The Concept of Money in the Perspective of Islamic Economics

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Article history: Received: June-30-30| Revised: July-06-2026| Available Online: July-12-2026

ABSTRACT
Humans have been using money as a tool for transactions for a long time. The money that has been used as the official currency since the time of the Prophet Muhammad and was passed on by the caliphs after him for centuries is the gold dinar and silver dirham. This paper aims to lay out the concept of money according to Islamic economics. For this purpose, the normative legal study method is used in its writing. Among the findings of this study is that in the perspective of Islamic economics, money is everything that is generally accepted and issued by an authorized financial institution as a medium of exchange and a measure and store of value. In addition, the use of gold dinar and silver dirhams is not a religious obligation, but history proves that the two currencies are very stable and not subject to inflation like paper money. According to the Islamic economic perspective, money has three functions, namely as a medium of exchange, as a unit of calculation or measure of value, and as a store of value if money is made of gold and silver. In the financial sector, Islam has many provisions, such as the use of money as a measuring tool for nisab and zakat rates, dowry, kaffarah, nisab cut off hands for thieves, diyat, and jizyah.

Keywords : Money; Dinar; Dirham; Gold; Islamic Economy.

INTRODUCTION

Money is a fundamental instrument in the economic system because it functions as a medium of exchange, a unit of calculation, a store of value, and a payment standard that facilitates people's economic activities. Along with the development of the global economic system, the function of money has shifted, not only as a means of transaction, but also as a commodity that is traded to obtain profits through interest mechanisms, speculation, and other financial instruments. This shift in function has given rise to various economic problems, such as inequality in wealth distribution, inflation, financial crisis, and transaction practices that are not supported by real sector activities (Chapra, 2000).

From an Islamic economic perspective, money is seen as different from the concept of conventional economics. Islam places money solely as a medium of exchange and a unit of value, not as a commodity that can be traded for profit. Profits in Islam are only obtained through productive business activities, legitimate trade, or profit-sharing based investments. Therefore, Islam expressly prohibits the practice of usury, gharar (ambiguity), and maysir (speculation) because it is considered contrary to the principles of justice, balance, and benefit in economic activities (Karim, 2017).

The concept of money in Islamic economics has a strong foundation, both from the Qur'an, hadith, and the thoughts of classical scholars such as Imam Al-Ghazali and Ibn Taymiyah. Imam Al-Ghazali explained that money was created as an intermediary for the exchange of goods and services so that it had no benefit if it was traded as a commodity. Thus, the main function of money is to facilitate economic transactions and maintain the stability of the economic system, not to be an object to generate profits directly (Al-Ghazali, 2004). This view shows that the circulation of money must always be associated with real economic activities that are able to create added value for the community.

The development of the Islamic finance industry in various countries, including Indonesia, further strengthens the importance of understanding the concept of money from an Islamic economic perspective. Various Islamic financial institutions, such as Islamic banks, Islamic pawnshops, Islamic finance institutions, and Islamic capital markets, apply the principle that money is not a commodity, but an instrument that supports productive investment, trade, and financing activities. The application of these principles is expected to be able to create a more stable financial system, reduce speculative practices, and encourage equitable distribution of people's welfare (Ascarya, 2022).

Although the concept of money in Islamic economics has developed quite widely, there are still many people who understand money only based on conventional economic paradigms. As a result, there is often a perception that the Islamic financial system does not have fundamental differences from the conventional system. Therefore, the study of the concept of money from an Islamic economic perspective is important to explain the nature of money, its functions, characteristics, and implementation in the Islamic financial system. A comprehensive understanding of this concept is expected to increase sharia economic literacy while strengthening the application of Islamic principles in modern economic activities.

METHODS

This research uses a qualitative approach with the type of library research. The qualitative approach was chosen because the research aims to understand and analyze the concept of money in the perspective of Islamic economics based on theoretical studies and various relevant scientific literature. Literature studies are carried out by collecting, identifying, and reviewing various literature sources as the main data of research without collecting data directly in the field (Zed, 2018; Creswell & Creswell, 2023).

The data sources used are secondary data, which comes from the Qur'an, hadiths, Islamic economics books, national and international scientific journals, fatwas of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), as well as official documents from related institutions such as Bank Indonesia and the Financial Services Authority. The literature used was selected based on its level of relevance, credibility, and relevance to the discussion of the concepts, functions, characteristics, and implementation of money in the Islamic economic system (Sugiyono, 2023).

The data collection technique is carried out through documentation, which is searching, collecting, organizing, and reviewing various literature related to the concept of money in Islamic economics. Furthermore, the data is analyzed using content analysis through the stages of data reduction, data presentation, interpretation, and conclusion drawn. The analysis was carried out by comparing the views of classical scholars, contemporary Islamic economic thinkers, and the results of previous research so that a comprehensive understanding of the concept of money from an Islamic economic perspective and its implementation in the Islamic financial system was obtained (Miles, Huberman, & Saldaña, 2014; Creswell & Creswell, 2023).

RESULTS AND DISCUSSION

The Concept of Money in the Perspective of Islamic Economics

The results of the study show that the concept of money in the perspective of Islamic economics has different characteristics from the concept of money in the conventional economic system. In Islamic economics, money is positioned as a medium of exchange and a unit of value, not as a commodity that can be traded for profit. Therefore, money only functions as a medium that facilitates economic activities and must be related to transactions that have the basis of real economic activities (Pratama et al., 2025).

This concept emphasizes that profits in Islam are not obtained from the addition of the value of money alone, but come from productive business, trade, or investment activities. Thus, the practice of usury, gharar, and maysir is prohibited because it can eliminate the main function of money as a medium of exchange and has the potential to cause injustice in economic transactions (Elsanti et al., 2025).

History of the Development of Money

Based on the results of literature reviews, the development of money began with a barter system used by the community to meet their needs through direct exchange of goods. As the complexity of economic activities increases, the barter system is considered no longer efficient so that people begin to use various objects that have value as a medium of exchange. In the history of Islamic civilization, dinar made of gold and dirhams made of silver were used as official currencies because they had a stable intrinsic value and were widely accepted in trading activities (Aini et al., 2025).

The development of the modern monetary system then presented paper money as a legal tender. Although its use is allowed in Islam, the stability of the value of money remains a major concern because fluctuations in the value of currencies can affect people's purchasing power and economic stability. Therefore, Islamic economics emphasizes the importance of monetary policies that are able to maintain the value of money while avoiding speculative practices (Sofiastuti, 2024).

The Function of Money in the Perspective of Islamic Economics

The results of the analysis show that money in the perspective of Islamic economics has its main function as a medium of exchange (medium of exchange) and a unit of value (unit of account). This function distinguishes the concept of money in Islamic economics from conventional economics which also views money as a commodity and an instrument to obtain profits through interest. Islam affirms that money should not be traded to make profits in the absence of real economic activity (Janah & Nuha, 2024).

As a medium of exchange, money simplifies the transaction process so as to eliminate various obstacles contained in the barter system. As a unit of value, money is used to objectively determine the price of goods and services so that transactions become fairer and more efficient. In addition, money can also function as a *store of value*, but its use should not encourage hoarding practices (*iktinaz*) that hinder the circulation of money in society (Sofiastuti, 2024).

Terms of Use of Money in Islam

Islam regulates the use of money through various sharia provisions aimed at maintaining justice in economic activities. Currency exchange (*sharf*) is allowed as long as it is carried out in cash (*taqabudh*) and if the currency is exchanged of the same kind, the amount must be the same to avoid the practice of usury. This provision shows that Islam wants a transaction system that is transparent and free from exploitative elements (Elsanti et al., 2025).

Apart from being a means of transaction, money also has a social function in the implementation of Islamic law, such as determining nisab zakat, payment of dowry, diyat, kaffarah, and various other economic obligations. This shows that money not only has an economic dimension, but also becomes an instrument to realize the equitable distribution of people's welfare through a fair wealth distribution mechanism (Aini et al., 2025).

Implications of the Concept of Money on the Islamic Economic System

The concept of money in Islamic economics has great implications for the Islamic financial system. All financing activities must be based on transactions that have underlying assets through sharia contracts such as mudharabah, musyarakah, murabahah, and ijarah. Thus, profits are obtained from productive economic activities, not from the increase in the value of money itself. This approach is able to strengthen the relationship between the financial sector and the real sector so as to create a more stable, fair, and sustainable economic system (Pratama et al., 2025; Elsanti et al., 2025).

CONCLUSION

The concept of money in the perspective of Islamic economics places money as a medium of exchange and a unit of value (unit of account) that functions to facilitate economic activities, not as a commodity that is traded for profit. In contrast to the conventional economic system that allows money to be the object of transactions through the interest mechanism, Islamic economics emphasizes that profits can only be obtained from productive real economic activities, such as trade, investment, and business cooperation in accordance with sharia principles.

The results of the study show that the concept of money in Islam is based on the values of justice, balance, and benefit. Therefore, Islam prohibits the practice of riba, gharar, and maysir because it contradicts the primary function of money as a medium of exchange. In addition, money must continue to circulate in productive economic activities so as to be able to encourage economic growth, equitable distribution of wealth, and improve people's welfare.

The implementation of the concept of money in the Islamic financial system is realized through various contracts, such as mudharabah, musyarakah, murabahah, ijarah, and rahn, all of which are based on real transactions as well as the principles of profit sharing and justice. Thus, the concept of money from an Islamic economic perspective not only provides a theoretical foundation for the Islamic monetary system, but also becomes a foundation in building an economic system that is more stable, inclusive, sustainable, and oriented towards the benefit of the ummah in the midst of modern economic developments.

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