 12-Year-Old Coder Is Set To Earn Over \$400.000 After About 2 Months Selling NFTs*”, CNBC, 25 August 2021, at website <https://www.cnbc.com/2021/08/25/12-year-old-coder-made-6-figures-selling-weird-whales-nfts.html>, Accessed on 12th October 2022 at 16.00 WIB.

⁵ CNN Indonesia, “*NFT Foto Hingga Bak Truk, Ghozali Everyday Ganti Nama Jadi Everywhere*”, at website <https://www.cnnindonesia.com/teknologi/20220218065748-185-760746/nft-foto-hingga-bak-truk-ghozali-everyday-ganti-nama-jadi-everywhere>, Accessed on 13th July 2022 at 12.00 WIB.

⁶ Subham Swastek Dalai, Thesis, *A Study of Non-Fungible Tokens*, (Upsala: Uppsala Universitet 2022), p. 50.

According to (Figure 1), NFTs are rapidly taking over the world of digital art and collectibles today. Digital artists are seeing their lives changed thanks to big sales to new crypto audiences. And celebrities joined in as they saw a new opportunity to connect with their fans. But digital art is just one way to use NFTs. It can describe the ownership of any unique asset, such as a deed for an item in the digital or physical world.⁷

Several scholars, such as Mufti Faraz Adam and Cholil Nafi,^s allowed NFTs creators to trade their NFTs. It will be permissible if in accordance with the provisions of the sharia. The problem is that the instrument transactions on NFTs are cryptocurrency. Cryptocurrency has become popular since the birth of Bitcoin (the most popular and, at the same time, the most prominent cryptocurrency) in 2009. In November 2022, the Bitcoin market reached 307 billion dollars, earning the GDP of several developing countries worldwide.⁸ In contrast to fiat money, metal money and cryptocurrency are issued by non-governmental and non-governmental organizations. Even some of the first generation of cryptocurrencies like “Bitcoin” and “Ethereum” was utterly public, not regulated by anyone. Including the creator himself.⁹

Masjid in Hackney, east London, became the first mosque in the UK to accept crypto zakah *al-Fitr* via Bitcoin and Ethereum in 2018. They made at least ten thousand pounds sterling. Guney, the mosque's head of the board of trustees, stated that cryptocurrency was popular in the Islamic community and was “Trying to attract to a wider audience with the new money.” “We have built a forum for richer Muslims outside our community to support and give to our mosque,” he added.¹⁰ And also in Indonesia,

⁷ Ethereum, “Non-Fungible Token”, at website <https://ethereum.org/id/nft/>, Accessed on 21st November 2022, at 21.00 WIB.

⁸ Coinmarket Cap, “Bitcoin”, at website <https://coinmarketcap.com/currencies/bitcoin/>, Accessed on 20th July 2022 at 08.34 WIB.

⁹ Abdurrahman Arum, *Menggagas Mata Uang Internasional yang Sesungguhnya*, (Jakarta: Global Currency Initiative), 2021, p. 289.

¹⁰ Sajeda Momin, Alarabiya News, “British Mosque Becomes First to Accept Zakat in Cryptocurrency this Ramadhan”, <https://english.alarabiya.net/features/2018/05/28/British->

In May 2018, In the month of Ramadan, it was claimed that Indonesian-based Blossom Finance was offering a free service allowing Muslims to pay Zakah owed against bitcoin holdings directly utilizing the blockchain, with proceeds going to orphans and widows in Sumatra and Central Java, Indonesia, via Blossom's network of cooperatives and organizations.¹¹

Unfortunately, Indonesia, Malaysia, and other Muslim countries unallowed cryptocurrencies like Bitcoin and Ethereum as an instrument of zakah legally. The Indonesia Ulama Council (MUI) determined that Bitcoin as an investment instrument is *haram* because it is only a tool of speculation, not for investment, only a tool to play profit and loss and open a profitable business.¹² Meanwhile, NFT is similar to a cryptocurrency based on blockchain, but according to Mufti Faraz Adam, NFT is *halal* because NFT items have benefits and value.

Regarding Zakah, NFT is a good thing and must be zakah as another job. According to a member of the National Sharia Council of the Indonesian Ulema Council (MUI), Oni Syahroni emphasized that NFTs cannot be used as a medium of exchange but can be traded like physical assets.¹³ The Muslim community urgently needs regulations regarding new matters, especially technology, to prepare themselves to accept something new. In this matter, the property calculation is not yet known with certainty, especially for Muslims. NFT assets must be calculated because they can be traded as valuable assets.

mosque-becomes-first-to-accept-Zakat-in-crypto-currency-this-Ramadan, Accessed 14th November 2022 at 11.15 WIB.

¹¹ Anies Shakirah, "The Need to Adopt Technology in Zakat Administration", at website <https://www.globalsadaqah.com/blog/technology-zakat-administration/>, Accessed on 23rd November 2022 at 20.23 WIB.

¹² Fadhly Fauzi, Detik Finance, "Investasi Kripto Halal Atau Haram? Ini Kata MUI, at website <https://finance.detik.com/fintech/d-5936581/investasi-kripto-halal-atau-haram-ini-katamui>, Accessed 14th November 2022 at 21.13 WIB.

¹³ Muhajirin, *Transaksi NFT Dalam Pandang Islam, Bolehkan ?*, Langit7. <https://langit7.id/read/10397/1/transaksi-nft-dalam-pandangan-islam-bolehkah-1642752112>, Accessed 26th July 2022, at 14,00 WIB.

With regard to wealth in the view of Islam must be cleaned, or purified by paying zakah. Islam requires zakah to cleanse the human heart from stinginess and greed, as well as to eliminate the attitude of love and ambition towards the world.¹⁴ Allah Swt said;

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ.¹⁵

“Take zakah from their property; with that zakah, you clean and purify them.”

This relates to the possession of property which, like a portion of all our possessions, belongs to those in greater need. Many scholars have proposed that zakah is obligatory for every Muslim if the existing requirements have been met.¹⁶ In paying Zakah, it is necessary to have lawful assets and be away from *gharar*, *maysir*, and usury. NFT is a digital asset that can be ambiguous because there are still debates regarding the permissibility of using cryptocurrencies.

One of the reasons researchers are connected to cryptocurrencies is that it is the main instrument of transaction used for NFT and cannot use fiat currency. Zakah is often used using fiat money or money issued by a country, such as a rupiah. Payment of zakah with Rupiah is easy and practical.

NFTs profits are potential to zakah. This zakah is based on zakah *al-Maal* or annual zakah. The problem with this is that the zakah payment still needs concrete based on the current phenomenon. As creators and collectors of NFTs, especially Muslim ones, a deeper understanding of the NFT is

¹⁴ Fahd Salem Bahmmam, *Harta dalam Islam Penjelasan Tentang Hukum Halal-Haram dalam Transaksi Keuangan dan Tujuan Zakat Harta dalam Islam*, (Jakarta: Modern Guide, 2015), p. 7.

¹⁵ QS At-Taubah verse 103

¹⁶ Novandri Saputra, *Sistem Perhitungan Zakat Perdagangan Tradisional Modern Kota Bengkulu*, Skripsi, (Bengkulu: IAIN Bengkulu, 2016), p.66-67.

required based on an Islamic perspective. They cannot be separated from zakah because Allah Swt said:

وَلَا يَحْسَبَنَّ الَّذِينَ يَبْخُلُونَ بِمَا آتَاهُمُ اللَّهُ مِنْ فَضْلِهِ هُوَ خَيْرًا لَّهُمْ ۚ بَلْ هُوَ شَرٌّ لَّهُمْ ۚ
سَيُطَوَّقُونَ مَا بَخَلُوا بِهِ يَوْمَ الْقِيَامَةِ ۚ وَلِلَّهِ مِيرَاثُ السَّمٰوٰتِ وَالْاَرْضِ ۗ وَاللَّهُ بِمَا تَعْمَلُونَ خَبِيرٌ

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Meaning: *And let not those stingy with what Allah has given them from His bounty think that (being stingy) is suitable for them, even though (cheap) is terrible for them. What (wealth) they think about will be put on a necklace (around their neck) on the Day of Resurrection. To Allah belongs the inheritance (what is there) in the heavens and the earth. Allah is All-Seer of what you do.*

This is a warning for them (Muslims) so that they do not underestimate the obligation to pay Zakah.

Based on the explanation above, the researcher will explain or research the result to fulfill the thesis under the title: “Zakah Model Mechanism For Non-Fungible Token Collectibles Creators In Indonesia.”

1.2. Problem Formulation

1. How is the Concept of Zakah Payment for Non-Fungible Token for the Creator on Collectibles in Indonesia?
2. How is the Sharia Perspective on the Concept of Zakah Payment for Non-Fungible Token for the creator on Collectibles in Indonesia.?

1.3. Research Aims

1. To describe the Concept of Zakah Payment for Non-Fungible Token for the creator on Collectibles in Indonesia.
2. To describe Sharia Perspective on the Concept of Zakah Payment for Non-Fungible Token for the creator on Collectibles in Indonesia.

¹⁷ Q.S Ali Imran verse 180.

1.4. Research Benefits

In arranging this research, it is intended that the findings would bring the following benefits:

1.4.1. Theoretical Benefit

This research is expected to add insight and knowledge to the understanding of Islamic law regarding the disadvantages of Non-Fungible Token assets that can be Zakatable by aspects of Islamic law.

1.4.2. Practical Benefit

This research hopefully is a positive contribution to the Non-Fungible Token creators, collectors, and developers towards the artworks they trade in the marketplace of Non-Fungible Token providers to make it easier to pay zakah, which is an obligation, especially Muslims.

1.5. Literature Review

The literature review examines the theory utilized to explore or analyze past difficulties. The central study contains descriptions of theoretical research, relevant research, frameworks, and hypotheses. In this study, researchers took several previous studies as references that became references.

Taufiqurrohman with his journal title "*Potensi Zakat Aset Digital Kripto Legal di Indonesia*" in the year 2022. According to this journal There are currently a lot of Muslim persons in Indonesia who operate as traders, investors, and NFT developers who gain from crypto assets. According to Yusuf Qardawi, the growth and revenue characteristics of an asset might already be considered when deciding whether or not it is subject to zakah. The entire value of crypto digital assets has matched with the value of assets in the capital market and looks to be growing. As a result, crypto digital assets have immense zakah potential. The zakah mechanism for crypto digital assets is an urgency that must be reviewed and designed by Islamic economic actors and activists for the sake of an even distribution of

economic value. Miroslav in his article has mentioned the zakat obligation on crypto assets of 2.5% of asset liquidity. While this research opens up the potential for earning zakat income on legal crypto assets in Indonesia as stated in the Commodity Futures Trading Regulatory Agency Regulation Number 7 of 2020 concerning Determination of Lists of Crypto Assets that Can Issue on the Physical Market of Crypto Assets.¹⁸

According to this research, there is a possibility for zakah on this digital asset, particularly for NFT producers. The researcher will then precisely explain to the NFT maker in zakat payments.

Masterman Amin Jaya with his undergraduate thesis titled “*Crypto Asset Practices and Potential Zakat on Crypto Asset Muslim Practitioners At PT Indodax (Islamic Law Perspective and BAPPEBTI Regulations)*” in the year 2022. This research explains the mechanism of zakah by cryptocurrency and its potential. He explained that cryptocurrency is *zakatable* and able as a payment instrument. However, there are *gharar*, *riba*, and *maysir* elements. And there are more cryptocurrencies and sorts now, but a lack of awareness in the community, particularly the motivations and uses for participation in crypto, can lead to losses¹⁹

Based on the previous research, the researcher examines the zakah mechanism of cryptocurrency, which is a part of the zakah mechanism on NFTs profits. However, most NFTs use cryptocurrency as an instrument, so its potential

Imam Agung Pra.koso on his Master thesis-title “*Zakat Hak katas Kekayaan Intelektual Dalam Tinjauan Teori Zakah An-Nama’ Yusuf Qardhawi*” the year 2018. This research explains that Zakah on Intellectual Property Rights is part of the profession when viewed from zakah an-nama’ Yusuf Qardhawi. Because intellectual property is a property that has

¹⁸ Taufiqurrohman, “Potensi Zakat Aset Digital Kripto Legal di Indonesia”, *Jurnal Ilmiah Ekonomi Islam*, Vol. 8, No. ,3, 2022, p. 6-5.

¹⁹ Masterman Amin Jaya, “*Crypto Asset Practices and Potential Zakah on Crypto Asset Muslim Practitioners At PT Indodax (Islamic Law Perspective and BAPPEBTI Regulations)*”, (Ponorogo: UNIDA Gontor, 2021) p. 125.

economic value, which is produced from human intellectual creativity and is realized in a certain way that has usability, therefore, Intellectual Property Rights must pay Zakah. It calculated Zakah on Intellectual Property Rights, which is 2.5%. The *nisab* for issuing intellectual rights is based on zakah *nuqud*, equivalent to the *nisab* of money or a total of 85 grams of gold.²⁰

From the explanation of this previous research, this researcher has the term Intellectual Property Rights, which is the basis of the NFT. Each NFT asset itself has its copyright. From previous research regarding Intellectual Property Rights originate from the creators of the NFTs themselves.

Rahmadi Indra Tektona and Nadya Ulfa with their journal title “*Penggunaan Bitcoin sebagai Alat Pembayaran Zakat Menurut Persepektif Hukum Islam*” in the year 2020. This research explains that if you look at it from the East Java PWNu perspective, Bitcoin is categorized as an asset that applies zakah based on the similarity of Bitcoin to *nuqud*, which is similar to *dain*. Chairman of the MUI *Da’wah* Commission, KH Cholil Nafis, explained that Bitcoin is permissible to exchange for those willing to apply the law and acknowledge it. However, Bitcoin as an investment is legally harmless.²¹

Based on the previous research, the researcher examines the Islamic law on Bitcoin, one of the cryptocurrencies. NFT is part of the Ethereum network, a cryptocurrency with the same characteristics and obligatory Zakah as Bitcoin.

1.6. Research Method

1.6.1. Type of Research

In this research, researchers used Understanding inquiry as a humanistic or idealistic attitude is the goal of qualitative research. This

²⁰ Imam Agung Prakoso, “*Zakat Hak Atas Kekayaan Intelektual Dalam Tinjauan Teori Zakat AN-Nama’ Yusuf Qardhawi*”, (Yogyakarta: UII, 2018), p. 96

²¹ Rahmadi Indra Tektona and Nadya Ulfa, “*Penggunaan Bitcoin sebagai Alat Pembayaran Zakat Menurut Perspektif Islam*”, *Adliya: Jurnal Hukum dan Kemanusiaan*, Vol. 13, No. 1, 2020, p. 39.

technique comprehends people's beliefs, experiences, attitudes, behaviors, and interactions.²²

This research uses library research, a series of activities relevant to the primary data collection method.²³ Library research uses methods to obtain information data by placing existing facilities in the library, such as books, articles, and historical story records.²⁴ I get more information from digital books abroad on the worldwide website for my research without groping an actual book.

1.6.2. Data Source

In research, the data source is the topic from which the data is obtained. Assume the researcher collects information using questionnaires or interviews. In this condition, the responder is the data source since they respond to or answer the researcher's written or oral inquiries. The data source in research is a subject from which data may be obtained.²⁵ The selection of the correctness of the literature is extremely helpful in obtaining the validity and quality of the data. As a result, the primary and secondary data sources will be the focus of this research.

a. Primary Data

In some sources, the researcher collected data from literature references. One of the books that are the primary reference for this research is *Fiqh Al Zakah (Volume I), A Comparative Study of Zakah, Regulations, and Philosophy in The Light of Qur'an and Sunnah* by Dr. Yusuf Al-Qardawi and translated from Arabic to English by Prof. Monzer Kahf. Official website regarding the mechanism of trade NFTs from Opensea.io and Ethereum.org. Th is the robust primary data for this research.

²² Vibha Pathak et. al., "*Qualitative Research*", at website <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3757586/>, Accessed on 4 December 2022 at 19.33 WIB.

²³ Mahmud, *metode penelitian pendidikan*, (Bandung: Pustaka Setia, 2011), p. 31.

²⁴ Abdul Rahman Sholeh, *Pendidikan Agama dan Pengembangan untuk Bangsa*, (Jakarta: PT. Raja Grafindo Persada, 2005), p. 63

²⁵ Albi Anggito, *Metode Penelitian Kualitatif*, (Sukabumi: CV Jejak, 2018), p. 11.

b. Secondary Data

The secondary data are official websites, news, and another books explaining about other books that provide fairly accurate references that can explain the phenomena that exist according to the mechanism. In collecting this secondary data, the researcher contains e-books (electronic books) as references for the Non-Fungible Token definition, history, etc. Because NFT is a new thing, it is challenging to find a printed book. To accomplish the problematics, use secondary data.

1.6.3. Research Place

Library is a place for research by compiling the books, journals, thesis, and articles. In this research used google books for finding e-books, and Garuda, Google Scholar for journals, and thesis.

1.6.4. Data Collection Technique

In qualitative research, data collection usually uses observation, documentation, and interviews.²⁶ The first step that must be done is to collect initial references in the form of books and documentation from websites related to the problem, then compare and draw conclusions regarding the similarities and explanations. The data collection can be obtained from the results of interviews. However, in this thesis, the researcher used two types of data collection technique study literature and discussion.

a. Study Literature

Study literature is a collecting data technique by reviewing existing books, literature, notes, and reports with the problem solved.²⁷ So the researcher takes articles and journals. Usually, the researcher uses e-books as a reference. Because too few printed books are available describing my research. To be more concrete, researchers need news

²⁶ Risky Kawasatif, *Teknik Pengumpulan Data Metode Kualitatif*, (Sorong: Sekolah Tinggi Islam Negeri (STAIN) Sorong)

²⁷ Dr. Evanirosa et. al., *Metode Penelitian Kepustakaan (Library Research)*, (Bandung: Media Sains Indonesia), 2022, p. 124.

and official websites for the accuracy of this research. Mainly using an English text for this research and a few Indonesian books,

1.6.5. Data Analysis Techniques

Data analysis is the process of systematically searching and compiling the data obtained. Data analysis is done by organizing the data, breaking it down into units, synthesizing it, arranging it into a pattern, choosing which ones are important to research, and making conclusions that can be told to others.²⁸ Analyzing qualitative data can be done with effort. First, data is usually unstructured. Investigating qualitative data cannot be separated from the subjectivity of the researcher.²⁹

Data sourced from informants after the interview process and written references or articles will be reviewed first. This stage is analyzing the data that will be the research material. Two methods will be used to analyze the data :

a. Qualitative Descriptive

This method structuring tool enables researchers to share understanding and produce coherent data.³⁰ This process of collecting items to one another and distinguishing their similarities and differences. This is important for the researcher to understand the problem better or answer relevant questions. So the researcher collected and analyze the ideas and theories from every source person interviewed. There will be a different idea for every each people interviewed.

b. Reflective Thinking

Reflection entails self-analysis with reflective thought. One must examine one's knowledge, feelings, values, and beliefs to comprehend

²⁸ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, dan R & D*, (Bandung: Alfabeta, 2007) p. 334.

²⁹ Samiaji Sarosa, *Analisis Daa Penelitian Kualitatif*, (Yogyakarta: Kansius), 2021, p. 3.

³⁰ Jennifer, Kaisa, Maria, *Qualitative Comparative Analysis (QCA) An Application to Compare National; REDD+ policy processes*, (Bogor: CIFOR, 2013), p. 20.

and defend one's behavior. Reflective thinking focuses on why we do things the way we do them and allows us to evaluate alternative ways.³¹ After examining the research, please discuss it with the source informant in interview sessions to fix it.

1.7. Research Systematic

On completing this research systematic is for describing and pointing the explanation of this thesis with five chapters as follows:

The first chapter introduces the research, providing the background representing the primary image of this research. This chapter discusses problem conceptualization, research advantages, methods, and methodology.

The second chapter explains the general description of Non-Fungible Tokens, including the definition of NFTs, history, decentralized finance, the type of NFTs, the transaction mechanism of NFTs, and the Islamic perspective from scholars about NFTs.

The third chapter explains the theory of zakah, the zakah's aim, the zakah's rules, the individuals who get zakat, the forms of zakah, and the categories of assets that must be zakah.

The fourth chapter is the result of research which contains the process of paying zakah from the proceeds from the sale and ownership of NFT assets that will be zakah. As well as this explanation in the view of Islamic law.

The fifth chapter contains the conclusions of all the results that the researchers examined and the answers to the formulation of the problem and is complemented by suggestions. In addition, this chapter contains a bibliography as evidence or references for reviewing this research.

³¹ Angele M. Beausoleil, *Business Design Thinking and Doing Frameworks, Strategies, and Techniques for Sustainable Innovation*, (Cham: Springer, 2022), p. 119