

# ANALYSIS OF PRICE REVIEWS ON CRYPTOCURRENCY IN INDONESIA

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## Abstract

The purpose of this study is to analyze the price review of Cryptocurrencies in Indonesia. This research uses qualitative research methods with the nature of literature review. qualitative research conducted and research purposes, sampling may not be necessary in qualitative research with a literature review. In this case, the researcher did not collect data from respondents or informants, so there was no need to take samples. The results of the study show that cryptocurrency prices in Indonesia are still considered digital assets and have not been recognized as legal currency. Nonetheless, Cryptocurrency transactions still occur in Indonesia and several Cryptocurrency exchanges also operate in Indonesia by complying with regulations set by the government. The development of blockchain technology and Cryptocurrency adoption continues to increase in Indonesia, and the Indonesian government has also introduced initiatives such as the Blockchain Indonesia program to increase awareness and adoption of blockchain technology in Indonesia. As an investor, keep in mind that Cryptocurrency is still very risky and very volatile. Therefore, it is necessary to be careful and carefully consider the risks before deciding to invest. It is also important to always follow the regulations and policies related to Cryptocurrency set by the Indonesian government.

## **1. INTRODUCTION**

### **Background Problem**

In this decade, a new form of investment has emerged, namely virtual currency or Cryptocurrency. Unlike many familiar currencies, virtual currencies are intangible, and are not issued by a country or a particular country's central bank. A virtual currency that is quite successful and widely known throughout the world is bitcoin, which appeared in 2009. Two years later, another virtual currency appeared, namely namecoin. (Hileman and Rauchs, 2017). Nowadays, various types of virtual currency are known throughout the world.

Cryptographic techniques with transaction identification and verification encryption protocols (Kaal & Calcaterra, 2017) provide transparent Cryptocurrency transaction details and user identity remains anonymous. Pricing in this transaction is based on supply and demand. Unique characteristics have made Cryptocurrency popular among the wider community.

Crypto transactions can reduce transaction costs, as well as reduce money transfer costs (Venegas, 2018). Cryptocurrency is a digital currency that is not issued by any central authority (Nair & Motwani, 2018), so it is not affected by monetary policy. This could pose a threat to the world of banking and the financial industry.

Cryptocurrency with its various advantages has also been rejected by many countries with negative publicity emerging (Zmudzinski, 2019); (Choudhury, 2017); (Harris & White, 2017), such as the Silk Road case which was closed by the FBI (Goanta & Hopman, 2020); (Kruithof et al., 2016). December 2013 China's Central Bank officially stated that virtual currency has no value and the use of virtual currency has minimum legal protection, (Choudhury, 2017).

Indonesia's monetary policy has not given permission to use means of exchange other than approved fiat currency in trading and payments, including Cryptocurrency (Soehartono & Pati, 2019). Cryptocurrency can be invested as a subject commodity on the Futures Exchange using permissible Cryptocurrency technology called distributed ledger technology (a decentralized system for maintaining the integrity of the ledger in accordance with the protocol), (Soehartono & Pati, 2019).

The Indonesian government has main provisions regarding rules regarding money as explained in Law Number 7 concerning Money of 2011. Another law that is often mentioned is Law no. 1999 concerning Bank Indonesia and then enactment of Law Number 23 concerning Information and Electronic Transactions.

However, in its development, the government announced various new policies regarding the legality of Cryptocurrencies, including the Decree of the Minister of Trade Number 2018 concerning General Policies for Implementing Crypto Asset Futures Trading and the 2019 Commodity Futures Trading Supervisory Agency Regulation No. 5 describes the technical conditions for implementing a physical market for crypto assets (crypto assets) on futures exchanges.

Momentum and volatility (the degree of price fluctuation) occur when the market responds to trading algorithms. In theory, cryptocurrency prices between crypto trading platforms do not differ much from each other due to the presence of algorithm-based trading in them. However, in reality, using algorithms for trading can make prices move drastically. For example, a drop in the price of a crypto asset will trigger a "sell" action if a trader places an automatic sell action at that price level.

### **Problem Formulation**

What is the analysis of price reviews for Cryptocurrency currencies in Indonesia?

### **Research purposes**

The purpose of this research is to determine an analysis of price reviews for Cryptocurrency currencies in Indonesia

## **2. LITERATURE REVIEW**

### **Financial management**

Financial Management is a process in managing financial activities or operations in an organization, which includes planning, analysis and control of financial activities, usually carried out by a financial manager.

Financial Management can also be interpreted as all company activities or activities related to efforts to obtain company funds by minimizing costs and efforts to use and allocate these funds efficiently in maximizing company value (Sinurat, 2019).

KD Wilson (in Hasan et al., 2022) explains that financial management primarily involves raising funds and using them effectively with the aim of maximizing shareholder wealth. Financial management is one of the functional areas in a company in addition to other functional areas, such as marketing, production and human resources (Sudana, 2019).

Financial management is an effort to manage funds collected and allocated to finance all company activities in order to achieve the company's goals (Fauzan & Yogi, 2021) [1]. According to Mustafa (2017) in Fauzan (2023) Financial management explains several decisions that must be made, namely investment decisions, funding decisions or decisions to fulfill funding needs, and dividend policies. From the theories above, it can be concluded that financial management is an effort to manage funds that are collected and allocated to finance all company activities in order to achieve the goals of the company [2].

### **Cryptocurrency Review**

The emergence of cryptocurrency is an answer to payment systems that depend on third parties. Cryptocurrency is a virtual currency that can be used as an alternative transaction with a mechanism supported by an internet network that is protected by a complex and secure computer password system. As a virtual currency payment tool, every Cryptocurrency transaction will be encoded using a certain cryptographic algorithm (Christi, 2019).

Cryptocurrency is a method of forming virtual "coins" and providing secure ownership and transactions using cryptographic issues. This problem is designed to be easy to verify but computationally difficult to reach a solution. Various Cryptocurrencies use different functions for this purpose, the most common being a hash target, where the hash is calculated so that it comes to lower than a certain value. The hash target (i.e., problem difficulty) is adjusted each time based on the total computing power on the network, which has the advantage of keeping the time between solutions more or less constant.

Computationally intensive proof of work is a method by which transactions are verified as unique and trustworthy. To encourage participation, transactors can include a transaction fee that goes to the first user who successfully verifies it. Additionally, the network rewards verifiers with a certain amount of coins after they successfully verify a block of transactions. This process, which is called mining. Mining is a means by which the supply of coins on a network is expanded, and adjustable difficulty ensures that computational advances will not affect the rate of expansion (Harwick, 2016).

Cryptocurrency systems generally claim to provide anonymous and decentralized transaction processing. This anonymity can be used as an additional precaution for user confidentiality and privacy. Cryptocurrency acceptance and demand has increased a hundredfold over the past few years. Likewise, the industry around Cryptocurrency has evolved since its inception and a number of stakeholders are now associated with the growing trade and acceptance of cryptocurrencies. Currently, Cryptocurrencies are available on hundreds of exchanges around the world against fiat currencies (Hameed & Farooq, 2016).

According to Ibnu Saefullah in his book Bitcoin and Cryptocurrency, he explains that cryptocurrencies are peer to peer digital currencies that are exchanged using certain cryptographic principles. Cryptocurrency can be used as a normal fiat currency like \$US or the currency of the country where one lives but there is a big difference as it is not regulated at all by any bank. The first cryptocurrency was Bitcoin which began trading in 2009, but currently there are hundreds of other cryptocurrencies and are often referred to as Altcoins (Saefullah, 2018:1).

#### **1.1 Transaction Activities Using Cryptocurrency**

Someone who regularly mines Cryptocurrency can use the virtual currency for several types of transactions. Starting from buying and selling activities on the Exchange Market by exchanging the conventional currency owned for a number of Bitcoins, personal expenses with a note that the company where a person transacts provides digital currency facilities, to mass fundraising or crowd funding to minimize transaction costs if the funded project is not succeed. One can currently find Cryptocurrency futures exchange markets in America, namely the Intercontinental

Exchange (ICE), Chicago Mercantile Exchange (CME), and Chicago Board Option Exchange (CBOE). (Rico, 2020: 148-151).

#### 1.2 The Existence of Cryptocurrency in Indonesia

Even though quite a lot of Indonesian people understand what Cryptocurrency is, unfortunately the existence of this digital currency has received strong resistance from the central government. Even Cryptocurrency is not a legal means of payment in the country. This is based on the regulations of Law no. 7, Article 1 Paragraph 1, 2011, that the means of payment accepted in Indonesia only use the Rupiah currency.

Even though transactions using Cryptocurrency are prohibited by the central government, the existence of this digital currency in Indonesia is not illegal. The central government through Bank Indonesia suggests that Cryptocurrencies can be stored or traded as assets, but at the risk that you have to bear yourself. Proven by the permission to establish Bitcoin Indonesia, which has now changed its name to Indodax (Indonesia Digital Asset Exchange).

However, for people who are interested in investing in Cryptocurrency, since February 2019 there have been legal regulations covering all these activities. It was issued by the Indonesian Commodity Futures Trading Supervisory Agency, through regulation no. 5 of 2019 which regulates the technical implementation of physical markets for crypto assets on futures exchanges. (Rico, 2020:152).

#### 1.4 Factors that influence cryptocurrency asset prices

Quoting from the [pluang.com](http://pluang.com) website (2023) regarding factors that influence cryptocurrency asset prices, Like financial assets, crypto price movements are determined by the position of demand and supply. The following are seven factors that influence the rise and fall of crypto asset prices. From the supply side, factors that influence crypto asset price movements are:

##### 1) Monetary Policy and Tokenomics

One of the most important factors that determines the price movement of Cryptocurrency is the size of the supply of that crypto asset. The governance regarding the supply of crypto assets on the market is referred to as monetary policy, while the impact on crypto investors is referred to as tokenomics. Many protocols and coins have their own governance to determine the amount of crypto assets in circulation. This can be decided in a democratic way (voting based on the number of crypto asset holdings) or a more centralized method where there is a special board that controls the governance of the crypto asset supply.

Some organizations choose to "burn" their coins to reduce the number of coins in circulation, one of which is Binance against Binance Coin. Every quarter, Binance buys back BNB using the profits it has accumulated and then destroys or "burns" the BNB. This event is called a coin burn.

##### 2) Production Costs

Just like metal mining activities, crypto mining also requires "mining" costs. In bitcoin mining, for example, miners need large capital to buy computers with sufficient processing power. Miners require hardware with complex specifications because they have to solve complex algorithmic puzzles to receive their rewards in the form of Bitcoin coins.

Unfortunately, this activity also requires quite a lot of electrical power. Cambridge University research in early 2021 showed that Bitcoin mining worldwide uses up to 121.36 Terawatt-Hour (TWh) of electricity in a year, greater than Argentina's electricity consumption in the same period.

##### 3) Demand for Blockchain Technology.

The demand for a crypto asset will soar if the crypto community takes advantage of the sophistication of blockchain technology which is the home of that cryptocurrency. This happens because the fees for using this blockchain are paid using the blockchain's native Cryptocurrency.

So the demand for Cryptocurrency will continue to grow in line with the increasing use of blockchain. There are a variety of reasons why the crypto community flocks to one particular blockchain technology. Usually the three main reasons are better transaction scalability compared to other blockchain technologies, the emergence of new features, and low transaction costs in utilizing this technology.

##### 4) Mass Adoption from Retail and Institutional Investors

The massive increase in coin use will cause a very high price increase on the market. This is because most of the Cryptocurrencies have limited supply, so an increase in demand will certainly increase the price. However, to be mass adopted, Cryptocurrency must have clear benefits in the real world, for example it can be used as a means of everyday payment.

Cryptocurrencies like Bitcoin have been adopted by institutional investors as wealth-saving instruments. Therefore, the price increased and reached US\$60,000 per piece in early 2021. Apart from that, El Salvador also plans to use Bitcoin as an official means of payment in the country. Meanwhile, the pattern of adoption of Cryptocurrency by retail investors forms a bell-shaped curve, as shown in the following figure. Only 150 million individuals in the world hold crypto assets. When compared with the world's population of over 6 billion people, it could be said that the adoption of Cryptocurrency in the world is still in its early stages.

Both retail and institutional investors are starting to look at the long-term value of Cryptocurrencies. The rapid increase in prices of several crypto assets in 2021 is proof that the strong demand from institutional and retail investors continues to increase crypto demand and prices. Apart from supply and demand, global macroeconomic conditions also have a strong role in influencing crypto asset price movements.

5) Currency Inflation or Decreased Value of Fiat Currency

Prices of crypto assets, especially coins that have a clear use, should increase amidst global central banks continuing to print money and implementing low interest rate regimes. This can happen because the characteristics of the fiat money supply are different from those of Cryptocurrency. The supply of crypto assets is limited, so people should switch to this instrument if the amount of fiat money in circulation increases.

It is important to remember that Bitcoin was created in response to the massive printing of fiat money, which was being carried out by central banks around the world to deal with the global financial crisis. This step will likely continue to be repeated in every economic recession where policy makers have no choice to stimulate economic growth other than cutting the benchmark interest rate or printing more money. 25% of the US Dollars currently in circulation were printed in 2020.

Apart from that, crypto asset owners also now have the opportunity to gain profits from saving crypto assets by getting higher returns than saving at conventional banks. Now, this can be done with the widespread use of decentralized financial applications. High yields and tight supplies make crypto assets useful as a hedge against the erosion of inflation caused by money printing.

6) Government Regulations

A series of government regulations can affect the demand and supply of crypto assets. This condition can occur because the government has the authority to regulate, tax, or even prohibit cryptocurrency activities, which will usually reduce the price of crypto assets. Indonesian crypto investors not only need to understand crypto regulations in Indonesia, but also observe how the two superpowers, China and the US, regulate crypto activities in their respective countries.

In May 2021, Chinese authorities issued a warning regarding trading and mining of crypto assets. Afterwards, Chinese authorities reportedly held meetings with major banks while emphasizing that banking institutions in China should not be involved in Cryptocurrency transactions. This gesture by the Chinese authorities caused the price of Bitcoin to slide from its record point of around US\$65,000 to below US\$30,000 per chip. This attitude also reduces the level of crypto mining capacity in China considering that the bamboo curtain country takes 50% of the world's Bitcoin.

The United States legalizes crypto asset exchange activities on crypto exchanges, but not as an official medium of exchange. The US legislature has repeatedly wanted to regulate crypto assets due to concerns that the presence of this currency could disrupt the dominance of the US Dollar in the global economic arena and the impact of crypto assets if held in large amounts by individuals and institutions.

The US administration under Joe Biden is considering taxing crypto activities to finance US infrastructure projects as outlined in the Infrastructure Funding Bill. Indonesia legalized crypto asset trading in September 2018, when the Ministry of Trade stated that Bitcoin and other crypto assets were commodities. The Commodity Futures Trading Supervisory Agency (Bappebti), an agency under the Ministry of Trade that

regulates domestic commodity trading, then prepared a series of regulations to regulate blockchain and crypto asset activities in Indonesia.

7) Momentum

Lastly, like other financial markets, crypto asset prices are determined by speculation. Each of the retail traders, institutional investors and global investment management institutions (*hedge fund*) have different views on market conditions and these differences can affect the price of crypto assets. Price movements in the crypto asset market can be very fast and wide. This happens because many traders utilize algorithms in exchanging crypto assets. If the crypto price breaks a certain point, the algorithm system will execute a sell or buy action. This action will then trigger the actions of other traders, where their actions will also influence the movements of other market players.

### 3. RESEARCH METHODS

The research uses qualitative research methods with the nature of a literature study (literature review). The population in this study is all Cryptocurrencies in Indonesia. According to Sutton (2016), depending on the type of qualitative research conducted and the research objectives, sampling may not be necessary in qualitative research with literature reviews. Qualitative research with literature reviews usually uses data that already exists in written or document form, and data analysis is carried out by analyzing the contents of the document. In this case, the researcher does not collect data from respondents or informants, so there is no need to take samples. The data collection technique used in this research to obtain relevant information in this literature study research is collecting reading sources that have been searched for, selected, analyzed and presented as data sources in accordance with the research theme. The presentation of data in this research will be in the form of words that have been processed to be concise and systematic.

a. Data reduction

Researchers attempt to process selection, separation, and attention to make data simpler. Data from various literature will be reduced, summarized and focused on the main things according to the research theme. So the data will be described completely and in detail.

b. Data Presentation

This step is carried out so that it is easy for researchers to see the overall picture of their research. Presentation of limited data as a collection of information compiled to make it easier for researchers to draw conclusions and take action.

c. Drawing Conclusions

The efforts made by researchers in order to draw conclusions in this research are to carry out continuous verification during the research process (data collection). Researchers will try to analyze to look for relationships between things that arise which will then be expressed in tentative (can be changed) conclusions.

### 4. RESULTS AND DISCUSSION

In Indonesia, Cryptocurrencies such as Bitcoin and Ethereum are considered digital assets and not legal currency. Therefore, Bank Indonesia as the Indonesian monetary authority prohibits the use of Cryptocurrency as a legal means of payment.

Despite this, Cryptocurrency transactions in Indonesia still occur and several Cryptocurrency exchanges such as Indodax and Tokocrypto also operate in Indonesia. However, they must comply with regulations and safety standards set by the government.

In 2019, Indonesia's Bappebti (Commodity Futures Trading Supervisory Agency) issued new regulations that allow Cryptocurrency exchanges to operate officially in Indonesia, as long as they meet requirements such as having minimum authorized capital and adequate security standards.

The Indonesian government also continues to monitor developments in Cryptocurrencies and blockchain technology, and introduces initiatives such as the Blockchain Indonesia program to increase awareness and adoption of blockchain technology in Indonesia.

Even though regulations on Cryptocurrencies are still quite strict in Indonesia, the adoption of Cryptocurrencies and blockchain technology continues to increase in Indonesia. As technology develops, there will likely be changes and improvements in regulations and policies regarding Cryptocurrencies in the future.

Reviewing crypto currency prices in Indonesia involves analyzing prices and trends that occur in the Indonesian crypto market. Several factors that need to be considered when conducting a review analysis of crypto currency prices in Indonesia are as follows:

- a. Crypto market growth in Indonesia: As a country with a large population and rapid technological growth, Indonesia has great potential to develop as a major market for cryptocurrencies. Therefore, the growth of the crypto market in Indonesia can influence cryptocurrency prices.
- b. Government regulations: The Indonesian government is still considering the regulations that will be applied to crypto currencies in Indonesia. Implemented regulations can affect crypto currency prices and investor interest in the crypto market in Indonesia.
- c. Adoption rate: The adoption rate of cryptocurrencies in Indonesia can influence the price of cryptocurrencies. The more people who use and invest in cryptocurrency, the higher the price of that cryptocurrency.
- d. Trading volume: Trading volume is the number of cryptocurrency units traded in a certain time period in Indonesia. High trading volume shows the interest and trust of traders and investors in the cryptocurrency, and can influence price movements.
- e. Local news and events: Local news and events such as announcements from companies or governments, new regulations, or hacker attacks that occur in Indonesia can affect the price of crypto currency in Indonesia.
- f. Security and trust: Security and trust are very important in the crypto market. Indonesia has a problematic history with fraud under the guise of investment, therefore, it is important to pay attention to security and trust in the crypto market in Indonesia, especially in exchanges or platforms used to invest in crypto currency.
- g. Indonesia's economic growth: Indonesia's economic growth can also influence the price of crypto currency in Indonesia. The more rapidly the Indonesian economy grows, the more people have the ability to invest in cryptocurrencies and the more interest and trust in cryptocurrencies in Indonesia increases.
- h. Development of blockchain technology: Blockchain is the basic technology used for cryptocurrencies. The development of blockchain technology in Indonesia can influence investors' and traders' interest in cryptocurrencies.
- i. Crypto community in Indonesia: Indonesia has a fairly active crypto community. This community can influence trends and price movement patterns in crypto currencies in Indonesia.
- j. Global market influence: Cryptocurrency is not only influenced by local factors in Indonesia, but is also influenced by the global market. Therefore, it is important to pay attention to trends and price movement patterns in cryptocurrencies in the global market.
- k. Technical indicators: Technical indicators are used to identify patterns and trends on cryptocurrency price charts. Some commonly used technical indicators are Moving Average, Relative Strength Index (RSI), and Bollinger Bands.
- l. Fundamental analysis: Fundamental analysis involves assessing the economic and financial factors that influence the price of cryptocurrencies. Some fundamental factors that need to be considered are macroeconomic fundamentals, companies issuing cryptocurrencies, and adoption by society.
- m. Market sentiment: Market sentiment can influence cryptocurrency prices. If there is positive sentiment in the market, cryptocurrency prices can increase, whereas if there is negative sentiment, cryptocurrency prices can decrease.
- n. Candlestick chart analysis: Candlestick chart analysis is a method for reading patterns and trends on cryptocurrency price charts. This method involves observing the candlestick patterns that form on the price chart.
- o. Intermarket analysis: Intermarket analysis involves analyzing the relationship between the crypto market and other markets such as the stock market or commodity markets. This analysis can help in understanding trends and price movement patterns in crypto currencies.

When reviewing cryptocurrency prices in Indonesia, it is necessary to pay attention to local and global factors that can influence cryptocurrency prices. Always conduct careful research and analysis before investing in cryptocurrencies to reduce risks and obtain optimal profits. In conducting a review analysis of crypto currency prices in Indonesia, various analytical tools and methods can be used such as price charts, technical analysis and fundamental analysis. However, it is also important to always pay attention to the risks associated with investing in cryptocurrencies and choose investments that suit your financial capabilities and investment goals.

Based on research conducted by Ezra Putranda Setiawan, research results show that various cryptocurrencies have varying levels of profit and risk. In addition, the return on this asset shows a volatility clustering pattern so that the amount of risk is not constant. Some cryptocurrencies generate relatively high returns with relatively large risks, making them more suitable for risk-loving investors. However, the results of this research are limited to 15 cryptocurrencies out of the thousands of cryptocurrencies circulating throughout the world.

Meanwhile, research conducted by Septiana Sihombing, Muhammad Rizky Nasution, Isfenti Sadalia shows research results that several crypto currencies such as 1) Bitcoin Market Cap, Ethereum Market Cap, Litecoin Market Cap, Bitcoin Cash Market Cap have a positive and significant effect on price fluctuations. Research conducted by Uun Zahrotunnisa, Iin Fadila Ramadhani, Fuat Hasanudin (2022). Crypto currency is a type of digital currency that uses cryptography as a security system. This cryptocurrency is decentralized, meaning it has no intermediaries in the transactions it carries out. As something new, it is necessary to review the Sharia legal status of crypto inventions, which of course has benefits for economic actors in Indonesia. This impact can be seen in the condition of the country's economic stability, because this is influenced by economic actors.

Apart from that, research conducted by Unggul Dwi Pamungkas, Amrie Firmansyah (2021) This research concludes that ownership of Cryptocurrency by companies can be classified as an asset based on IFRS and PSAK. The most relevant type of asset classification for Cryptocurrencies is inventory or intangible assets, depending on the purpose of the company's ownership. This research suggests that with the significant increase in the use of cryptocurrencies, standards-setting bodies need to establish clear and specific accounting standards to help reduce uncertainty and provide relevant and useful guidance to preparers and users of financial statements.

## 5. CONCLUSION

Based on the research results, it can be concluded that the review prices of Cryptocurrency in Indonesia are:

- a. From a review of Cryptocurrency prices in Indonesia, it can be concluded that Cryptocurrency is still considered a digital asset and has not been recognized as a legal currency. Despite this, Cryptocurrency transactions still occur in Indonesia and several Cryptocurrency exchanges also operate in Indonesia by complying with regulations set by the government.
- b. The development of blockchain technology and adoption of Cryptocurrencies continues to increase in Indonesia, and the Indonesian government has also introduced initiatives such as the Blockchain Indonesia program to increase awareness and adoption of blockchain technology in Indonesia.
- c. As an investor, you need to remember that Cryptocurrencies are still very risky and very volatile. Therefore, it is necessary to be careful and consider the risks carefully before deciding to invest. It is also important to always follow the regulations and policies regarding Cryptocurrency set by the Indonesian government.

## 6. SUGGESTION

The suggestions from the results of this research are:

- a. Do thorough research and analysis before investing in Cryptocurrency. Learn about Cryptocurrency projects, blockchain technology, and other factors that influence Cryptocurrency prices.
- b. Use a Cryptocurrency exchange that is registered and complies with regulations set by the Indonesian government to avoid fraud or security risks.
- c. Consider the risks and potential rewards before investing in Cryptocurrency. Remember that Cryptocurrency is a very risky and highly volatile asset.
- d. Don't invest more than you can afford to lose. Make sure that your investments do not interfere with your personal finances and have a backup plan in case of loss.

- e. Always follow regulations and policies related to Cryptocurrency set by the Indonesian government. As an investor, it is important to understand and comply with existing regulations to protect yourself from legal and security risks.

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