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RECTOR'S MESSAGE



Congratulations Faculty of Business and Management of Universiti Teknologi MARA Cawangan Kedah, Kampus Sungai Petani on the publication of the 6th Volume of FBM Insights!

I am very pleased to know that there are more than 40 authors and more emerging issues are being presented in this latest volume of FBM Insights. This portrays that UiTM Kedah Branch is actively involved in disseminating business related information and knowledge to the public.

I hope this bulletin can provide an opportunity for the Faculty of Business and Management staff to produce more academic materials and develop their skills in academic and creative writing. Furthermore, more initiatives should be launched to support this life-long process.

Again, well done to the Faculty of Business and Management and those who were involved directly and indirectly with the publishing of FBM Insights Vol.6. I wish FBM Insights all the best and continue to grow and move rapidly forward in the future.

Prof. Dr. Roshima Haji Said
Rector
Universiti Teknologi MARA (UiTM)
Cawangan Kedah



السلام عليكم ورحمة الله وبركاته

Assalamualaikum warahmatullahi wabarakatuh

Welcome to the 6th Edition of FBM Insights 2022. This edition boasts 40 articles by the academics of Faculty of Business and Management UiTM Kedah Campus. The topics involved a broad range of business and management knowledge. Congratulations to all authors for your endless support and valuable contribution to the newsletter.

FBM Insights was mooted in 2020 and it came about with the intention to encourage and improve research writing activities among the lecturers of UiTM Kedah's Business and Management Faculty. As the editions progressed, the support from the academics has not faltered. I hope the support continues in editions to come.

I would like to congratulate the editors and the committee for the hard work and perseverance in managing the newsletter. All the best to everyone and thank you again.

Dr. Yanti Aspha Ameira Mustapha
FBM Insights Advisor

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BITCOIN: A FUTURE CURRENCY?

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INTRODUCTION

The world today depends heavily on the technology and people use it in their whole aspect of life. Over the years, technology has consistently revolutionized and has created many amazing tools and resources as well as putting useful information at our fingertips. Currently, the Fourth Industrial Revolution (IR 4.0) has begun to show significant effects and changes in our daily life. IR 4.0 aims to use artificial intelligence (AI) and the Internet of Things (IoT) as the main platform to accelerate the effort. This will see new technologies such as robotics, big data, computers and automation will take over and dominate the future work.

IR 4.0 also gives a significant impact to banking and finance sectors. One of the most significant impacts in financial transactions is the use of financial technology (FinTech) and digital currency, or also known as 'cryptocurrency'. One of the famous cryptocurrencies is known as 'bitcoin'. In short, bitcoin was founded by Satoshi Nakamoto (believed to be a pseudonym) who published an article entitled 'Bitcoin- A Peer-To-Peer Electronic Cash System' in November 2008 that explained how the digital currency transaction took place.

What is bitcoin and how does it operate?

Before this discussion can be further explored, it is necessary to clearly understand the terms used in this digital transaction such as cryptocurrency, bitcoin, blockchain, miners.

- i. **Cryptocurrency**- is a combination of two words, Cryptography and Currency. Cryptocurrency is a digital currency that relies on cryptography. There are several other digital currencies within Cryptocurrency, but bitcoin is the largest currency in this category.
- ii. **Bitcoin**- is a digital currency used to conduct transactions electronically.
- iii. **Blockchain**- is a technology that enables bitcoin to move from one person to another. It is a list of records that move bitcoin faster and cheaper without using a third party.
- iv. **Miners/mining**- miners are a tool for identifying individuals who make a first transaction, maintain a system and record the transaction into a public ledger while mining is a tool for verifying the transactions. Unlike others, this mining system exists in the form of real physical stores known as 'BitMain'.

Most people think that bitcoin is a coin (synonymous with a capital letter coin symbol) that really exists, but the truth is not at all. Bitcoin is also not like the tokens that we use today in transactions for laundry machines, commuter machines, funfair and so on. Bitcoin is precisely a virtual currency and does not exist physically, it exists only in the files of digital systems. Simply put, this bitcoin is only conducting transactions using virtual transactions.

Bitcoin is an electronic payment system, where it can be seen as a method or platform that allows two parties or more to conduct online transactions using the Internet. For example, if individual A buys goods from individual B and both agree to use bitcoin as a medium of exchange, then individual A will send a certain amount of bitcoin electronically to individual B as payment for the goods purchased. Hence the question is, what are the differences with electronic transactions today such as money transfers and credit/debit cards?

To answer this question, we need to go deeper into what actually is happening when these bitcoin transactions take place. Each bitcoin transaction involves a sequence of numbers owned by a person. When someone wants to make purchase transaction, a sequence of numbers will be sent to the seller via the Internet. In fact, the sequence of numbers has its own mathematical characteristics and values that can prevent the occurrence of fraud and even attacks on the transaction.

To perform the transaction, users either from the buyer or seller need to download a software known as 'bitcoin client'. Next, the sequence of numbers received from the buyer can be used by the seller to buy other items. At this point, another question might arise, such as how by simply using a sequence of numbers, a transaction is calculated to be worth for exchange for goods?.

Honestly, there is no value to the sequence of numbers, what is happening today is just a belief in a system that assumes it has value. This concept is the same as people believe that the fiat currency today is worth RM1, RM5, RM10, RM100 and so on. Is the real value of a banknote being the same as the value written on a note? it certainly does not happen. What happen is the general public puts value and trust in a currency and is guaranteed by the government.

Thus, the main differences between today's transactions such as money transfers, credit/debit cards with bitcoin is in terms of security and openness. Bitcoin transactions can be done without having to disclose the actual individuals involved in the transaction. This is very different from the method used by the financial institutions and banking sector today where all online transactions require complete buyer and seller details such as name, account number and so on.

In addition, bitcoin transactions can also be done by anyone regardless of age, purpose and so on. Transactions can be done anywhere as long as there is Internet coverage and bitcoin software. This will certainly not happen to our online transactions today that still require personal details, physical devices such as bank cards and the need to go to the bank to register an account.

Current Practices

Until today, El Salvador becomes the first country in the world that recognises cryptocurrencies transactions such as bitcoin as a legal medium of exchange. Besides, there are several countries that have friendly-bitcoin transaction such as Japan, the United States, Denmark, Sweden, Switzerland and the Netherlands. In the context of major companies, Microsoft, Dell, Expedia, Wikipedia and many more are among the companies that recognize bitcoin transaction.

In Malaysia, Bank Negara Malaysia (BNM) in a statement on January 03, 2014 has banned and does not recognize any bitcoin-based transactions. This step is taken to avoid any dispute or loss to the public. BNM also advised the public to be aware of the risks associated with the use of the digital currency and BNM does not regulate any bitcoin transactions. Moreover, on 27th February 2018, BNM has updated Anti-Terrorism Financing Proceeds of Unlawful Activities (AMLA) by incorporation sub-section 6 which is 'Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Digital Currencies' to avoid any misconduct or misuse related to digital currency (Bank Negara Malaysia, 2018). Latest, Ministry of Finance on March 10, 2022 reaffirmed that cryptocurrencies including bitcoin is not recognised as a medium of exchange in Malaysia,

and is not a payment instrument that is regulated by BNM (Parzi, 2022). He added, digital assets were not suitable to be used as payment instruments as they did not represent the characteristics of universal money.

However, in Islamic perspectives, the 117th *Muzakarah Majlis Kebangsaan Bagi Hal Ehwal Ugama Islam* (MKI) that was held on August 25-29, 2020 highlighted that cryptocurrency is allowed under Islamic law so long it fulfils three conditions. First, the transactions must be done through a licensed digital currency platform that is approved and regulated by authorized parties. Second, users should have sufficient knowledge about cryptocurrencies such as the types, main characteristics and risks related to digital currencies; and the third condition is the digital currency should not be used as payment for non-Shariah compliant activities such as buying drugs, prostitution, gambling, financing of terrorist activities and money laundering.

CONCLUSION

Therefore, this present paper concludes that bitcoin still does not fulfil the features of currency or as a medium of exchange. There is still a lot of uncertainty issues that need to be resolved first. However, the present paper does not totally deny that cryptocurrency can be a part of currency for the human being in the future. The more important factor in facing with IR 4.0 is people need to gain sufficient knowledge about the new technology before it can be applied in our daily life.

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