

THE FUNCTION OF MONEY AS A *MEDIUM OF EXCHANGE* (MEDIUM OF EXCHANGE) IN ISLAMIC LAW

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Abstract *Study This aiming For to study function uan as tool exchange (medium of change) with use method study bibliography . Research explain How the concept of money in Islam and the function of money as tool exchange (medium of exchange). The experts Islamic economics recognizes the benefits of money as a medium of exchange . In the system Islamic economics , money only functioning as tool exchange (medium of exchange) and not as commodities that can traded . When money is treated as commodities by system capitalist , grow what is called the money market. This money market produce economy conventional , especially the emergence of derivatives markets , which use instrument flowers . Therefore that , money is not may So commodity trading like goods others . In Islamic law , money is not may traded except with condition must cash and must for example (same).*

Keywords: *Function of Money, Medium of Change , Islamic Law*

Introduction

Money is innovation big in civilization human and money position Departure is very strategic in a system economy as well as difficult replaced with other ¹variables Money is an integral part of a system economy . With money, then economy can operate in a way more efficient and improve standard life society . There is no none of them civilization in this world that is not know and use money. Even if there is , then economy in civilization the Certain stagnant and not develop²

Money is mover economy , and activities economy walk fluent with money. System Islamic economics is different with system economy conventional . One of the the difference is function of money ³. Common money used as tool swap Now is paper money . Paper money called as *fiat money* , called thus Because the ability of the money For functioning as tool exchange and have Power buy . In the past money was follow standard gold , then standard gold abandoned by the world economy in the mid-1990s ten 1930s . Now paper ⁴money become tool exchange , because government set it as tool swap.

Islam teaches that money is not may become objective end in life someone . On the contrary , blessings and success true lies in the correct and beneficial use of money for self yourself and others. In the Qur'an, Allah emphasizes importance charity pious and giving alms as method For clean wealth and bring closer self to Him. Islam stipulates principles that must be followed in

¹ Nasution, Mustafa Edwin et al. , Introduction to Islamic Economics, (Jakarta: Kencana Prenada Media Group.2007). p . 239.

² Judisseno , Rimsky. K. System Monetary and Banking in Indonesia, Jakarta: PT. Gramedia Pustaka Utama. p . 2)

³ Vadilla Yulianda , Rana Yolanda, Nur Salsabillah . The Concept of Money in Islamic Economic Perspective . JASIE - Journal of Aswaja and Islamic Economics Vol. 02 No. 02 – 2023. Page 10.

⁴ Masudul Alam Choudhury. Money in Islamic Economic Perspective . Routledge. London and New York. 1st Edition . 1997. Page 180

income , management , and use of money. One of them is principle justice in all transaction finance . Justice This covers mutual agreement profitable between parties involved in transactions , as well as avoid all form fraud , usury (interest), and other practices No ethical others . In addition , Islam also emphasizes importance honesty in all matter related with money. A Muslim is required For earn money with the halal way , without cheat or harming others. The income earned from legitimate and honest business will bring in blessing for individuals and society.

Literature Review

1. Money

Money in wide as something that can accepted in a way general as tool payment in an area or as tool debt payment or as tool do purchase goods and services ⁵. In law , money is something formulated by law as money. So everything something can accepted as money if There is rule or the law that shows can used as tool swap ⁶.

2. Tools of Exchange (*Medium Of Exchange*)

In general general in system economy , money has function as tool exchange (medium of change). As tool exchange rate used as gauge unit in the form of activity payment in economy . Money then develop and evolve follow journey history ⁷. From the development here it is , money then Can categorized in three types , namely : commodity money , paper money , and demand deposits or credit money

3. Islamic Law

Islamic law says no found The same once in the Koran and literature law in Islam. There is in the Qur'an are the words shari'ah , fiqh , the law of Allah and the root with it . The words of Islamic law are translation from the term " *Islamic Law* " from Western literature . In explanation about Islamic law from Western literature was discovered definition Islamic law is : the entire book of Allah which regulates life every Muslim in all its aspects ⁸.

Method

Study law is a process for find rule law , principles law , and doctrines law use answer issues the ⁹law faced . The research method used legal normative , namely study law that is carried out with method researching material library or secondary ¹⁰data . The approach used in study This is use approach legislation . Legal materials done with use method *centent analysis method* is

⁵Cashmere, Banks and Financial Institutions Others (Jakarta: PT. Rajagrafindo Persada , 2008. Page 13.

⁶Sitti Nikmah Marzuki . CONCEPT OF MONEY AND MONETARY POLICY IN ISLAMIC ECONOMICS. AL-IQTISHAD: JOURNAL OF ECONOMICS ISSN. Vol. 1 No. 2, Year 2021 July- December . Page 202

⁷Nur Saidatur Rohmah . Comparative Study The Concept of Money in Conventional Economics and Islamic Economics. ADILLA : Journal of Islamic Economics Vol. 1 No. 1 January 2018. Page 81

⁸Mirsa Astuti, Syofiaty Lubis, Lilawati Ginting. Employing Underage Children In Study International Law And Islamic Law. Proceeding International Seminar on Islamic Studies Volume 4 Number 1 Year 2023. P. 267

⁹Peter Mahmud Marzuki, (2005), Legal Research , Jakarta: Kencana Prenada Media Group, p . 35

¹⁰Ismail Koto. (2022). Legal Policy Against Actions Use of the Same Brand in Principle , SANCTIONS: National Seminar on Law, Social and Economics.

carried out with to describe material incident law or product law in a way Details use make it easier interpretation in discussion ¹¹.

Discussion

1. The Concept of Money in Islam

Money in Language Arab originate from the word *Nuqud* which comes from from the root of the word *naqdu* which contains a number of understanding that is : *al- naqdu* means good from dirhams, holding dirhams, distinguishing dirhams, and *al- naqdu* also means cash or payment cash ¹². Because most Arabs don't use the word " nuqud " for show price . They use the word "dinar" for show gold coin , "dirham " for show tool swap silver , and "ain" for showing gold dinars . ¹³

In the Islamic concept , money is *flow concept* . Islam does not know the motive for the need for money speculation Because No may . Money is public goods , property society . Therefore , the hoarding of money that is left No productive means reduce amount of money in circulation ¹⁴. In theory monetary hoarding money means slow down clear money circulation will reduce the occurrence transactions and result in sluggishness economy . Money must Keep going circulating , moving , and used in activity economy society . Therefore that , in view Islamic economics , money is considered as draft flow and not as savings .

The experts Islamic economics recognizes the benefits of money as a medium of exchange . The Prophet Muhammad himself like use of money compared exchange goods with goods . Prohibition on Riba Al-Fadl in Islam is step going to transition to a money economy and also a directed efforts For make barter transactions are rational and free from element injustice as well as exploitation¹⁵

The role of this money intended For to eliminate injustice , dishonesty and exploitation in economy exchange (barter). Because it's deep barter system exists element injustice that is classified as usury al Fadhl, which is prohibited in Islam . Money can play role important as a unit of account and as a gathering mark in economy Islam . Money can used as size *opportunity cost* (i.e. lost income) . Beside that , money also plays a role special *social* and *religious* , because He is size best For channeling Power buy in form transfer payment to poor . As function social money holding or prevent exploitation open contained in condition bargaining¹⁶

Islam rejects the opinion that money is *stock concept* that states money is the wrong way For keep treasure wealth (store of wealth) ¹⁷. The reality is the role and function of money with by

¹¹ Rahmat, Ramadhani and Ramlan. (2019). Build Operate And Agreement Transfer (Bot) Merdeka Square Medan In The View Of State Administrative Law And Business Law . De Lega Lata: Journal Legal Science , 4 (2). Page 528.

¹² H. Farid Wadjdy , M. Pd and Mursyid , M.Si , Waqf and Welfare People , Yogyakarta: Library Student , 2007. pp. 66-68 .

¹³ Nelsiana Aprilin Indah Sari et al . The Concept of Money in the Perspective of Islamic Economics. Journal Warehouse Multidisciplinary Science Volume 2 ; Number 5; May 2024. Page 143.

¹⁴ Rahmat Ilyas . The Concept of Money in the Perspective of Islamic Economics . Journal Islamic Business and Management . Vol. 4, No. 1, June 2016. Page 38

¹⁵ Muhammad Ayub, Muhammad, 2009, Understanding Islamic Finance: AZ of Islamic Finance , Jakarta, PT. Gramedia Pustaka Utama. Page 141

¹⁶ M. Abdul Manan, 1995, Theory and Practice of Islamic Economics, translator M.Nastangin , Yogyakarta, PT Dana Bhakti endowment . Pages 162-163

¹⁷Rahmat Ilyas . The Concept of Money in the Perspective of Islamic Economics . Journal Islamic Business and Management . Vol. 4, No. 1, June 2016. Page 46

itself switch from as tool swap become as tool storage mark wealth . This means that money is *stock concept* that can accumulated so appearance as capital and wealth personal ¹⁸.

2. Function of Money As *Medium Of Change* (Means of Exchange)

Money is one of the innovation big man throughout civilization . Money has very strategic position in system world economy , so that No easy For replace it with other ¹⁹media In general law , money is something formulated by law as money. While in a way function , money is all something that runs its function as money, namely : ²⁰as tool swap exchange (*medium of exchange*), unit count (*unit of account*) and hoarder wealth (*store of value*).

Money is element not inseparable from life daily human beings . In all activity economy , money plays a role as mover For reach various purpose . In system economy that uses money, prices every goods and services can measured with value of money, different with barter system in which exchange goods and services done direct between individual without involving money as intermediary . Money is one of the achievement big man throughout history civilization . History reveals role important money in life humans , especially in realm economy .

The importance of money is one of the pillars of the economy . Money facilitates the exchange process . commodities and services . Every production and distribution process Certain using money ²¹. In the system economy money capitalist no only as *medium of change* but also as commodities . According to system money capitalist can for sale with existence excess direct or tough . And money can for rent ²².

In Islam, money is only functioning as *medium of change* . Money is not as commodities that can traded . When money is treated as commodities by system capitalist , grow what is called the money market. This money market produce economy conventional , especially the emergence of derivatives markets , which use instrument flower .

The function of money as *medium of exchange* can used as tool payment . Before found coin , commodity like animal cattle functioning as money, so too with metal like gold and silver used in the past . European coins are known as modern coins . That Actually originate from Byzantium and the Muslim state which is estimated to have been found in the 17th century . During the Islamic era, Abdul Malik bin Marwan (65-86 H) / 685-705 AD), a caliphate from the Umayyad Dynasty, replacing coin Byzantine gold (dinar) and Persian silver (dirham) had different weight with Islamic coins of value The same with *unit of account* ²³.

There are three stage development the function of money, namely *Commodity money* , *token money* , and *deposit money* ²⁴:

Commodity money can defined as *medium of exchange* that has mark commodity if commodity the used No as money. There are three important and must things be noticed as *medium of exchange* ²⁵:

¹⁸ Ahmad Mansur, ' The Concept of Money in Perspective of Islamic Economics and Conventional Economics ', AlQanun , (Surabaya: IAIN Sunan Ampel), Vol 12, No. 1/June 2017, Page 156

¹⁹ Muhammad Ichsan . The Concept of Money in the Perspective of Islamic Economics. PROFETIKA, Journal of Islamic Studies, Vol.21, No. 1, Special Issue 2020. Pages 27-38

²⁰Ahmad Mujahidin. 2007. Islamic Economics. Jakarta: PT Raja Grafindo Persada . Pages.,45-46

²¹ Septi Wulan Sari. The Development and Thought of Money from Time to Time. AN-NISBAH, Vol. 03, No. 01, October 2016. Page 47

²²Mustafa Edwin Nasution et al . 2007. Introduction Exclusive Islamic Economy. Jakarta: Kencana . Page 248

²³Al- Maqrizi , Al- Nuqud al- Qadimah al Islamiyyah , in al-abb al- insitas al karmali (ed), Buku alnuqud al arabiyah and the Islamic world wab'ilm al- namyat , (Cairo: Maktabah al- tsaqafah al- Dinniyah , 1986), Cet. 2nd, p.73

²⁴ Adiwarman A Karim, Islamic Macroeconomics, Jakarta: PT. Raja Grafindo Persada , 2017, pp : 84- 86

- a. Scarcity of *Supply* from *medium of exchange* must limited . If not , then mark exchange from commodity the No There is .
- b. Durability *Medium of exchange* that clear must long lasting from matter relate with function third from money in conventional that is as *store of value* .
- c. High Value *Medium of exchange* very much comfortable if the unit is have mark high , so that No need a large number in do transaction

Can it is said function the main thing is money as tool exchange . With money, exchange can done with easy , without must exchange with goods . So that with thus the difficulties that arise consequence barter system as done by ancient people can overcome . Therefore that , money is not may So commodity trading like goods others . In Islamic law , money is not may traded except with condition must cash and must for example (same) ²⁶. As tool exchange money has a very important role in modern life today this . In a diverse society with various expertise , individual No can produce all the things they need myself . Therefore that , money plays a role make it easier man fulfil need life they.

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²⁵ Choirunnisak , Choiriyah , Sapridah . The Concept of Money in Islam. SALAM; Journal of Social & Cultural Faculty of Law, Syarif Hidayatullah State Islamic University, Jakarta Vol. 6 No. 4 (2019). Pages 382-383

²⁶ Atikah Nurul Ichsan , Febria Lesmita Sari, Syahpawi . History of Money, Functions , and Its Role in Economic Development According to Sharia Economic Experts. Nanggroe : Journal Devotion Cendikia Volume 3, Number 1, April 2024, Page 64

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