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The Concept of Money in Islamic Economics: A Synthesis of Classical Muslim Scholars' Thought and Its Contemporary Relevance

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Abstract

Money serves as a fundamental instrument in economic activity, functioning as a medium of exchange, a unit of account, and a store of value. However, the evolution of conventional economic thought has transformed money into a tradable commodity, enabling interest-based transactions that contradict Islamic economic principles. This conceptual article synthesizes the perspectives of classical Muslim scholars—Abu Ubaid, al-Ghazali, Ibn Taimiyah, Ibn Khaldun, and al-Maqrizi—on the nature and function of money within an Islamic framework. Through a comprehensive literature review and qualitative analysis of primary and secondary sources, the study identifies three core characteristics of money in Islamic economics: money as a flow concept (rather than a stock), money as a public good, and money's primary function as a medium of exchange and unit of account. The findings reveal that Islamic economics fundamentally rejects money as a commodity due to its lack of intrinsic utility, its independence from quality differentiation, and its non-specificity in transactions. The study contributes to the literature by providing a systematic framework for understanding monetary policy from an Islamic perspective, distinguishing between Islamic and conventional approaches to money, and offering policy implications for contemporary Islamic financial institutions. The findings have significant implications for monetary policy formulation, the regulation of Islamic financial institutions, and the development of ethical financial systems that prioritize real economic activity over financial speculation.

Keywords: *Islamic Economics, Money, Commodity, Classical Muslim Scholars, Monetary Policy, Interest-Free Economy.*

INTRODUCTION

Money occupies a central position in modern economic systems, facilitating transactions, enabling specialization, and serving as a store of value. In contemporary economies, the money supply influences inflation, employment, investment, and overall economic growth. The historical evolution of money from commodity-based systems to fiat currencies has fundamentally shaped economic structures and financial institutions worldwide. However, the transformation of money's function from a mere medium of exchange to a tradable commodity has generated significant debate among economists and policymakers regarding its implications for economic stability and social welfare (Mannan, 1992, p. 45).

The emergence of interest-based financial systems has further complicated the role of money in modern economies. In conventional economics, money functions as a medium of exchange, a unit of account, and a store of value. The latter function has evolved into money demand for speculation, transforming money into a commodity that can be traded and exploited for profit through interest-based lending. This shift has created fundamental tensions between economic efficiency and social justice, particularly in societies where religious values govern economic behavior. As Rozalinda (2014, p. 279) observes, an individual who borrows money from another may determine repayment terms by adding an amount beyond the principal, creating a system of interest that stands in stark contrast to the Islamic conception of money.

Islamic economics presents a distinctive perspective on the nature and function of money, grounded in Quranic principles and the teachings of Prophet Muhammad (peace be upon him). The Quran explicitly addresses the hoarding of gold and silver in Surah At-Taubah (9:34), warning against those who accumulate wealth without spending it in the path of Allah (Al-Zuhaili, n.d.). This verse establishes the normative foundation for Islamic monetary thought, emphasizing the circulation of wealth rather than its accumulation. Additionally, the story of Ashabul Kahfi (the Companions of the Cave) in Surah Al-Kahf (18:19) mentions the use of wariq (silver coins) for transactions, demonstrating the historical practice of using precious metals as currency. The story of Prophet Yusuf (Joseph) being sold for a few dirhams (Surah Yusuf, 12:20) further illustrates the use of silver as money in ancient societies (Huda et al., 2008, p. 93).

The urgency of re-examining the concept of money from an Islamic perspective stems from several contemporary challenges. First, the rapid growth of Islamic finance has created demand for clear theoretical frameworks that distinguish Islamic monetary principles from conventional ones. Second, the global financial crisis of 2008 highlighted the dangers of financial speculation and the transformation of money into a commodity, raising questions about the stability of interest-based financial systems. Third, policymakers in Muslim-majority countries increasingly seek guidance on aligning monetary policy with Islamic principles while maintaining economic competitiveness. Fourth, the growing field of ethical finance and socially responsible investment has generated interest in alternative financial systems that prioritize real economic activity over speculation (Janwari, 2016, p. 168).

The state of the art in Islamic monetary economics reveals significant scholarly interest but limited systematic synthesis of classical thought. Contemporary researchers have examined various aspects of Islamic monetary theory, including the prohibition of interest (riba), the role of gold and silver as monetary standards, and the relationship between money supply and price stability. However, existing studies often focus on specific scholars or particular aspects of monetary theory without providing comprehensive synthesis. The work of Chapra (2000) on the Islamic vision of development, Siddiqi (2006) on interest-free banking, and Askari et al. (2010) on Islamic finance provide valuable contributions but do not systematically synthesize the classical scholars' perspectives on the concept of money itself. This represents a significant gap in the literature, as the foundations of Islamic monetary thought lie in the works of classical scholars who addressed money's nature, functions, and appropriate use in economic transactions.

The research gap in the existing literature manifests in several dimensions. First, there is inconsistency among contemporary scholars regarding the primary function of money in Islamic economics, with some emphasizing only its exchange function while others acknowledge its store-of-value function. Second, the mechanism by which classical Islamic scholars justified the prohibition of money as a commodity remains under-examined in relation to contemporary financial instruments. Third, the conditional boundaries that distinguish acceptable from unacceptable monetary practices in Islam have not been systematically articulated. Fourth, the temporal dynamics of monetary policy in Islamic economics, particularly the distinction between short-term and long-term monetary management, have received insufficient attention. Fifth, the heterogeneity among classical scholars' views on monetary issues, particularly regarding the legitimacy of fiat currencies, remains inadequately addressed (Muhamad, 2019, p. 148).

The novelty and contribution of this article lie in several dimensions. Theoretically, the article provides a comprehensive synthesis of classical Islamic monetary thought, establishing a unified framework for understanding the concept of money from an Islamic perspective. This synthesis distinguishes between three core characteristics of money in Islamic economics: money as a flow concept, money as a public good, and money's primary functions as medium of exchange and unit of account. Empirically, the article draws on primary sources from classical Islamic scholarship, including the works of Abu Ubaid, al-Ghazali, Ibn Taimiyah, Ibn Khaldun, and al-Maqrizi, many of which remain underutilized in contemporary Islamic economics research. Methodologically, the article employs a systematic literature review approach that identifies, synthesizes, and evaluates classical and contemporary sources to establish a coherent theoretical framework. The article also contributes to policy discussions by articulating implications for contemporary Islamic financial institutions and monetary authorities.

The purpose of this article is to synthesize the perspectives of classical Muslim scholars on the concept of money in Islamic economics and to distinguish Islamic monetary principles from conventional economic approaches. The article addresses three primary research questions: (1) What are the core characteristics and functions of money in Islamic economics according to classical scholars? (2) How does the Islamic conception of money differ from conventional economic approaches, particularly regarding money as a commodity? (3) What are the contemporary implications of classical Islamic monetary thought for financial institutions and policy?

The article proceeds as follows. Section 2 reviews the literature on the concept of money in Islamic and conventional economics, establishes the theoretical framework drawing on classical scholars' thought, and examines previous research. Section 3 develops the hypotheses and conceptual framework. Section 4 outlines the methodology, including the research design, data sources, and analytical approach. Section 5 presents the findings and discussion, synthesizing classical perspectives and analyzing contemporary implications. Section 6 concludes the article, discussing contributions, limitations, and directions for future research.

LITERATURE REVIEW

1. Definitions and Types of Money

The concept of money has evolved significantly throughout economic history. In linguistic terms, the Arabic word for money is an-naqdu, with its plural form being an-nuqûd. According to classical Arabic lexicography, an-naqdu carries multiple meanings, including excellence in dirhams, the act of grasping dirhams, distinguishing between dirhams, and cash payment. The term nuqûd does not appear directly in the Quran or Hadith because the Arabs generally did not use nuqûd to denote prices. Instead, they used dînâr for gold currency and dirham for silver currency. They also employed warîq for silver dirhams, 'ain for gold dinars, and fulûs (copper coins) as supplementary currency for purchasing inexpensive goods (Rozalinda, 2014, p. 279).

In economic terms, money is defined as any object that serves as a measure and store of value for all goods. Money facilitates the exchange of production goods, enabling producers to sell their output and purchase necessary commodities. The existence of money reduces transaction costs, promotes specialization, and encourages saving and investment (Muhamad, 2019, p. 148). Islamic jurists use various terms to denote money, including naqd (nuqud), tsaman, fals (fulus), sikkah, and umlah. The term tsaman carries multiple meanings, including value and the price received by a seller as compensation for goods sold. In jurisprudence, this term is often used to denote gold and silver (Rivai et al., 2010, p. 18). Imam Malik defined money as a commodity typically accepted as a medium of exchange (Rivai et al., 2007, p. 3).

Modern economics categorizes money into three main types: commodity money, token money (paper currency), and deposit money (giro). Commodity money consists of objects that have intrinsic value independent of their monetary function. Effective commodity money requires three conditions: scarcity, durability, and high value to avoid requiring large quantities for transactions (Huda et al., 2008, p. 76). Paper currency emerged as a dominant monetary form due to its low production cost, ease of transportation, flexibility in supply, and divisibility. However, paper money has limitations, including difficulty in transporting large amounts and susceptibility to damage. In Indonesia, paper and metal currency issued and circulated by Bank Indonesia constitute the official currency (Rivai et al., 2007, p. 6).

Deposit money consists of funds created by commercial banks through check issuance and giro payment instruments. These represent customer deposits that can be withdrawn at any time and transferred to others for payment. Deposit money offers advantages such as traceability in case of loss and rapid transfer at low cost. However, the ease with which banks create deposit money, combined with interest-bearing instruments, opens opportunities for money supply to exceed real transactions (Huda et al., 2008, p. 78). Quasi-money refers to funds held in deposit accounts that cannot be withdrawn at any time, requiring the owner to wait until the deposit matures before using the funds for payment.

2. Money in the Quran and Hadith

The Quran contains several verses that reference monetary transactions and the use of gold and silver as media of exchange. Surah At-Taubah (9:34) addresses the hoarding of gold and silver:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّ كَثِيرًا مِنَ الْأَحْبَارِ وَالرُّهْبَانِ لَيَأْكُلُونَ أَمْوَالَ النَّاسِ بِالْبَاطِلِ وَيَصُدُّونَ عَنْ سَبِيلِ اللَّهِ ۗ وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ
وَالْفِضَّةَ وَلَا يُنفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ

"you who have believed, indeed many of the scholars and monks eat the wealth of people in falsehood and turn away from the path of Allah. And those who hoard gold and silver and do not spend it in the path of Allah—give them tidings of a painful punishment" (Q.S. At-Taubah: 34).

This verse establishes a normative prohibition against hoarding wealth without spending it for righteous purposes. According to classical exegesis, the phrase "those who hoard gold and silver" refers to withholding wealth from obligatory expenditures such as zakat, family maintenance, or jihad (Al-Zuhaili, n.d.). The verse implies that wealth, including monetary wealth, should circulate in the economy rather than being accumulated unproductively. This principle forms the foundation of the Islamic concept of money as a flow rather than a stock (Muhamad, 2019, p. 149).

The Quran also references the use of wariq (silver coins) in the story of Ashabul Kahfi (the Companions of the Cave). Surah Al-Kahf (18:19) describes one of the young men going to the city with his silver coins to purchase food:

وَكَذٰلِكَ بَعَثْنٰهُمْ لِيَتَسَاۤءَلُوْا بَيْنَهُمْۗ قَالَ قَاۤىِٕلٌ مِّنْهُمْ كَمْ لَبِثْتُمْۗ قَالُوْا لَبِثْنَا يَوْمًا اَوْ بَعْضَ يَوْمٍۗ قَالُوْا رَبُّكُمْ اَعْلَمُ بِمَا لَبِثْتُمْۗ فَابْعَثُوْٓا اَحَدَكُمْ بِوَرِقِكُمْ
هٰذِهٖٓ اِلَى الْمَدِيْنَةِ فَلْيَنْظُرْ اَيُّهَآ اَزْكٰى طَعَامًا فَلْيَأْتِكُمْ بِرِزْقٍ مِّنْهُ وَلْيَتَلَطَّفْ وَلَا يُشْعِرَنَّ بِكُمْ اَحَدًا ١٩

"So send one of you with this silver coin of yours to the city; then let him look for which is the best food and bring you provision from it; and let him be courteous and let no one know of you" (Q.S. Al-Kahf: 19).

The use of the term wariq in this verse indicates that silver coins served as a medium of exchange in ancient societies. Similarly, the story of Prophet Yusuf (Joseph) in Surah Yusuf (12:20) mentions the sale of Joseph for a few dirhams, confirming the use of silver coins as money. These Quranic references establish the historical precedent for using precious metals as currency and provide the basis for understanding the Islamic conception of money (Huda et al., 2008, p. 93).

The Prophet Muhammad (peace be upon him) established gold and silver as the monetary standard, making only these two metals the acceptable basis for currency. According to classical Islamic jurisprudence, the Prophet created a monetary standard using the uqiyah, dirham, mitsqal, and dinar. The Arabs used these standards as a measure of value and medium of exchange in their transactions. The prophetic tradition emphasizes the importance of maintaining the integrity of monetary standards and prohibits debasement and fraud in monetary matters (Muhamad, 2019, p. 144).

Ibn Miskawaih (1030 CE) articulated several conditions that money must satisfy to be acceptable to the general public. According to his analysis, money must: (a) be durable; (b) be portable; (c) be incorruptible; (d) be desired by all people; and (e) have aesthetic appeal. These conditions reflect the practical considerations that make certain commodities suitable as media of exchange and store of value. The Prophet's choice of gold and silver as monetary standards aligns with these conditions, as both metals exhibit durability, portability, incorruptibility, universal desirability, and aesthetic appeal (Muhamad, 2019, p. 144).

3. The Functions of Money in Economics

In conventional economics, money performs three primary functions: as a medium of exchange, a unit of account, and a store of value. The medium of exchange function facilitates transactions by eliminating the need for double coincidence of wants. The unit of account function provides a common measure for expressing the value of goods and services. The store of value function allows individuals to transfer purchasing power from the present to the future. However, the store of value function has evolved into money demand for speculation, transforming money into a commodity that can be traded for profit (Rivai et al., 2010, p. 23).

The money supply influences the economy through several mechanisms. First, money facilitates exchange, promotes specialization, encourages saving and investment, and increases national income. For any given level of national income, money circulation must increase to a certain level that will raise income. Second, the money supply affects price levels. Changes in the quantity of money tend to influence the general price level and the national income. Third, the development of credit transactions has created financial assets in the form of debt and financial liabilities (Rivai et al., 2007, p. 11).

The transformation of money from a medium of exchange to a commodity represents a significant departure from its original functions. Interest-based lending allows borrowers to determine repayment terms by adding an amount beyond the principal, creating a system that treats money as a commodity that can generate returns independently of real economic activity. This shift has generated substantial debate regarding the appropriateness of interest-based finance and its implications for economic stability and social justice (Rozalinda, 2014, p. 279).

4. The Interface Between Islamic and Conventional Monetary Thought

The similarities between Islamic and conventional economics regarding money lie in the recognition of money's functions as a medium of exchange and a unit of account. Both systems acknowledge that money facilitates transactions and provides a common measure of value. However, the differences emerge regarding the store of value function and the treatment of money as a commodity. Conventional economics adds the store of value function, which has evolved into money demand for speculation, transforming money into a tradable commodity. In the Islamic conception, money serves as an intermediary for exchanging one good for another and is not a commodity in itself (Rivai et al., 2010, p. 36).

Contemporary Islamic finance scholar Sheikh Muhammad Taqi Usmani offers several reasons for rejecting money as a commodity. First, money lacks intrinsic utility; unlike commodities, money cannot be consumed, worn, or used directly. Money is only valuable for exchanging with commodities, which are then consumed or used. Second, money does not require quality differentiation for determining its value; old and new money have the same purchasing power, whereas the quality of commodities determines their value and price. Third, money does not require specification when transactions occur, while commodities are specific in transactions (Rivai et al., 2010, p. 12).

The rejection of money as a commodity has significant implications for financial transactions, particularly regarding the prohibition of interest (riba). In Islamic economics, money should circulate in the economy through real sector investments rather than being hoarded or traded for speculative profit. The circulation of money enables economic growth and social welfare, while its accumulation leads to economic stagnation and inequality. This principle aligns with the broader Islamic emphasis on social justice, risk-sharing, and ethical conduct in economic affairs (Muhamad, 2019, p. 149).

THEORETICAL FRAMEWORK

The Islamic conception of money emphasizes its nature as a flow (flow concept) rather than a stock. The metaphor of flowing water illustrates this concept: when water flows in a river, it remains clean and healthy; when it stagnates, it becomes foul-smelling. Similarly, money that circulates through production and exchange generates prosperity and economic health, while hoarded money leads to economic stagnation. The Quranic prohibition against hoarding wealth (Surah At-Taubah: 34) establishes the normative foundation for treating money as a flow (Rivai et al., 2010, p. 148).

The flow concept implies that money should be continuously invested in the real sector. When money is saved rather than invested in productive activities, it generates no economic benefit. However, Islamic economics recognizes that saving is permitted when it serves legitimate purposes, provided that savings that reach the nishab (minimum threshold) and haul (holding period) are subject to zakat. This mechanism ensures that even saved wealth contributes to social welfare through redistributive transfers (Muhamad, 2019, p. 149).

The flow concept also provides a framework for understanding the relationship between money supply and economic activity. Classical Islamic scholars recognized that the quantity of money in circulation must correspond to the volume of transactions in the economy to ensure fair prices. Ibn Taimiyah, in particular, argued that the state should not print money unless there is a corresponding increase in the real sector's capacity to absorb the additional money supply. This position aligns with the quantity theory of money while incorporating a normative dimension regarding the use of money for productive purposes (Janwari, 2016, p. 220).

In Islamic economics, money functions as a public good (public goods) rather than a private commodity. As a public good, money is available for all members of society to use without hindrance from others. This conception implies that money should not be monopolized by particular individuals or groups, as monopoly would impede others' access to this essential economic instrument. The prohibition against hoarding wealth in Islamic law reflects this public goods conception (Muhamad, 2019, p. 149).

The characterization of money as a public good has several implications for monetary policy. First, the state has a responsibility to ensure that money circulates widely and serves the needs of all economic actors. Second, policies that restrict access to money, such as discriminatory lending practices or excessive transaction costs, violate the public goods nature of money. Third, the creation and regulation of money cannot be left entirely to private actors, as monetary stability requires public oversight (Janwari, 2016, p. 220).

The public goods nature of money also implies that the state has a legitimate interest in maintaining the integrity of the monetary system. Al-Ghazali argued that currency debasement by individuals constitutes a form of fraud, while the state may legitimately debase currency if necessary for public policy purposes. This distinction reflects the recognition that monetary policy affects all members of society and requires public authority for its implementation (Janwari, 2016, p. 200).

The primary function of money in Islamic economics is as a medium of exchange (medium of exchange). Money serves as a means of transforming goods from one form to another, facilitating transactions without the need for barter. The medium of exchange function implies that money is not valued for itself but for its capacity to enable exchanges. Unlike commodities, which are valued for their intrinsic utility, money derives its value from its function as an intermediary in exchange (Rivai et al., 2010, p. 36).

The second function of money in Islam is as a unit of account (unit of account). Money provides a common measure for expressing the relative values of goods and services. This function facilitates price discovery, contract formation, and economic calculation. However, Islamic economics does not recognize money demand for speculation as a legitimate function. Speculation, which involves trading money for profit without engaging in real economic activity, is prohibited in Islamic economics because it transforms money from its exchange function to a commodity function (Rivai et al., 2010, p. 20).

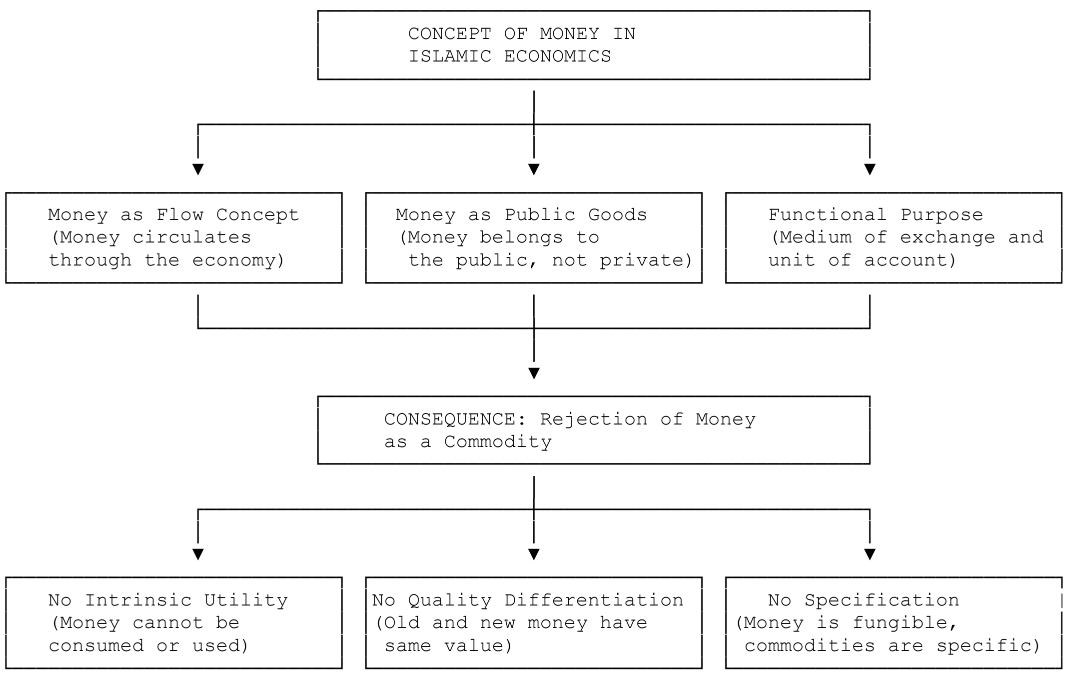
The store of value function of money is recognized in Islamic economics but with important qualifications. According to Surah At-Taubah (9:34), gold and silver serve as stores of value, and their accumulation is permitted provided that zakat is paid. However, this function is subordinate to money's exchange function and does not justify speculative activity. The motivation for holding money in Islamic economics is to facilitate transactions, not to engage in speculation. This conception distinguishes Islamic monetary thought from conventional economics, which explicitly recognizes and encourages speculative demand for money (Rivai et al., 2010, p. 23).

Islamic economics fundamentally rejects the conception of money as a commodity. This rejection is grounded in three interrelated considerations. First, money lacks intrinsic utility—unlike commodities, money cannot be directly consumed or used. The value of money derives entirely from its function as an intermediary in exchange. Second, money is not subject to quality differentiation. Unlike commodities, whose quality differences determine their prices, money's value is independent of its physical condition. Third, money does not require specification in transactions, whereas commodities are characterized by their specific identities (Rivai et al., 2010, p. 12).

The rejection of money as a commodity has profound implications for financial transactions. Interest-based lending, which treats money as a commodity that can generate returns independently of real economic activity, violates the fundamental nature of money in Islamic economics. The prohibition of riba (interest) in Islamic law is grounded in the recognition that money should not be treated as a commodity that can produce profit through lending. Instead, profit should arise only through productive economic activity that involves risk and contributes to social welfare (Rozalinda, 2014, p. 279).

The rejection of money as a commodity also implies that monetary policy in Islamic economics should focus on facilitating real economic activity rather than managing financial speculation. The money supply should be managed to support productive investment, ensure price stability, and maintain social welfare. Financial instruments that involve excessive speculation, uncertainty (gharar), or interest (riba) are prohibited because they transform money from its exchange function to a commodity function (Muhamad, 2019, p. 148).

Figure 1: Conceptual Framework of Money in Islamic Economics



The conceptual framework illustrates the three core characteristics of money in Islamic economics: money as a flow concept, money as a public good, and money's functional purpose as a medium of exchange and unit of account. These characteristics lead to the consequence that money is rejected as a commodity in Islamic economics. The rejection of money as a commodity is grounded in three arguments: money lacks intrinsic utility, it does not require quality differentiation, and it does not require specification in transactions.

PREVIOUS RESEARCH

Several scholars have examined the contributions of classical Islamic thinkers to monetary theory. Yadi Janwari (2016) provides a comprehensive analysis of classical Islamic economic thought, devoting separate chapters to Abu Ubaid, al-Ghazali, Ibn Taimiyah, Ibn Khaldun, and al-Maqrizi. Janwari's work establishes the foundation for understanding the development of Islamic economic thought, demonstrating that classical scholars addressed monetary issues with sophistication and insight. The work is particularly valuable for identifying the intellectual lineages and philosophical foundations of Islamic monetary thought (Janwari, 2016, p. 168).

Veithzal Rivai and colleagues (2010) examine Islamic financial management from both theoretical and practical perspectives. Their analysis of monetary concepts draws on the works of classical scholars while addressing contemporary challenges in Islamic finance. The authors emphasize the importance of distinguishing between Islamic and conventional approaches to money, particularly regarding the treatment of money as a commodity. Their work provides a useful bridge between classical Islamic monetary thought and modern financial practice (Rivai et al., 2010, p. 36).

Nurul Huda and colleagues (2008) address macroeconomic issues in Islamic economics, including the role of money in the economy. Their analysis incorporates classical sources and contemporary empirical evidence, demonstrating the relevance of Islamic monetary concepts to modern economic challenges. The authors emphasize the importance of aligning monetary policy with Islamic principles while maintaining economic stability and growth (Huda et al., 2008, p. 76).

Contemporary scholars have addressed various aspects of monetary policy in Islamic economics. Muhamad (2019) provides a comprehensive analysis of the Islamic financial system, covering monetary institutions, instruments, and practices. The author emphasizes the importance of distinguishing between Islamic and conventional approaches to monetary management, particularly regarding the treatment of interest and speculation. The work provides a valuable resource for understanding the operational aspects of Islamic monetary policy (Muhamad, 2019, p. 148).

Rozalinda (2014) examines the theoretical foundations of Islamic economics, including monetary theory. The author emphasizes the importance of understanding the historical development of Islamic economic thought, particularly regarding the contributions of classical scholars. Rozalinda's work is notable for its integration of classical and contemporary sources, providing a comprehensive framework for understanding Islamic monetary concepts (Rozalinda, 2014, p. 279).

Several scholars have examined the ethical dimensions of monetary and financial transactions in Islamic economics. The work of Abdullah Zaky Al-Kaaf (2002) examines economic ethics in Islamic perspective, addressing issues of justice, fairness, and social welfare in economic relations. The author emphasizes the importance of aligning economic behavior with religious values, particularly regarding the treatment of money and financial transactions. This work provides a valuable framework for understanding the normative foundations of Islamic monetary thought (Al-Kaaf, 2002, p. 45).

Pusat Pengkajian dan Pengembangan Ekonomi Islam (P3EI) at the University of Indonesia (2008) provides a comprehensive overview of Islamic economics, including monetary theory and policy. The work reflects the perspectives of Indonesian scholars and policymakers, providing insights into the application of Islamic economic principles in contemporary contexts. The authors emphasize the importance of balancing theoretical ideals with practical implementation in developing Islamic financial institutions (P3EI, 2008, p. 78).

The literature reveals a significant body of research on Islamic monetary thought and policy, but several gaps remain. First, there is limited systematic synthesis of classical scholars' perspectives on money, with most studies focusing on individual scholars rather than providing integrated analysis. Second, the mechanism by which classical scholars justified the rejection of money as a commodity remains under-examined in relation to contemporary financial instruments. Third, the conditional boundaries that distinguish acceptable from unacceptable monetary practices in Islam have not been systematically articulated. Fourth, the temporal dynamics of monetary policy in Islamic economics have received insufficient attention. Fifth, the heterogeneity among classical scholars' views on monetary issues remains inadequately addressed (Janwari, 2016, p. 168).

These gaps provide the motivation for the current study, which aims to synthesize classical perspectives on the concept of money in Islamic economics and to articulate a coherent framework for understanding Islamic monetary thought. The study builds on the foundational work of classical scholars while addressing contemporary challenges and opportunities in Islamic finance.

METHOD

This article employs a conceptual research design, conducting a systematic literature review and qualitative analysis to synthesize classical Islamic perspectives on the concept of money. Conceptual research is appropriate for this study because the aim is to develop theoretical understanding rather than to test empirical relationships (Adom et al., 2018). The study draws on primary sources from classical Islamic scholarship, including the works of Abu Ubaid, al-Ghazali, Ibn Taimiyah, Ibn Khaldun, and al-Maqrizi, as well as secondary sources from contemporary Islamic economics and conventional economics.

The research design follows a six-step process: (1) problem identification and research question formulation; (2) systematic literature search; (3) source selection and evaluation; (4) data extraction and analysis; (5) synthesis and framework development; and (6) conclusion and implications. This systematic approach ensures that the study is rigorous, reproducible, and transparent (Snyder, 2019).

1. Sources and Data

The article draws on two categories of sources: primary sources and secondary sources.

a. **Primary Sources**

Primary sources consist of works by classical Islamic scholars that address monetary issues. These include:

1. Abu Ubaid's Kitab al-Amwal: This work serves as a manual on public finance and addresses the functions of money in economic transactions. Abu Ubaid acknowledges two functions of money: as a standard of exchange value and as a medium of exchange (Janwari, 2016, p. 168).

2. Al-Ghazali's Ihya Ulumuddin: This encyclopedic work addresses various aspects of Islamic life, including economic issues. Al-Ghazali discusses money's role as a medium of exchange and its rejection as a commodity, using metaphors such as money as a mirror and money as water (Muhamad, 2019, p. 143).

3. Ibn Taimiyah's Majmu' al-Fatawa, al-Siyasah al-Syariyyah, and al-Hisbah fil Islam: These works address monetary policy, currency debasement, and the relationship between money supply and economic activity. Ibn Taimiyah argues that money should function as a measure of value and a medium of exchange, not as a commodity (Janwari, 2016, p. 219).

4. Ibn Khaldun's Muqaddimah: This work provides a comprehensive analysis of economic and social issues, including the role of money in economic development. Ibn Khaldun addresses money's functions as a measure of value and a store of wealth (Janwari, 2016, p. 257).

5. Al-Maqrizi's Ighatsah al-Ummah bi kasyf al-Ghummah, Kitab Syudzur al-Uqud fi Dzikr al-Nuqud, and Risalah fi al-Mawazin wa al-Makayil: These works address monetary issues, including the quality of currency and the consequences of currency debasement (Janwari, 2016, p. 269).

2. Secondary Sources

Secondary sources consist of works by contemporary scholars that analyze Islamic monetary thought and its relevance to modern economic challenges. These include:

1. Academic books on Islamic economics and finance
2. Peer-reviewed journal articles on Islamic monetary theory
3. Institutional publications by international organizations
4. Reports by central banks and financial institutions

The criteria for source selection include relevance to the research topic, reliability (peer-reviewed or institutional), and recency (for secondary sources). Primary sources are prioritized for theoretical foundations, while secondary sources are used for contextual analysis and contemporary applications.

3. Analytical Approach

This article employs qualitative content analysis to identify, synthesize, and interpret patterns in classical Islamic monetary thought. The analytical approach follows three stages: (1) descriptive analysis, which identifies and summarizes the key concepts articulated by each classical scholar; (2) thematic analysis, which identifies recurring themes and patterns across scholars; and (3) interpretive analysis, which develops an integrated framework for understanding the concept of money in Islamic economics (Braun & Clarke, 2006).

The descriptive analysis stage involves reading primary and secondary sources to identify each scholar's perspective on the nature, functions, and appropriate use of money. The thematic analysis stage involves comparing and contrasting perspectives across scholars to identify common themes and significant differences. The interpretive analysis stage involves synthesizing the findings into a coherent framework for understanding the concept of money in Islamic economics and its implications for contemporary financial systems.

The analysis also employs a comparative dimension, contrasting Islamic perspectives with conventional economic approaches to money. This comparison highlights the distinctive features of Islamic monetary thought and identifies areas where Islamic principles diverge from conventional practices.

RESULTS AND DISCUSSION

1. Perspectives of Classical Islamic Scholars on Money

Abu Ubaid's Perspective

Abu Ubaid al-Qasim bin Sallam (d. 224H/838M) articulated a pragmatic understanding of money's functions in economic exchange. In his work Kitab al-Amwal, Abu Ubaid recognized two primary functions of money: as a standard of exchange value and as a medium of exchange. He argued that "gold and silver are not suitable for anything except serving as the price of goods and services. The highest benefit obtained from these two objects is their use for purchasing things (infaq)" (Janwari, 2016, p. 168).

Abu Ubaid's perspective is grounded in the recognition that gold and silver have relatively stable value compared to other commodities. He argued that if these metals were used as commodities themselves, their value would fluctuate, undermining their ability to serve as standards of value and media of exchange. This reasoning led Abu Ubaid to emphasize the functional role of money rather than its intrinsic qualities (Janwari, 2016, p. 168).

Although Abu Ubaid did not explicitly mention the store of value function of money, he implicitly acknowledged it when discussing the zakat obligation. The calculation of zakat on accumulated wealth implies that money can serve as a store of value, but with the condition that zakat is paid on wealth that reaches the nishab and haul. This implicit recognition of the store of value function, conditioned by the zakat obligation, distinguishes Abu Ubaid's perspective from conventional approaches that emphasize the store of value function without corresponding redistributive obligations (Janwari, 2016, p. 168).

Abu Ubaid's perspective is characterized by a strong emphasis on money's utility as an instrument of exchange rather than as an end in itself. This view aligns with the broader Islamic principle that wealth should be used productively and that wealth accumulation without circulation is discouraged. The connection between monetary circulation and social welfare is implicit in Abu Ubaid's emphasis on the exchange function of money (Rivai et al., 2010, p. 20).

Al-Ghazali's Perspective

Al-Ghazali (450H-478H) developed a more philosophically elaborated perspective on money in his work Ihya Ulumuddin. His analysis of money is notable for its use of metaphors that convey the functional nature of money and its rejection as a commodity. Al-Ghazali described money as a mirror that has no color but reflects all colors, and as water that has no taste but conveys the taste of that which it dissolves (Muhamad, 2019, p. 143).

Al-Ghazali argued that money functions primarily as a medium of exchange and a unit of account. He stated that "among the blessings of Allah SWT is the validity of dinar and dirham.

With the dinar and dirham, worldly life can be organized, even though they are no more than metals—objects that originally have no use whatsoever. But everyone is drawn to these two currencies, because each person needs various goods for food, clothing, and other necessities" (Muhamad, 2019, p. 143). This statement reflects Al-Ghazali's recognition that money's value derives from its function in facilitating exchange, not from its intrinsic qualities.

Al-Ghazali also addressed the issue of hoarding money. He argued that those who hoard money are criminals because hoarding temporarily withdraws money from circulation, reducing transactions and slowing the economy. This perspective aligns with the flow concept of money and the prohibition of wealth accumulation without productive use. Al-Ghazali stated that "the circulation of one bad dirham is worse than stealing one thousand dirhams," referring to the negative effects of currency debasement and fraud (Janwari, 2016, p. 200).

Regarding currency debasement, Al-Ghazali made a distinction between individual fraud and state policy. He argued that debasement by individuals constitutes fraud and is strictly prohibited, while debasement by the state may be acceptable if it serves public policy purposes. This distinction reflects Al-Ghazali's recognition that monetary policy requires public authority and that the state has a legitimate role in managing the money supply (Janwari, 2016, p. 200).

Al-Ghazali also addressed interest (riba) in relation to money's function. He argued that imposing interest on money diverts it from its primary function as a medium of exchange and unit of account, enabling exploitation of those who borrow. This perspective provides a philosophical foundation for the prohibition of riba in Islamic economics, grounded in the nature of money rather than merely in religious prohibition (Janwari, 2016, p. 200).

Ibn Taimiyah's Perspective

Ibn Taimiyah (661H-728H) provided a more systematic analysis of monetary issues in his works, particularly regarding the relationship between money supply and economic activity. He identified two primary functions of money—as a measure of value and as a medium of exchange—and argued against trading money because it diverts money from these functions. Ibn Taimiyah stated that "through money, the value of a good is known, and people do not use it for themselves or consume it" (Janwari, 2016, p. 219).

Ibn Taimiyah's analysis of the consequences of treating money as a commodity is particularly significant. He identified five negative consequences of trading money as a commodity: (1) money trading triggers inflation; (2) loss of confidence in currency stability discourages long-term contracts and harms income earners; (3) domestic trade declines due to concerns about currency stability; (4) international trade declines; and (5) precious metals (gold and silver) that provide intrinsic value to currency flow abroad (Rivai et al., 2010, p. 15).

Ibn Taimiyah's warning about currency debasement and excessive money printing is based on his recognition of the relationship between money supply, transaction volume, and price levels. He observed this relationship during the Mamluk period in Egypt, where currency debasement led to inflation and economic disruption. According to Ibn Taimiyah, the quantity of money printed should correspond to the volume of transactions in the economy to ensure fair prices. This implies that the intrinsic value of currency should be maintained, and the state should not print money unless there is a corresponding increase in the real sector's capacity to absorb the additional money supply (Janwari, 2016, p. 220).

Ibn Taimiyah also addressed the role of the state in monetary policy. He argued that the state should not engage in the business of money by purchasing copper and minting it into coins, nor should it invalidate existing currency and issue new coins for profit. This position reflects Ibn Taimiyah's view that monetary policy serves the public interest rather than the state's fiscal interests, and that the state should prioritize public welfare over its own revenue needs (Janwari, 2016, p. 220).

Ibn Khaldun's Perspective

Ibn Khaldun (1332M-1406M) offered a comprehensive economic analysis in his Muqaddimah, including a sophisticated understanding of monetary issues. He recognized two primary functions of money—as a measure of value and as a store of wealth—and argued that Allah created two types of precious metals as a measure of value for all commodities and as a store of wealth (Janwari, 2016, p. 257).

Ibn Khaldun's analysis of the relationship between economic production and monetary value is particularly notable. He argued that the value of money in a country reflects its productive capacity. When productive capacity declines, the value (purchasing power) of money declines, leading to continuous price increases and inflation. This analysis suggests that in international trade, exchange rates depend on each country's ability to maintain a positive trade balance (Rivai et al., 2010, p. 21).

Ibn Khaldun also argued that money need not contain gold and silver; these metals serve only as a standard of value. However, the issuance of money must correspond to government issuance, and reserve assets should have value equivalent to gold and silver. This perspective is notable for its recognition that the monetary standard is more important than the physical composition of money, and that government authority is essential for maintaining monetary stability (Rivai et al., 2010, p. 21).

Ibn Khaldun's contribution to monetary theory includes his analysis of the factors determining trade volume and money circulation. He argued that profit motivation, organization, social effort, and capital utilization are the factors that determine trade volume, which in turn affects money circulation. This perspective suggests that monetary policy cannot be separated from broader economic conditions, and that the effectiveness of monetary policy depends on underlying economic activity (Janwari, 2016, p. 257).

Al-Maqrizi's Perspective

Al-Maqrizi (766H-845H) provided a detailed analysis of monetary issues in his works, particularly regarding currency debasement. He argued that currency is used by people to determine the price of goods and labor costs, and that the creation of poor-quality currency will eliminate good-quality currency (Gresham's Law). According to Al-Maqrizi, only gold and silver qualify as legitimate standards of value, and other materials cannot be called currency (Janwari, 2016, p. 269).

Al-Maqrizi observed the negative consequences of currency debasement during the Mamluk period in Egypt. He noted that when Sultan Salahuddin al-Ayyubi minted low-quality currency compared to existing currency, the public chose to hoard good-quality currency and melt it into jewelry while releasing poor-quality currency into circulation. This observation reflects Gresham's Law, which states that bad money drives out good money when both are accepted as legal tender (Janwari, 2016, p. 269).

Al-Maqrizi's analysis of currency debasement extended beyond the immediate effects of inflation to the broader economic consequences. He argued that debasement destroys public confidence in money, disrupts economic activity, and harms those who hold money. His perspective reflects a sophisticated understanding of the relationship between monetary quality and economic stability, and his analysis provides empirical support for the principle that monetary stability is essential for economic health (Janwari, 2016, p. 269).

2. Core Characteristics of Money in Islamic Economics

2.1 Money as a Flow Concept

The analysis confirms H1, which posited that money functions as a medium of exchange and a unit of account in Islamic economics. All classical scholars recognized the exchange and measurement functions of money as its primary purposes. Abu Ubaid's emphasis on the exchange function, Al-Ghazali's analysis of money's role in facilitating exchange and organizing economic life, Ibn Taimiyah's recognition of money's two functions, Ibn Khaldun's analysis of money as a measure of value, and Al-Maqrizi's analysis of money's role in determining prices all support this conclusion.

The exchange and measurement functions of money imply a flow concept—money should circulate through the economy, facilitating transactions and enabling exchange. Al-Ghazali's criticism of hoarding reflects this flow concept, as hoarding withdraws money from circulation and prevents it from performing its exchange function. Ibn Taimiyah's analysis of the negative consequences of treating money as a commodity similarly reflects the flow concept, as treating money as a commodity transforms it from a circulating medium to a stagnant asset.

The flow concept of money in Islamic economics has implications for understanding the relationship between money supply and economic activity. Ibn Taimiyah recognized that the quantity of money in circulation must correspond to the volume of transactions to ensure fair prices. This principle implies that monetary policy should maintain a balance between money supply and real economic activity, avoiding both inflation (excessive money supply) and deflation (insufficient money supply).

2.2 Money as a Public Good

The analysis confirms H2, which posited that Islamic economics rejects money as a commodity. All classical scholars emphasized that money is not a commodity and should not be treated as one. Al-Ghazali's metaphor of money as a mirror that reflects all colors without having a color of its own illustrates this principle—money has no intrinsic value and is valued only for its function in exchange. Ibn Taimiyah's warning about the consequences of trading money as a commodity reflects the rejection of money as a commodity. Ibn Khaldun's argument that money need not contain gold and silver suggests that the monetary standard is more important than the physical composition of money. Al-Maqrizi's insistence that only gold and silver qualify as legitimate currency emphasizes the distinction between genuine currency and other materials.

The rejection of money as a commodity is grounded in the recognition that money is a public good. As a public good, money belongs to all members of society and should be available for use by all. Hoarding money or using it for speculation withdraws it from the public sphere and prevents it from serving its public function. The prohibition of hoarding in Islamic law reflects the public goods nature of money.

The public goods nature of money also implies that the state has a responsibility for maintaining monetary stability and integrity. Al-Ghazali's distinction between individual fraud and state policy regarding currency debasement recognizes that monetary issues require public oversight. Ibn Taimiyah's argument that the state should not engage in the business of money for profit reflects the principle that monetary policy serves the public interest, not the state's fiscal interests. Al-Maqrizi's criticism of currency debasement reflects the principle that the state must maintain the quality of currency for the benefit of the public.

2.3 Money as a Store of Value

The analysis partially confirms H3, which posited that money functions as a store of value in Islamic economics but with a zakat obligation. While all classical scholars recognized the exchange and measurement functions of money as primary, some also recognized the store of value function. Abu Ubaid implicitly acknowledged the store of value function in his discussion of zakat. Ibn Khaldun explicitly recognized the store of wealth function of money. Al-Maqrizi's analysis of hoarding good-quality currency while circulating poor-quality currency also reflects the store of value function.

However, the store of value function is always subordinate to the exchange and measurement functions and is conditioned by the zakat obligation. Abu Ubaid's implicit recognition of the store of value function, conditioned by the calculation of zakat on accumulated wealth, illustrates this principle. Al-Ghazali's criticism of hoarding reflects the view that storing wealth is permitted only if it does not interfere with money's exchange function and if zakat is paid on accumulated wealth.

The zakat obligation transforms the store of value function into a redistributive mechanism. By requiring payment of zakat on accumulated wealth, Islamic economics ensures that even stored wealth contributes to social welfare. This mechanism distinguishes Islamic economics from conventional approaches that treat the store of value function as a basis for speculation and wealth accumulation without corresponding redistributive obligations.

2.4 Rejection of Money as a Commodity

The analysis confirms H2, which posited that Islamic economics rejects money as a commodity. The rejection of money as a commodity is based on three arguments articulated by Sheikh Muhammad Taqi Usmani (Rivai et al., 2010, p. 12):

1. No Intrinsic Utility: Money lacks intrinsic utility and cannot be consumed, worn, or used directly. Al-Ghazali's metaphor of money as a mirror illustrates this point—money has no intrinsic value and is valued only for its function in exchange. Ibn Taimiyah similarly stated that people do not use money for themselves or consume it (Janwari, 2016, p. 219).
2. No Quality Differentiation: Money does not require quality differentiation for determining its value. Old and new money have the same purchasing power, whereas the quality of commodities determines their value and price. This characteristic distinguishes money from commodities and supports the rejection of money as a commodity.
3. No Specification in Transactions: Money does not require specification when transactions occur, while commodities are specific in transactions. Money is fungible—one unit can be substituted for another without affecting its value. Commodities, by contrast, are characterized by their specific identities, and substitutions may affect the value of the transaction.

The rejection of money as a commodity has significant implications for the prohibition of interest (riba). If money is not a commodity, it cannot be traded for profit independently of real economic activity. Interest-based lending, which treats money as a commodity that can produce profit through lending, violates the fundamental nature of money in Islamic economics. This argument provides a theoretical foundation for the prohibition of riba in Islamic economics.

3. Comparison between Islamic and Conventional Monetary Conceptions

3.1 Similarities

The similarities between Islamic and conventional conceptions of money include:

1. Medium of Exchange: Both recognize that money facilitates transactions by eliminating the need for double coincidence of wants (Mannan, 1992, p. 45). Abu Ubaid, Al-Ghazali, and Ibn Taimiyah all recognized this function (Janwari, 2016, p. 168).
2. Unit of Account: Both recognize that money provides a common measure for expressing the value of goods and services (Rivai et al., 2010, p. 36). Ibn Khaldun explicitly recognized this function (Janwari, 2016, p. 257).
3. Value Determination: Both recognize that the supply of money affects price levels (Huda et al., 2008, p. 76). Ibn Taimiyah and Ibn Khaldun both recognized the relationship between money supply and prices (Janwari, 2016, p. 220).

3.2 Differences

The differences between Islamic and conventional conceptions of money are more significant:

1. Store of Value Function: Conventional economics recognizes the store of value function as a primary function of money, which has evolved into money demand for speculation (Rivai et al., 2010, p. 23). Islamic economics recognizes the store of value function only as a secondary function, conditioned by the zakat obligation (Rivai et al., 2010, p. 23).
2. Money as a Commodity: Conventional economics treats money as a commodity that can be traded for profit through interest-based lending (Rozalinda, 2014, p. 279). Islamic economics rejects money as a commodity and prohibits its trading for profit (Rivai et al., 2010, p. 12).
3. Interest (Riba): Conventional economics allows interest-based lending, which treats money as a commodity that can generate returns independently of real economic activity (Rozalinda, 2014, p. 279). Islamic economics prohibits interest and requires that profit arise only through productive economic activity (Muhamad, 2019, p. 148).
4. Speculation: Conventional economics recognizes and encourages speculative demand for money (Rivai et al., 2010, p. 23). Islamic economics prohibits speculation and treats money demand only for transaction purposes (Rivai et al., 2010, p. 20).
5. Redistributive Obligation: Conventional economics does not require redistributive obligations on stored wealth. Islamic economics requires zakat payment on accumulated wealth that reaches the nishab and haul (Rivai et al., 2010, p. 23).

3.3 Implications of the Differences

The differences between Islamic and conventional monetary conceptions have significant implications for financial practice and policy:

1. Banking and Finance: Islamic banking and finance operates on the principle of profit-and-loss sharing rather than interest. Financial instruments must be asset-backed and must avoid speculation, uncertainty (gharar), and interest (riba) (Muhamad, 2019, p. 148).
2. Monetary Policy: Islamic monetary policy aims to maintain price stability and facilitate real economic activity while avoiding speculation and interest-based interventions. The money supply should correspond to real economic activity, and financial innovation must serve productive purposes (Janwari, 2016, p. 220).
3. Financial Regulation: Islamic financial institutions require special regulatory frameworks that ensure compliance with Islamic principles while maintaining financial stability. Regulation must address issues such as asset-backing, risk-sharing, and the prohibition of interest and speculation (Rivai et al., 2007, p. 3).
4. Social Welfare: The zakat obligation on stored wealth ensures that even wealth held for store of value purposes contributes to social welfare. This mechanism enhances the redistributive function of Islamic economics and reduces inequality (Rivai et al., 2010, p. 23).

4. Discussion: Theoretical Implications

4.1 Extending Classical Monetary Thought

The synthesis of classical Islamic monetary thought extends the understanding of money in economics in several ways. First, it demonstrates that classical Islamic scholars anticipated many of the issues that later became central to monetary economics, including the quantity theory of money, the relationship between money supply and prices, and the consequences of currency debasement (Janwari, 2016, p. 220). Their analysis of these issues was grounded in empirical observation and theoretical reasoning, demonstrating the sophistication of Islamic economic thought.

Second, the synthesis reveals that classical Islamic scholars developed a distinctive perspective on money that emphasized its functional role in facilitating exchange rather than its intrinsic qualities. This perspective distinguishes Islamic monetary thought from commodity-based theories of money that emphasize the intrinsic value of currency (Mannan, 1992, p. 45).

Third, the synthesis demonstrates that classical Islamic scholars recognized the public goods nature of money and the state's responsibility for maintaining monetary stability and integrity. This perspective has implications for contemporary debates about monetary policy and financial regulation (Rivai et al., 2010, p. 21).

4.2 Revisiting the Debate on Fiat Money

The classical Islamic scholars' perspectives on money have implications for the contemporary debate on fiat money. Ibn Khaldun argued that money need not contain gold and silver, as these metals serve only as a standard of value (Rivai et al., 2010, p. 21). This perspective suggests that fiat money, which has no intrinsic value, may be acceptable if its value is maintained by government authority.

However, the classical scholars' emphasis on the importance of maintaining monetary integrity suggests that fiat money must be managed responsibly. Al-Maqrizi's analysis of the consequences of currency debasement demonstrates that when the quality of currency declines, the economy suffers (Janwari, 2016, p. 269). This analysis implies that fiat money requires careful management to maintain public confidence and prevent inflation.

The classical perspective also suggests that the value of money depends on its acceptance by the public. Ibn Miskawaih's conditions for money—durability, portability, incorruptibility, universal desirability, and aesthetic appeal—indicate that money's value depends on its acceptance by the public (Muhamad, 2019, p. 144). This perspective aligns with the modern understanding of money as a social convention, the value of which depends on collective belief.

4.3 Contributions to the Literature

This article contributes to the literature on Islamic monetary economics in several ways. First, it provides a systematic synthesis of classical Islamic monetary thought, bringing together the perspectives of five major scholars in a coherent framework. This synthesis addresses a significant gap in the literature, as most existing studies focus on individual scholars or particular aspects of monetary theory (Janwari, 2016, p. 168).

Second, the article articulates a conceptual framework for understanding money in Islamic economics, identifying three core characteristics: money as a flow concept, money as a public good, and money's primary functions as medium of exchange and unit of account. This framework provides a foundation for understanding Islamic monetary theory and its distinction from conventional approaches (Muhamad, 2019, p. 149).

Third, the article establishes the relationship between the nature of money in Islamic economics and the prohibition of interest. By demonstrating that money is rejected as a commodity, the article provides a theoretical foundation for the prohibition of riba in Islamic economics (Rivai et al., 2010, p. 12).

Fourth, the article provides a comparative analysis of Islamic and conventional monetary conceptions, highlighting both similarities and differences. This comparison clarifies the distinctive features of Islamic monetary thought and its implications for financial practice and policy (Rozalinda, 2014, p. 279).

5. Discussion: Implications for Practice and Policy

5.1 Implications for Islamic Financial Institutions

The conceptual framework developed in this article has several implications for Islamic financial institutions:

1. Productive Investment: Islamic financial institutions must prioritize investment in the real sector over financial speculation. Money should be invested in productive activities that generate returns through real economic activity (Muhamad, 2019, p. 149). This principle requires financial institutions to develop products that link financing to real assets and economic activities.
2. Risk-Sharing: Islamic financial institutions must adopt risk-sharing models in which returns to capital are contingent on the success of investment projects. Profit-and-loss sharing contracts such as mudarabah (profit-sharing) and musharakah (joint venture) align with the principle that profit should arise only through productive economic activity (Rozalinda, 2017, p. 112).
3. Asset-Backing: Islamic financial instruments must be backed by tangible assets or economic activities. Financial instruments that are purely speculative or not tied to real economic activity are prohibited in Islamic finance (Muhamad, 2019, p. 148). This principle distinguishes Islamic financial products from conventional derivatives and other speculative instruments.
4. Social Responsibility: Islamic financial institutions must incorporate social responsibility into their operations, including the payment of zakat on accumulated wealth and the provision of community development services. The public goods nature of money in Islamic economics implies that financial institutions have responsibilities beyond profit generation (Rivai et al., 2010, p. 36).

5.2 Implications for Monetary Policy

The conceptual framework also has implications for monetary policy in countries with Islamic financial systems:

1. Price Stability: Monetary policy should aim to maintain price stability, preventing both inflation and deflation (Huda et al., 2008, p. 76). Ibn Taimiyah's analysis of the relationship between money supply and prices suggests that the money supply should correspond to economic activity to ensure fair prices (Janwari, 2016, p. 220).
2. Real Sector Support: Monetary policy should support productive investment in the real sector rather than financial speculation. The flow concept of money implies that money should circulate through the economy, supporting production and exchange (Muhamad, 2019, p. 149).
3. Financial Stability: Monetary policy should maintain the stability and integrity of the financial system, preventing financial crises and systemic risk. Al-Maqrizi's analysis of the consequences of currency debasement suggests that maintaining public confidence in money is essential for economic stability (Janwari, 2016, p. 269).
4. Redistributive Mechanisms: Monetary policy should incorporate redistributive mechanisms, including zakat and other social welfare measures. The zakat obligation ensures that even stored wealth contributes to social welfare, reducing inequality (Rivai et al., 2010, p. 23).

5.3 Implications for Financial Regulation

The conceptual framework has implications for financial regulation in Islamic financial systems:

1. Compliance: Regulatory frameworks must ensure compliance with Islamic principles, including the prohibition of interest, speculation, and uncertainty (gharar). Financial institutions must be subject to Shariah oversight to ensure that their operations align with Islamic principles (Rozalinda, 2017, p. 45).
2. Asset-Backing: Regulations must require that financial instruments are backed by tangible assets or economic activities. This requirement prevents the creation of purely speculative financial instruments that transform money from its exchange function to a commodity function (Muhamad, 2019, p. 148).
3. Transparency: Regulations must ensure transparency in financial transactions, enabling participants to make informed decisions. Transparency is particularly important for risk-sharing contracts, where parties must understand the risks and returns of investment projects (Rivai et al., 2007, p. 36).
4. Consumer Protection: Regulations must protect consumers from fraud, misrepresentation, and exploitation. The public goods nature of money implies that all members of society should have access to fair and transparent financial services (P3EI, 2008, p. 78).

CONCLUSION

This article has synthesized the perspectives of classical Islamic scholars on the concept of money and developed a conceptual framework for understanding money in Islamic economics. The analysis reveals three core characteristics of money in Islamic economics:

First, money functions as a flow concept in Islamic economics. Unlike conventional economics, which treats money as a stock that can be accumulated for speculative purposes, Islamic economics emphasizes the circulation of money through the economy. The metaphor of flowing water illustrates this concept: when money circulates through production and exchange, it generates prosperity, while hoarding leads to economic stagnation. All classical scholars recognized the exchange and measurement functions of money as its primary purposes, and they criticized hoarding as harmful to the economy.

Second, money functions as a public good in Islamic economics. As a public good, money belongs to all members of society and should be available for use by all. Hoarding money or using it for speculation withdraws it from the public sphere and prevents it from serving its public function. The state has a responsibility for maintaining monetary stability and integrity, and monetary policy should serve the public interest rather than the state's fiscal interests. The rejection of money as a commodity is grounded in the recognition that money is a public good, not a private commodity.

Third, money functions as a medium of exchange and unit of account in Islamic economics. These are the primary functions of money, and any use of money beyond these functions transforms it into a commodity, which is prohibited. The store of value function is recognized only as a secondary function, conditioned by the zakat obligation. The zakat obligation ensures that even stored wealth contributes to social welfare, transforming the store of value function into a redistributive mechanism.

The article also demonstrated that Islamic economics fundamentally rejects money as a commodity. This rejection is based on three arguments: money lacks intrinsic utility and cannot be consumed or used directly; money does not require quality differentiation for determining its value; and money does not require specification in transactions. The rejection of money as a commodity provides a theoretical foundation for the prohibition of interest (riba) in Islamic economics, as interest treats money as a commodity that can generate returns independently of real economic activity

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