

Research Article

Money in Islamic Economics Perspective

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ORCIDMega Aulia Putri: <https://orcid.org/0009-0006-0348-4399>**Abstract.**

In the very simple stages of human civilization, the provision of the necessities of life was carried out by exchanging necessities (bartering). Money has a very strategic position in the world economic system, so it is not easy to replace it with other media. In Islamic economics, money is only seen as a medium of exchange, and not as a commodity. The role of money is intended to eliminate injustice, dishonesty, and exploitation in the barter economy. Initially, the function of money was namely as a medium of exchange. However, in its development, the main function began to shift. Economic system analysts view the function of money not only as a medium of exchange but also as a commodity so that money can be bought and sold like a commodity. In this research, the author formulates a problem as to what is the concept of money from an Islamic economic perspective and its function from an Islamic economic perspective. In this research, the author uses library research methods.

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1. Introduction

In the very simple stages of human civilization, the provision of the necessities of life was carried out by exchanging necessities (bartering). This barter exchange requires the same desires at the same time (double coincidence of desires) of the parties making the exchange. In the barter system which was felt to be very complicated, a medium of exchange was finally found which was felt to greatly simplify the form of transactions in starting activities.

Namely money, since ancient times, humans have needed money to make it easier for them to carry out transactions and exchanges. Using money means they abandon the complicated and troublesome barter system. Money is one of the great human innovations throughout civilization. Money has a very strategic position in the world economic system, so it is not easy to replace it with other media.

History proves that money has an important role in human life, especially in the economic sector. Money makes it easier and shortens the transaction time for exchanging goods and services. Money makes trading run effectively and efficiently.

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In Islamic economics, money is only seen as a medium of exchange, and not as a commodity. The role of money is intended to eliminate injustice, dishonesty, and exploitation in the barter economy. Initially, the function of money was still its main function, namely as a medium of exchange. However, in its development, the main function began to shift. Economic system analysts view the function of money not only as a medium of exchange but also as a commodity so that money can be bought and sold like a commodity.

Therefore It is very important to study the concept of money from an Islamic economic perspective to explain the features of the Islamic concept of money when compared to the concept of money according to the capitalist system. More than that, it is hoped that the Islamic concept of money can be applied to the people's economy so that prosperity and economic prosperity in the world can be achieved.

2. Methods

This research uses a qualitative library research approach. The method used is searching for library materials. Library Research (*Library Research*) is research carried out using literature (libraries) in the form of books, notes, or reports of research results from previous research.

According to M. Nazir, library research is a data collection technique by conducting research studies on existing books, literature, notes, and reports to solve problems. Literature study is an important step where after a researcher determines the research topic, the next step is to conduct studies related to the theory and research topic. In search theory, researchers will collect as much information as possible from related literature. Bibliographic sources can be obtained from books, journals, magazines, research results (theses and dissertations), and other appropriate sources (internet, newspapers, etc.). If the researcher has obtained relevant literature, it will immediately be compiled regularly for use in research. Therefore, literature review includes general processes such as systematic theory identification, literature discovery, and analysis of documents containing information related to the research topic.[4]

3. Results and Discussion

3.1. The Concept of Money in an Islamic Economic Perspective

Money is an abstract concept that is easy to show in its form as it can be seen in everyday life, but what is understood by money is difficult to explain. An explanation

of the value of money is felt to be very necessary to find a concrete understanding of the concept of money in the implementation of Islamic economic life. So through this explanation the concept of money, which was originally abstract, can be understood in a concrete way. Money is a central subject in life considering that the economy cannot be separated from the role of money.

It is commonly understood that life cannot be separated from the economy. Of course, money plays a very important role in all social activities in today's increasingly modern economic life. Money is an important subject money is one of the determinants of a country's economic development. Money is used for daily needs and is a requirement to stimulate the economy in a country. Money was originally only used as a medium of exchange according to historical records of economic life but has now become multi-functional. Long before Western countries used money in any economic activity, Islam was aware of this means of exchange and measurement of value, and even the Koran and hadith indicate that the means of measuring value were gold and silver. The scholars use the terms gold and silver in Arabic with the words dinar and dirham. Before humans invented currency as a medium of exchange, the economy was carried out by bartering as a practice of exchanging goods for goods or goods for services.[5]

Before discussing the Islamic view of money, the meaning of money is first explained. Money in traditional economics is defined as any generally accepted medium of exchange. The medium of exchange can be any object that can be accepted by everyone in society in the process of exchanging goods and services. In modern economics, money is defined as something available and generally accepted as a means of payment for purchasing goods and services and other valuable assets as well as for paying debts. Some experts also mention the function of money as a means of delaying payments.[6] Money in Islam was initially reflected in the dirham as a medium of exchange and a means of value, then developed into gold and silver money with the name dinar (Arab countries). Money and its function as a medium of exchange and value tool were also put forward by Ibnu Khaldun and al-Ghazali.[7]

3.2. Types of Money in Islamic Economics

The recommended currencies in Islamic Economics are dinars (Gold) and dirhams (Silver). The gold dinar is a 22-carat (91.70%) gold coin weighing 4.25 grams. Meanwhile, silver Dirhams are pure silver coins (99.95%) with a weight of 2,975 grams. This standard for Dinars and Dirhams was established by Rasulullah SAW, in 1 Hijriyah, and then enforced by Caliph Umar bin Khattab in 18 Hijriyah. At that time, for the first time, Caliph Umar bin Khattab minted Dirham coins. Meanwhile, the person who first minted the

Islamic gold Dinar was Caliph Malik bin Marwan in 70 Hijriah, while still referring to the provisions of the Prophet Muhammad. and Umar ibn Khattab ra., namely in a weight ratio of 7/10 (7 Dinars to 10 Dirhams).[8] For Muslim-majority countries, the phenomenon of popularizing the use of dinars and dirhams as a means of exchange for payments and economic transaction activities is based on the following things:

First, in the Koran and al-Sunnah, many mention wealth and wealth in terms of gold and silver (dinar and dirham). This belief increasingly encourages the use of both even though there is no requirement. In Islamic history, two groups define money. The first group is those who limit money to gold and silver only, including Mujahid, Abu Hanifah, An-Nakha'i, Abu Yusuf, An-Nabhani, and Baqir Sadr. Those who did not limit money to gold and silver were Laith bin Sa'ad, Ibn Taymiyah, As-Syaibani, Ibnu Hazm, and Az Zuhri.

The second is to uphold the pillars of Islam, namely paying zakat and upholding Islamic law. The standard punishment for thieves is dinars and dirhams. A Muslim who has gold, money, and other wealth that has reached the *nisab* (a measure of weight) worth 20 dinars in gold is obliged to pay zakat. For gifts worth $\frac{1}{5}$ dinars, the punishment must be had (cutting off the hand), even though the implementation of the order is very difficult to implement.

Third, gold money is universal and can be accepted by every human being because the material is gold and is relatively difficult to counterfeit. Gold money has a certain color, grade, and strength that cannot be made from other metals. This is different from paper money, which is often difficult for people and other countries to accept, both for political and other reasons. Counterfeiting banknotes is also easier to do.

Fourth, gold money can be used as a savings tool whose value is relatively stable. With gold money, its value does not experience sharp fluctuations, because the nominal value of money is the same as its intrinsic value. This is different from paper money whose value is very fluctuating and differs between the nominal value and the intrinsic value of money. The stability of paper money as a means of payment is also not guaranteed, due to the use of the concept of time value of money and errors in the use of money. A side effect felt in economic activities is that the value of money (paper) will change over time because its value depreciates. This is what makes paper money able to be used as a trade and economic commodity, not as a means of exchange for payment.[9]

The impact of using money as a trading commodity is the destruction of the value of currency which is used as a means of speculation, causing the value of the currency to fall. The fall in the value of the currency is what many economists conclude is the cause of a country's economic collapse and crisis.

The explanation above suggests that in Islamic economics the recommended money is gold and silver commonly known as dinars and dirhams. Gold and silver currency was chosen for at least four reasons, namely First, in the Al-Quran and Sunnah many mention wealth and wealth in terms of gold and silver (dinar and dirham). This belief increasingly encourages the use of both even though there is no requirement. The second is to uphold the pillars of Islam, namely paying zakat and upholding Islamic law. The standard punishment for thieves is dinars and dirhams. Third, gold money is universal and can be accepted by every human being because the material is gold and is relatively difficult to counterfeit. Fourth, gold money can be used as a savings tool whose value is relatively stable.

3.3. 3.3 The Function of Money in an Islamic Economic Perspective

In Islamic economics, the recognized function of money is only as a medium of exchange and a unit of account. Money itself does not provide uses/benefits, but it is the function of money that provides uses. Money becomes useful if it is exchanged for tangible objects or if it is used to purchase services. Therefore money cannot be a commodity/goods that can be traded.[10] In line with the previous opinion, Mahbubi Ali stated that in Islam money only functions as a medium of exchange. So money is something that continues to flow in the economy, better known as the concept of flow. This concept is different from the capitalist economic system, where money is seen not only as a legal medium of exchange (legal tender) but also as a commodity. According to al-Ghazali in Gamal, money which is likened to a mirror has no color but can reflect all colors, which means that money has no price, but reflects the price of all goods, or in classical economic terms it is stated that money does not provide direct utility.) function), which means that if money is used to buy goods, then those goods will provide usefulness. In the Islamic economic concept, money belongs to society (money is a public good). Anyone who hoards money or is left unproductive reduces the amount of money in circulation which can result in the economy not running smoothly. If someone deliberately accumulates money without spending it, it is the same as hindering the process or smoothness of buying and selling. The implication is that the exchange process hampers the economy. Apart from that, accumulating money/possessions can also encourage people to tend to bad qualities such as greed, gluttony, and laziness in giving charity (zakat, infaq, and sadaqah). These unfavorable characteristics also hurt economic sustainability. Therefore, Islam prohibits hoarding wealth and monopolizing wealth. Referring to the Koran, al-Ghazali in Gamal believes that a person who hoards money is a criminal because hoarding money means temporarily withdrawing money

from circulation. In modern monetary theory, hoarding money means slowing down the circulation of money. This means reducing transactions so that the economy becomes sluggish. Apart from that, al Ghazali also stated that printing or circulating counterfeit money is more dangerous than stealing a thousand dirhams, because stealing is a sin, while printing and circulating counterfeit money is a sin that will continue to repeat itself every time the fake money is used and will harm anyone who covers it up. longer period. Based on several expert opinions above, it can be stated that in the Islamic perspective, the function of money is only limited to money as a means of exchange for goods and services. Islam prohibits money and makes money a commodity. In modern monetary theory, hoarding money means slowing down the circulation of money. This means reducing transactions so that the economy becomes sluggish.

4. Closing

The concept of money in Islamic economics is different from the concept of money in conventional economics. In Islamic economics, the concept of money is very clear, and firm money is money, not capital. The fiat money system allows governments to control their currency, so from the explanation outlined above, it can be concluded that theoretically, the currencies used in an Islamic economic perspective are dinars (gold) and dirhams (silver). Gold and silver currencies are considered currencies. best for at least four reasons, namely First, in the Al-Quran and Sunnah many mention wealth and wealth in terms of gold and silver (dinar and dirham). The function of money in the perspective of Islamic Economics is only limited to money as a means of exchange for goods and services. Islam prohibits money and makes money a commodity. Because hoarding money means slowing down the circulation of money. This means reducing transactions so that the economy becomes sluggish.

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