

The Concept of Money in an Islamic Perspective

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ABSTRACT: *This study aims to comprehensively understand the concept of money within the framework of Islamic principles. To achieve this goal, the authors of the articles employ methods that revolve around conducting a thorough examination of the available literature. The data have been obtained from a combination of primary and secondary sources. The study results show that money refers to any openly disclosed and used medium used by leading financial institutions to exchange, measure and store value. In addition, it is important to note that religious teachings do not explicitly mandate the use of gold and silver as a form of currency. However, the academic literature shows that this monetary form exhibits increased stability and a higher level of resistance to inflation when compared to other forms. In accordance with Islamic economic theory, money has three basic functions: first, as a medium of exchange; second, as a mechanism for determining interest rates or valuation; and third, as a means of obtaining loans, provided that they are backed by gold and silver.*

Kajian ini bertujuan untuk mendapatkan pemahaman yang komprehensif tentang konsep uang dalam kerangka prinsip-prinsip Islam. Untuk mencapai tujuan ini, penulis artikel menggunakan metode yang berkisar melakukan pemeriksaan menyeluruh terhadap literatur yang tersedia. Data telah diperoleh dari kombinasi sumber primer dan sekunder. Hasil penelitian menunjukkan bahwa uang mengacu pada media apa pun yang diungkapkan dan digunakan secara terbuka yang digunakan oleh lembaga keuangan terkemuka untuk tujuan pertukaran, pengukuran, dan penyimpanan nilai. Selain itu, penting untuk diketahui bahwa penggunaan emas dan perak sebagai bentuk mata uang tidak secara eksplisit diamanatkan oleh ajaran agama. Namun demikian, literatur akademis menunjukkan bahwa bentuk moneter ini menunjukkan peningkatan stabilitas dan tingkat resistensi yang lebih tinggi terhadap inflasi jika dibandingkan dengan bentuk lainnya. Sesuai dengan teori ekonomi Islam, uang memiliki tiga fungsi mendasar: pertama, sebagai alat tukar; kedua, sebagai mekanisme penentuan suku bunga atau penilaian nilai; dan ketiga, sebagai sarana untuk mendapatkan pinjaman, dengan syarat didukung oleh emas dan perak.

Keywords: *Money Concept, Islamic Perspective, Dinar and Dirham.*

I. INTRODUCTION

The majority of the population cannot carry out any of the tasks necessary to meet the demands of daily life. Various organisations have identified specific needs, and each individual must select the goods or services offered to meet those needs. Money is considered an inefficient form of an asset when to satisfy certain needs, individuals are required to identify and relate to someone who has the desired product or service and then pool their resources to obtain that good or service. Consequently, additional penalties are needed to function as a medium of exchange and a standard of value to facilitate economic transactions (Nazwar & Anwar, 2022).

Before the widespread adoption of currency in Southeast Asian societies, Islamic influence played an important role in introducing the concepts of "medium of exchange" and "measurement of value". This is proven by the explicit mention of "measurement of value" in various verses of the Koran. Scholars of Islamic law, known as Fuqaha, have characterised gold and silver as equivalent to dollars and dirhams. Before the emergence of currency as a tool to facilitate transactions, economic transactions were carried out through a barter system, where goods were exchanged for something else (Sahrani et al., 2021).

Money is widely regarded as the most important creativity in the field of international prosperity. Its position of power within the economic system is critical, making it difficult for alternative media to rival its prominence. The presence of money has historically been very important in shaping human experience in various aspects of everyday life. The use of currency has shown its efficacy in accelerating and streamlining the exchange of commodities and services. According to (Watkins, 2022), the presence of money in the economic system facilitates efficient and effective trade execution. Money is a more convenient alternative to barter because it facilitates transactions and alleviates the challenges associated with exchanging goods and services. On the other hand, Barter is a relatively complex and inefficient method that offers limited compatibility with contemporary financial structures. In the opinion of (Isdarmanto, 2020), the utilisation of financial resources can lead to increased efficiency, resulting in increased levels of trade and worker efficiency. As a result, this can contribute to an increase in revenue in addition to an increase in morale.

Initially, the main purpose of money was as a mechanism to facilitate transactions, particularly as a medium of exchange. However, over time, the main function underwent a transformation. The capitalist economic system recognises that money functions not only as an object of exchange but also as an item of exchange, facilitating its buying and selling as something of value in its own right. In contemporary financial theory, income is considered as a medium of exchange, as has been established by scholars in the fields of capitalism and sociology.

The Islamic economic system, which is a branch of Islam, has clear principles regarding matters involving money and the human heart in general. The Islamic economic system

has a clear downward trend of money. He discusses the types and functions of money and explains what is permissible and prohibited in terms of using money as a tool for humans (Dakhoir, 2017). This study aims to describe the concept of currency from an Islamic perspective. Among those discussed are the definition of money, the history of money, the types of money, the functions of money, and Islamic provisions regarding money.

II. METHOD

The research in question was carried out using secondary data sources. This study provides a comprehensive analysis of the semantic nuances associated with the concept of money by drawing on various scientific sources, including books, papers and journals that specifically explore the idea of Islamic money. Scholars engage in library-based research, a method that involves collecting data and information from various materials located within the library environment (Ahmad, 2018).

The data used in this study comes from secondary sources collected and analysed by external entities. Usually, the information is presented in a printed format. Tertiary data is the comprehensive assembly and synthesis of primary and secondary sources. According to (Abdullah, 2015), user text does not require academic rewriting because it is a font specification.

III. RESULT AND DISCUSSION

Concept and History of Money

According to its meaning, the term "*al-naqdu-nuqud*" is the origin of the concept of money in Islamic economics. The term includes various interpretations, such as *al-naqdu*, indicating the currency, and *al-naqdu*, indicating the dirham value. Due to the absence of *nuqud* as a pricing tool in Arab society, there is a lack of scriptural references to this concept in the Qur'an or Hadith. The dinar is used as the standard unit of measurement for gold coins, while the dirham is the standard unit for silver products. In addition, individuals used a currency known as *wariq* to acquire silver dirhams, while "*ain*" currency was used to procure gold dinars. In addition, the term "*fulus*", which refers to copper money, is a form of currency used to buy goods and services at relatively low prices.

The concept of "*Untenable Nuqud*" refers to a situation or condition that cannot be sustained in the sense that according to the records of Abu Ubaid, a scholar who lived until 224 H, it is stated that dirhams and dinars function as a common means of currency exchange, for transactions involving goods and services. In addition, it is emphasised that no party involved in the transaction can place a higher value on a commodity or service. Dinars and dirhams function as a medium of exchange to facilitate transactions involving goods and services. According to the writings of Al-Ghazali, a prominent Islamic scholar who died in 505 AH, it is argued that Allah, in His divine wisdom, designated the dollar and the dirham as two different global currency units to facilitate their harmonious convergence.

According to the analysis of Ibn al-Qayyim (d. 751 H), dinars and dirhams can be considered examples of representative commodity exchange rates. This implies that currency serves as a universally accepted metric for evaluating the value of goods and services. Historically, the currency used in Islamic society was originally denominated in dirhams, functioning as a unit of account and a unit of measure (Misnawati, 2021). Furthermore, there was a shift in the use of the dinar, which is a form of Arabic currency. Eventually, the monetary system developed further, incorporating the use of gold and silver. The use of money and its role as a measuring and evaluation tool was discussed by both Ibn Khaldun and al-Ghazali (Soemitra, 2020).

Money is a widely accepted medium of exchange used to purchase goods and services, as well as a store of value. Money is generally understood as a medium of exchange that can be used to finance various activities, including procuring weapons and facilitating destructive acts. In the context of this discussion, it is postulated that price is the benchmark that applies to commodities, while wages are the benchmark that applies to humans. These yardsticks, in turn, each represent a social assessment of the value and labour of individuals. The designation of goods and services in units, which limits their utilisation, determines the medium of exchange and is generally denoted as a monetary unit (Mardiana, 2014).

In addition, money is perceived by the public as a single entity that functions as a medium of exchange in various transactions, including activities such as trade and commerce. In order for the general public to recognise and embrace the use of objects as a medium of exchange, two prerequisites must be met:

1. Psychological needs, meaning that the object must be able to meet the various demands of those who have it so that everyone wants to admit and accept it.
2. Technical requirements, including financial conditions, among others:
 - a. One of the important characteristics of the object is its durability and resistance to damage.
 - b. Facilitate unlimited sharing without sacrificing inherent value.
 - c. Portable
 - d. Value, this value shows a relatively stable pattern.
 - e. Quantity does not exceed acceptable limits.
 - f. Consists of various nominal denominations.

The Islamic attitude to money is an outdated idea. Islam does not use money as a means of expression because it is not a safe medium of exchange. Money is a common good owned by the general public. Thus, "hoarding money" is deducting a certain amount. The economy can stagnate or experience an air level disturbance if air is in the cylinder. The lesson is that it is forbidden to hoard money (Athoillah, 2017).

Before Adam Smith's "The Wealth of Nations" was published in Europe in 1766, a convert named Abu Hamid Al-Ghazali wrote a book entitled which examines the role of money in the economy. He claimed that money could be used as an instrument of commerce, but it was not necessary for money itself. He referred to funds used to extract a bewildering amount of value from multiple sources. And money is generally not a commodity (Muhd Adnan et al., 2020). According to al-Ghazali, money is handled using a kind of colourless

mirror that can cover any colour in commemoration. Its meaning is a currency with no price other than setting a price for each item. The traditional Islamic economic system states that money does not provide direct benefits; therefore, if money is used to buy something, then that item provides utility (Qoyum et al., 2021);(Afiah et al., 2023).

In the context of a barter economy, money is important because it functions as the most important medium of exchange for commodities. As an illustration, both camels and cloth cost 100 dinars per unit. When money is used exclusively as a form of property, it also functions as a medium of exchange. According to al-Ghazali's writings, money handling is metaphorically likened to a colourless mirror that remains transparent despite precautions.

The idea of making use of conforming items as a means to solve a problem came to mind. For goods or objects to be recognised as a medium of exchange, they must have certain attributes, including acceptance in society, significant value, not having magical or mystical properties, and practical needs in everyday life.

After introducing the standard medium of exchange, individuals face high levels of psychological distress. Examples of equipment serving as a medium of exchange lack the ability to be divided into different denominations, creating challenges in establishing a justifiable value for the item and facilitating the transfer of the hidden currency contained therein.

In the next stage, money (metal) is present. The metal was eliminated because it has characteristics such as having a high numerical value, being easy to forget without changing its numerical value, being long and having a layer of rust, and being easy to pin because of its higher ringiness. Gold and silver are two types of metals with the characteristics mentioned above, so each is suitable for exchange. In addition, gold and silver also have an additional benefit called "whole body money" (gold and silver). In other words, the intrinsic value of a currency is equal to its face value or the value assigned to a given currency.

After a period of use of log currencies, another issue emerged, stating that log currencies, especially those in gold and silver, were less secure due to their small volume, making transactions more risky. Therefore, the money is specifically intended to solve problems. According to the law, paper money is an item made of gold and silver that can be used as an exchange or contract for transactions. Alas, the currencies in circulation and late at that time were all aimed at gold and silver, which were booming among intellectuals (Aulianisa, 2012).

The implementation of peaceful printing of banknotes by any country requires the existence of reliable gold reserves as security. The existing monetary framework known as the "gold standard system," established in 1870, served as a mechanism to facilitate currency conversions. Subsequently, a series of negotiations took place between the British government and the exchange rate of sterling relating to bonds. Many countries have adopted this standard emergency response system due to the world economic slowdown. However, the use of the system began during World War I. As a result, the monetary systems in many countries exhibited corruption and remained impervious to scrutiny.

The conference, which 730 people from 44 countries attended, took place in Bretton Woods, a small hamlet in New Hampshire, United States of America. The event took place from July 1 to 22, 1944. The conference's outcome became known as the "Bretton Woods System". The Bretton Woods system established the U.S. dollar as the primary global exchange unit, replacing the gold standard while establishing the dollar as the exclusive currency used in the United States. Furthermore, according to the Bretton Woods system, the conversion of each trading currency of the countries involved into dollars is facilitated via the gold, resulting in a ratio of 35 U.S. dollars to one gold ounce (Ichsan, 2020).

The outbreak of the Vietnam War placed a significant fiscal burden on the United States government in 1970. This action was in line with government directives to reduce the price of gold, resulting in a situation where gold obtained through this act were no longer profitable. Due to the significant correlation between the dollar and equities, the U.S. Government issued an official statement indicating the separation of the dollar from the gold standard. Because of these circumstances, the United States of America officially communicated to the international community on August 15, 1971, its decision to discontinue the fixed exchange rate system for the U.S. dollar. As a result, the Bretton Woods system has expired and is currently out of action (Ichsan, 2020).

The gold market has yet to achieve stability as a currency. The value of paper currency depends on the trust placed in foreign exchange reserves, which include gold and foreign currency holdings and are administered by each country's central bank (Khaer & Anwar, 2022). Since the formation of the Jamaica Agreement in 1976, every country around the world has been given the prerogative to use a floating exchange rate system. This suggests that a permanent end to the widespread adoption of the gold standard is imminent.

Following Islamic teachings, it is believed that the concept of monetary exchange was present in the Prophet Muhammad (S.A.W.) era. Currently, two monetary units are in circulation, namely, the gold dinar and the silver dirham. The historical origins of the Gold Dinar and Silver Dirham predate the reign of Prophet Muhammad S.A.W. However, after taking over the global leadership, the Prophet Muhammad S.A.W. adopted this currency as a means to establish a standardised monetary system. Furthermore, the caliphs who took power after his death for a long time triggered this phenomenon (Haerisma, 2016).

Unfortunately, at the moment, the only currencies that are exchanged are the United States dollar and the United Arab Emirates dirham. No Islamic country may use it as a form of currency. It is commonplace for every country to have a monetary system that relies on foreign currency or fiat currency valuations. Many Muslim countries still use the designations "dinar" or "dirham" as the base unit of their currency, especially for non-physical transactions rather than gold and silver.

During the Prophet's era, it was observed that Muslims used Persian and Roman currency without any change. The inaugural caliph of the Umayyad dynasty, commonly referred to as Abdul Malik bin Marwan, undertook a significant initiative to convert dollars and dirhams into Islamic forms of currency in 74 A.H. This effort was aimed at facilitating the use of these monetary units in areas regulated by the Muslim authorities. The current Islamic government has reformed the Islamic currency, which it claims complies with the provisions of the law.

Towards the end of the Ottoman Empire, around 1922, currency circulation expanded to areas mostly inhabited by Muslim communities. According to (Haerisma, 2016), the two functions of money. In a broad sense, currency functions as an intermediary in barter transactions and goods exchange between individuals. In a more precise context, money can be used in two ways: direct and transactional. Currency can be used in three different ways: as a medium of exchange, a unit of account, and a medium for storing value.

Currency, however, fulfils the following functions: First, currency functions as a legal instrument for redemption purposes. Second, currency serves as a debt settlement medium. Additionally, currency acts as a wealth transfer mechanism. Lastly, currency plays an important role in facilitating the planning of economic activities (Mayasari & Rudy, 2021).

Within the framework of Islam, money is seen not as a mere commodity but as a medium of exchange. This currency aims to foster a culture of prudence, thoroughness and foresight. Bartering is a common practice in economics. The presence of "*riba al fadhl*", a form of transactional uncertainty recognised in Islamic principles, creates a level of ambiguity in the barter system. Money in Islamic economics functions as a unit of account and a collection of currency units with substantial value (Gundogdu, 2020).

Money can serve as a metric for assessing opportunity costs in low-income contexts. Instead, money serves as a tool to enforce religious and social norms, as it effectively facilitates the transfer of payments in the context of family transactions. The religious significance of money lies in its ability to facilitate the determination of the *nisab* and the proper assessment of the zakat rate. In its capacity as a social mechanism, money functions to limit or prevent unlimited exploitation in the bargaining scenario. In the Islamic context, it is emphasised that the concept of money, commonly referred to as "*nuqud*", does not exist. The term "*fulus*", which refers to copper money, was used exclusively as an aid of exchange for acquiring cheap goods.

Money as a Measure of Price

The function of money plays an important role. Money is a universally accepted medium of exchange in acquiring goods and services. The term relates to the currency used for immediate payment for purchases of goods and services. The presence of money as the only metric streamlines all economic transactions related to the collective interests of the people. Al-Ghazali's tendency towards material wealth is referred to as the "mirror" phenomenon. In the realm of fine arts, currency functions as a measurable metric capable of accurately representing the value set for each available item (Mayasari & Rudy, 2021).

The primary purpose of money is to increase the value of a commodity that can be exchanged and exchanged for other things that can be exchanged. Ibn Taimiyah's teaching on monetary matters is fundamental and shows noteworthy innovation. According to contemporary economists, this problem persists and recurs consistently after two public holidays.

Money as Transaction Media

Everyone uses the money to carry out transactions involving exchanging goods and services. Suppose a person has the necessary resources to meet their need for additional

food. In that case, it is customary for them to engage in the commercial exchange of these goods to generate financial gain. Furthermore, they can use the funds obtained to buy the side dishes they want. Starting from the function of money as a medium in all transactions related to the fulfilment of human needs.

The current scenario deviates from the historical barter system, as individuals with monetary resources are required to find partners with a loaf of bread and need money. The inherent flaws in this system are easily visible. Money as a medium of exchange in all contemporary economic activities is very important. Due to the inherent diversity of human needs, it is impractical for each individual to independently produce all the necessary goods within a certain period. As a result, utilising monetary resources becomes very important in facilitating the fulfilment of human needs. When a country's government intervenes in the currency system, it turns the transaction into a respectable process that requires recognition from all parties involved.

Money as a Media for Saving Value

Money, when used as a medium of exchange, facilitates the transfer of monetary values over different periods. The concept of money as a store of value suggests that individuals who receive money have the choice to refrain from spending immediately. Instead, they can allocate a portion of their funds for future use, such as acquiring necessary goods or services at their discretion or covering unforeseen expenses, such as medical emergencies or unavoidable losses. One possible explanation for the motivation of individuals to engage in financial transactions is their desire to obtain varying amounts of money as a way to reduce exposure to potentially dangerous situations, as exemplified in the research that has been described (Ilyas, 2016).

According to the principles of Islamic economic theory, the two main factors that pose challenges to individuals in pursuing income and accumulating wealth are the necessity to engage in transactions and the necessity to exercise vigilance. In the current context, individuals must allocate their financial resources to address unresolved issues, whether within the boundaries of personal life, financial institutions, or through involvement in stock market activities. According to (Hasan, 2017), the act of saving money in a bank results in continuous appreciation and an increase in value in an economic context.

In Islamic beliefs, it is believed that money has two main functions: as a medium of exchange and as a unit of measurement. Consequently, within the framework of Islam, it is understood that every individual has monetary resources. As a result, al-Ghazali imposed a ban on currency conversions as a means to exemplify the role of money as a medium of exchange in commercial transactions. However, when a currency can be obtained or exchanged for another currency, that currency ceases to operate solely as a medium of exchange. Instead, it takes on the characteristics of a commodity. This transformation aligns with al-Ghazali's view that such practices are permissible within the framework of Islamic principles. Ibn Taimiyah shows a deep preoccupation with currency because of his theoretical perspective on the role of money as a medium of exchange, suggesting that such practices have the potential to weaken the inherent function of money. The act of engaging in financial transactions does not guarantee the formation of a financially stable future for an individual. However, the author anticipates

the exchange of foreign currencies, where the transaction terms stipulate that there is no delay in paying *hulul*, with only the *taqabul* currency being exchanged (Adela, 2018).

The Islamic economic currency concept is characterised by its adherence to a flow-oriented approach instead of a stock-oriented one. Due to the nature of money as a public good and not private property, money must circulate consistently and be present in all aspects of society's economic activities. Islamic economic theory is in line with Irving Fisher's proposition that an increase in the velocity of money leads to an increase in the income generated. Islam vehemently opposes the idea that money should be used as a means to accumulate vast reserves of wealth.

Wealth or capital refers to personal assets or property that are limited in accessibility for a limited number of individuals. As a public good, money is inherently owned collectively and must be distributed fairly among all individuals. Al-Ghazali harshly criticised individuals who hoarded money during this incident, as such behaviour would effectively remove money from the economic equation. Based on the monetary theory, the act of withdrawing a certain amount of money is thought to result in a reduction in the volume of transactions that occur, thereby having a detrimental effect on the economy as a whole.

According to (Jaffar et al., 2017), Islam often promotes investment actions rather than reducing the value of money. The act of spending money is considered more profitable than storing it in kind, assuming a stable market value. In particular, scattered throughout the bank. However, it is common for prices to continue to rise over time while the dollar's purchasing power continues to decline. Therefore, unlike transactions related to tangible commodities, individuals using currency are impaired.

Under these circumstances, monetary incentives may not always be the most effective way to promote positive behaviour. This statement characterises the role of money as a mechanism for inaccurately assessing currency values. Given these circumstances, it is more advisable to accumulate wealth by acquiring shares, guarantees or property. According to Muhamad Usman Syabir, the act of transferring wealth in the form of money does not always generate profits due to the consistent depreciation of the monetary value. Given the prevailing conditions, there is a higher probability of successfully finding financial assets, such as stocks or real estate, that can generate wealth. Hoarding money was strictly prohibited during the caliphate of Umar bin Khattab because of its detrimental impact on the price level and, afterwards, the purchasing power of the currency (Manas & Siddeek, 2016).

In addition to its application in spot transactions, money can also facilitate historical payments associated with contemporary purchases, which include practices such as barter and long-term acquisitions. The function mentioned above comes from the use of money as a unit of time and currency. As a result, there is a strong correlation between expenses incurred during the initiation of certain functions and expenditures incurred during the initiation of other functions.

Type of Money

Commodity Money

The goods are not intended to be used as a medium of exchange. The term "goods money" refers to a form of currency that derives its value from the commodities that can

be bought or traded. Based on the exchange framework, it can be observed that primitive society has a solitary commodity that functions as a medium of exchange. Goods vary depending on socioeconomic and financial circumstances, exemplified by using livestock as a currency in pastoral communities, agricultural products serving as a medium of exchange between farmer groups, and fish having significant value in fishing communities. However, only recently has converting all goods into monetary value become feasible. This process requires the fulfilment of three special conditions:

1. Scarcity refers to the limited availability of resources.
2. Durability is an important factor to consider when evaluating an item's quality. The item must have a high level of durability.
3. The "high value" concept refers to situations or objects with significant value or importance. For goods to function as a medium of exchange, they must have a significant value, thereby minimising the need for large quantities to facilitate transactions.

Commodity money is widely considered the most resilient form of currency. After recognising the inherent limitations of the barter system, individuals quickly came to the consensus that a universally accepted medium of exchange, possessing the qualities necessary to facilitate transactions and other comparable functions, was imperative.

The significance and nature of commodity money stem from its use pattern. Livestock, like pets, can serve many purposes beyond mere consumption, including transportation and food. Currency is then used to augment various functions, including media negotiation and establishing standard dimensions for the prices of commodities and services. To survive a long distribution time without corroding, the cargo must be durable. As a result, vegetables are generally not considered a form of currency because they spoil quickly and take a long time to decompose.

Coin Money

The use of logarithmic currency is a fundamental element in the field of currency investigation. This study has analysed the various concerns individuals may experience when engaging in business transactions with individuals whose ethical behaviour is questionable. However, the current economic slowdown and accompanying barriers to trading procedures have created challenges in the sustainable use of derivative currencies. Investing money is more profitable than hoarding it, based on the assumption of consistent market value. Specifically, these items are distributed sporadically within the bank. However, it is common for prices to continue to rise while the dollar's purchasing power continues to decline.

After conducting a comprehensive analysis of metal prices at a premium, it is evident that the most important key financial principle is currency exchange. During the early stages of adopting metals as a medium of exchange, individuals used token scales to make transactions. There are two different systems of monetary logarithms, namely the double system (bimetallic) and the single system (gold standard, in the previous day). When a country implements a unified monetary system and provides interest-free loans to military veterans, this arrangement is referred to as a single currency system. It is important to note that the currency in question, whether gold or silver, remains stable in

value without depreciating in the absence of foreign currency. A country that uses two distinct categories of logs, namely gold and silver, and defines each with strict criteria for an unlimited settlement is usually said to have implemented a two-timber system.

Silver and gold are generally used as products to facilitate transactions as a medium of exchange. In order to effectively serve various monetary functions, such as acting as a medium of exchange, a unit of measurement of economic value, a store of wealth, and facilitating the exchange of currencies, commodities designated as money must have different characteristics, as outlined below:

1. Currencies considered fragile have divisibility, which allows them to be easily divided into units of the same value and then recombined into larger units without losing value.
2. The fundamental requirement for money is its exchange, where every currency unit has the same value and is commensurate.
3. The measurable attribute is especially important for money because it requires a quantifiable weight, measure, or count. The occurrence of currency debasement should ideally be rendered infeasible or, at the very least, easily identifiable.
4. It is very important that money maintains a consistent, unchanging value over time. This facilitates the preservation of monetary value over a long period, reducing the risk of diminishing purchasing power.
5. The durability of money is very important. This means that money must resist various environmental factors such as weather, heat, pressure and similar conditions, as well as resistance to biological degradation caused by bacteria.
6. Homogeneity is a fundamental characteristic of money in that it has a uniform composition and value across its divided parts, ensuring that no part is worth more than the other.
7. The fluidity of monetary transfers between different locations is very important.

The prevailing medium of exchange in contemporary society is currency, which mainly takes the form of bank notes or bank guarantees. Paper money is a physical representation of money, while a bank guarantee serves as a bank commitment to provide funds to banknote holders upon request. As a result of the use of coercive measures against gold and silver, the general public embraced the adoption of paper currency.

In an unofficial capacity, a form of currency referred to as "paper money" was introduced and adopted in China during 910 AD. Initially, the Chinese population used gold and silver as a medium of exchange, where the intrinsic value of these precious metals fully backed the value of these monetary units. However, during the 10th century A.D., the Chinese government initiated producing paper money not backed by precious metals such as gold and silver. As a result, individuals started using a form of currency referred to as "paper money" as early as 910 AD. Initially, the Chinese population used gold and silver currency exclusively, maintaining a fixed exchange rate. The Chinese government made an official declaration on April 10 regarding the allocation of funds which had previously been increased through the inclusion of gold and silver (Yani & Widjajanto, 2023).

Many advantages are associated with using fiat currency in business, including convenience and lower transaction costs compared to coins. In contrast to the stable exchange rates observed in gold and silver, paper currency prices began to show fluctuations. For example, if a currency has a larger quantity, it would serve as a deterrent against inflation, causing a devaluation of the dollar and increasing commodity prices.

IV. CONCLUSION

Within the framework of Islamic economics, the term "money" is derived from the Arabic word "*naqud*", which includes various connotations such as "sound currency", "smart dirham", "owning dirhams", and "liquid assets". The term "*naqud*" is not mentioned explicitly in the Qur'an or Hadith, as it was not used in ancient Arabic culture to denote commodity prices. Instead, the term "dinar" is used to denote a form of currency made of gold, while "*dirham*" is used to denote a currency made of silver.

Within the framework of Islam, money is not seen as a mere commodity but rather as a medium of exchange. The primary purpose of currency is to streamline and enhance various economic activities involving barter, trade and other forms of exchange. This phenomenon arises as a result of injustice referred to as "*riba al fadhli*" in the barter system. Within the Islamic framework, the concept of the time value of money is not recognised, but there is recognition of the economic significance of time. The recognition of the concept of interest with the Time Value of Money principle is not observed in this particular context. Conversely, in a religious context, usury, which is usually associated with the concept of interest, is considered not permissible because it is considered unfair. This principle is also inconsistent with the principles of "*al-al-qhumu bi qhurni*" (accepting results without bearing the associated risks) and "*al-khraj bil adhaman*" (receiving results without incurring costs) in Islamic tradition.

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