

# Conceptual Reconstruction of Money in Islamic Economics: A Comparative Analysis of Classical and Contemporary Literature

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## ABSTRACT

This study aims to reconstruct the conceptual framework of money in Islamic economics through a comparative analysis of classical and contemporary literature. This study employs a qualitative approach using a library research method, analyzing classical works of prominent scholars such as Al-Ghazali and Ibn Khaldun, alongside contemporary contributions from modern Islamic economists. The data are examined through descriptive-analytical and comparative techniques to identify continuity, divergence, and transformation in the conceptualization of money. The findings reveal that both classical and modern Islamic scholars consistently reject the commodification of money and emphasize its functional role in facilitating real economic activities. Classical literature highlights moral restrictions, including the prohibition of *riba*, hoarding (*ikhtikar*), and speculative practices, while modern literature extends these principles into discussions on monetary reform, financial instruments, and alignment with *maqasid al-shariah*. This study contributes by offering a conceptual synthesis that bridges classical foundations with contemporary economic challenges, providing a more integrated theoretical framework for Islamic monetary thought. The implications suggest the need for reorientation of modern financial systems toward ethical, justice-oriented, and stability-driven principles as advocated in Islamic economics.

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## 1. INTRODUCTION

The contemporary global economic landscape, money no longer functions merely as a neutral medium of exchange; rather (Nesvetailova, 2013), it has undergone a transformation into a complex speculative instrument that is often detached from real economic activities (Pontis, 2025; Tacanho, 2025).

The modern financial system, dominated by conventional approaches, treats money as a commodity that can be traded for profit, thereby creating space for interest-based transactions, derivatives, and various forms of financial speculation. This condition not only generates inequality in wealth distribution but also contributes to recurring global economic instability, as evidenced by numerous international financial crises. In this context, there is an urgent need to reassess the fundamental concept of money, particularly through alternative perspectives that are more ethical and equitable.

Islamic economics emerges as a paradigm offering a distinct approach to understanding money (Khalidin, 2024; Mojahedi Moakhar, Esavi, Khademalizadeh, & Tari, 2023). In contrast to conventional systems, Islamic economics positions money strictly as a medium of exchange and a unit of account, rather than as a commodity capable of generating profit by itself. This perspective is rooted in Sharia principles that emphasize justice, balance, and sustainability in economic activities. Accordingly, money in Islamic economics must not be separated from the real sector, and any form of profit must be derived from genuine productive activities (Fadillah, Purnomo, & Purnamasari, 2024). This approach is not merely normative but also offers solutions to various structural problems within the modern economic system.

The conceptualization of money in Islamic economics has evolved since the classical period through the contributions of prominent scholars such as Imam Al-Ghazali and Ibn Khaldun. Al-Ghazali, for instance, asserted that money possesses no intrinsic value and functions solely as an intermediary in exchange; therefore, it must not be treated as an object of speculation. Meanwhile, Ibn Khaldun emphasized that the prosperity of a nation is not determined by the quantity of money in circulation, but by the level of production and real economic activity (Celebcioğlu, 2025). These ideas demonstrate that, from its inception, Islamic economics has possessed a strong conceptual foundation in positioning money in a proportional and just manner.

Nevertheless, the increasing complexity of the global economy necessitates a reinterpretation of these classical concepts. The emergence of modern financial instruments, the digitalization of payment systems, and the phenomenon of cryptocurrencies have significantly reshaped the economic landscape. In this context, contemporary Islamic economic thought seeks to bridge classical intellectual heritage with modern challenges. Thinkers such as Muhammad Baqir al-Sadr and M. Umer Chapra have contributed to developing conceptual frameworks that remain grounded in Sharia principles while being adaptive to global economic dynamics (Ahmad, 2024).

A significant gap persists between theoretical formulations and the practical implementation of Islamic economics. Many Islamic financial institutions, in substance, still adopt conventional mechanisms while merely replacing terminology. This indicates that the foundational understanding of key concepts, including money, has not been fully internalized at a philosophical level. Consequently, the primary objectives of Islamic economics namely justice and welfare—have not been optimally achieved. Therefore, a more in-depth and comprehensive examination of the concept of money in Islamic economics is required.

Practices such as *riba* (interest), speculation, and the hoarding of money (*ikhtikar*) remain difficult to avoid within modern economic systems (Anjum, 2022). These practices not only contradict Sharia principles but also contribute to social inequality and economic instability. In Islamic economics, the prohibition of *riba* and hoarding is not merely a normative rule, but part of a broader effort to maintain equitable wealth distribution and ensure the smooth circulation of economic resources. A deeper understanding of the philosophical foundations underlying these prohibitions is expected to provide more effective solutions to contemporary economic challenges.

The study of classical and modern literature represents an essential approach to comprehensively re-examining the concept of money in Islamic economics. Classical literature provides a strong philosophical and normative foundation, while modern literature offers interpretation and application within contemporary contexts. Through a comparative approach, both continuity and transformation in thought can be identified, leading to a more comprehensive understanding. This approach also enables the integration of traditional values with practical needs in the modern economic system (Adefila, Ajayi, Toromade, & Sam-bulya, 2024).

This research is grounded in the recognition that money is not a value-neutral entity, but rather reflects the value system and ideology underlying it. Therefore, understanding the concept of money in Islamic economics is not only academically significant but also carries practical implications for the formulation of more just and sustainable economic policies. In this regard, conceptual reconstruction becomes a strategic step to restore the function of money in accordance with authentic Sharia principles.

Accordingly, this study aims to analyze and reconstruct the concept of money in Islamic economics through a comparative examination of classical and modern literature. It is expected that the findings will contribute theoretically to enriching the body of knowledge in Islamic economics, while also serving as a reference for the development of a more ethical, stable, and just financial system. Moreover, this study seeks to foster critical awareness that money is not merely an economic tool, but a strategic instrument for achieving comprehensive societal welfare.

## 2. METHODS

This study employs a qualitative approach with a library research design to explore and reconstruct the concept of money in Islamic economics from both classical and contemporary perspectives. The qualitative approach is chosen because the focus of this research is not on numerical measurement or hypothesis testing, but rather on an in-depth understanding of theoretical constructs, philosophical foundations, and conceptual developments related to money in Islamic economic thought.

The primary method used in this study is documentary analysis, where data are collected from a wide range of authoritative written sources. These include classical works of prominent Islamic scholars such as Al-Ghazali and Ibn Khaldun, as well as contemporary contributions from modern Islamic economists such as Muhammad Baqir al-Sadr and M. Umer Chapra (Ganaie, 2025; Law & Indonesia, 2025). In addition, secondary sources such as peer-reviewed journal articles, academic books, and relevant research reports are utilized to provide a comprehensive understanding of the evolution of monetary concepts in Islamic economics.

Data collection is conducted through a systematic process consisting of identification, selection, and classification of relevant literature. The selection criteria include relevance to the research topic, academic credibility, theoretical contribution, and alignment with the study's objective of comparing classical and modern perspectives. This process ensures that the data used are valid, reliable, and representative of the broader discourse in Islamic economic thought.

The data are analyzed using a descriptive-analytical and comparative approach. The descriptive-analytical method is used to explain and interpret key concepts, such as the function of money, the prohibition of *riba*, and the rejection of money as a commodity. Meanwhile, the comparative method is applied to examine similarities, differences, and transformations between classical and contemporary perspectives. Through this approach, the study identifies patterns of continuity and conceptual shifts in the understanding of money within Islamic economics.

To enhance the rigor of the analysis, this study applies content analysis techniques, focusing on extracting themes, arguments, and underlying philosophical principles from the selected texts. The analysis is conducted iteratively, allowing for the refinement of interpretations and the development of a coherent conceptual framework. Additionally, theoretical triangulation is employed by comparing multiple sources and perspectives to minimize bias and strengthen the validity of the findings.

The role of the researcher in this study is central, as the researcher acts as the primary instrument in interpreting and synthesizing the data. The researcher critically evaluates the literature, constructs logical arguments, and integrates diverse viewpoints into a unified analytical framework. Objectivity is maintained through systematic documentation, transparent methodology, and careful cross-referencing of sources.

Finally, this study adopts a conceptual reconstruction approach, aiming not only to describe existing theories but also to synthesize and refine them into a more integrated framework. This approach allows the study to bridge classical Islamic economic thought with contemporary challenges, thereby

contributing to the development of a more coherent and applicable theory of money in Islamic economics..

### 3. FINDINGS AND DISCUSSION

The findings of this study reveal that the concept of money in Islamic economics, as articulated in both classical and contemporary literature, demonstrates a fundamental convergence in rejecting the commodification of money while affirming its primary function as a medium of exchange and a unit of account (Anjum, 2022; Fadillah et al., 2024). In classical thought, as represented by Al-Ghazali, money is conceptualized as an entity devoid of intrinsic value, serving merely as a representation of the value of goods and services. This perspective underscores that money should not be treated as an object of speculation or as a means of generating profit independent of real economic activities. Similarly, Ibn Khaldun emphasizes that economic prosperity is not determined by the quantity of money in circulation, but rather by the level of production and real economic activity. These classical perspectives consistently position money within a functional and ethical framework.

Furthermore, the findings indicate that classical literature places strong emphasis on the moral dimension of money, particularly through the prohibition of *riba* (interest), hoarding (*ikhtikar*), and speculative practices. Money is expected to circulate continuously within productive economic activities in order to promote social welfare and prevent unequal wealth distribution. In this regard, money is not merely an economic instrument, but also an integral component of a broader value system that governs social justice. This demonstrates that Islamic economics, from its inception, integrates both normative and practical dimensions in its conceptualization of money.

In contemporary literature, as developed by scholars such as Muhammad Baqir al-Sadr and M. Umer Chapra, the classical framework is both reinforced and expanded. Modern scholarship not only maintains the foundational principle that money is not a commodity, but also extends its implications within the context of modern financial systems. The focus shifts toward monetary reform, the development of Sharia-compliant financial instruments, and the integration of the monetary and real sectors. This reflects an adaptive effort to address the complexities of the global economy without compromising the core principles of Islamic economics. Another significant finding is the presence of both continuity and transformation in the conceptual development of money. Continuity is evident in the consistent adherence to foundational principles, such as the prohibition of *riba* and the rejection of speculative practices (Siddique & Siddique, 2024). However, transformation is reflected in the emergence of more systemic and institutional approaches within contemporary literature, particularly in response to challenges such as financial globalization, digitalization, and monetary innovation. This indicates that the concept of money in Islamic economics is dynamic, yet firmly rooted in enduring normative values.

**Table 1.** Result of analysis data literature review

Analytical Aspect	Classical Literature	Contemporary Literature	Synthesis of Findings
Nature of Money	Lacks intrinsic value; purely a medium of exchange	Not a commodity; expanded within modern financial systems	Money is an instrument, not an end
Function of Money	Medium of exchange and unit of account	Same functions with emphasis on real-sector integration	Functions remain constant, context evolves
Moral Dimension	Prohibition of <i>riba</i> , <i>ikhtikar</i> , and speculation	Emphasis on <i>maqasid al-shariah</i> and economic justice	Ethical values as foundational principles

Analytical Aspect	Classical Literature	Contemporary Literature	Synthesis of Findings
Intellectual Focus	Philosophical and normative	Systemic and institutional	Expansion without altering core principles
Economic Objective	Social justice and balance	Stability and global welfare	Objectives remain consistent
Key Challenges	Non-productive practices and hoarding	Globalization, digitalization, financial complexity	Requires contextual adaptation
Theory Practice Gap	Less evident	Increasingly visible in modern institutions	Need for conceptual reinforcement

Sources: analysis data researcher

### Discussion

The findings of this study confirm that the Islamic conceptualization of money represents a fundamentally different epistemological and normative framework compared to conventional economic thought. While mainstream economics often treats money as a neutral and, at times, profit-generating commodity, Islamic economics firmly rejects this notion by positioning money strictly as a facilitating instrument within real economic transactions. This distinction is not merely definitional, but reflects a deeper philosophical divergence regarding the nature of value, wealth, and economic justice. The consistency observed between classical and contemporary Islamic scholarship suggests that the prohibition of money commodification is not context-dependent, but rather constitutes a foundational principle within Islamic economic epistemology.

From a theoretical perspective, the classical views articulated by Al-Ghazali and Ibn Khaldun can be interpreted as an early critique of what is now recognized in modern economics as financialization – the increasing dominance of financial motives, markets, and institutions over the real economy. Their emphasis on the non-intrinsic nature of money and the primacy of real production anticipates contemporary concerns about speculative bubbles, excessive liquidity, and systemic instability. In this sense, Islamic economic thought provides not only a moral critique, but also a structurally relevant alternative framework that aligns closely with modern calls for rebalancing the relationship between financial and real sectors.

The moral dimension embedded in the Islamic concept of money further strengthens its analytical relevance. The prohibition of *riba*, hoarding (*ikhtikar*), and speculative practices reflects a deliberate effort to ensure the continuous circulation of wealth and prevent its concentration among a limited segment of society. This aligns with broader economic theories emphasizing equitable distribution and inclusive growth, yet Islamic economics distinguishes itself by grounding these objectives in a normative-ethical framework derived from Sharia principles. The integration of ethical imperatives with economic functions represents a unique contribution, as it transcends the value-neutral assumptions commonly found in conventional economic models.

The expansion of these classical principles in contemporary scholarship, particularly through the works of Muhammad Baqir al-Sadr and M. Umer Chapra, demonstrates the adaptability of Islamic monetary theory in addressing modern economic complexities. Their contributions highlight the necessity of institutionalizing Islamic principles within formal financial systems, including the development of Sharia-compliant instruments and regulatory frameworks. However, this expansion also introduces new challenges, particularly in ensuring that the transformation from theory to practice does not dilute the original philosophical foundations of Islamic economics.

A critical issue emerging from the findings is the persistent gap between theoretical ideals and practical implementation. The tendency of Islamic financial institutions to replicate conventional mechanisms—albeit under different terminologies—raises important questions about the depth of conceptual adherence. This phenomenon can be interpreted as a form of “formal compliance without

substantive transformation,” where the outward structure appears Islamic, but the underlying logic remains conventional. Such a condition not only weakens the authenticity of Islamic finance but also limits its potential to offer a genuine alternative to the global financial system.

Furthermore, the dual presence of continuity and transformation in Islamic monetary thought suggests a dynamic intellectual tradition that is both resilient and responsive. While core principles such as the rejection of *riba* and the emphasis on real-sector linkage remain unchanged, their application has evolved to address contemporary challenges, including digital currencies, financial globalization, and complex monetary systems. This adaptability indicates that Islamic economics is not a static doctrine, but a living framework capable of engaging with modern realities without losing its normative essence.

Another important dimension of this discussion relates to the concept of *maqasid al-shariah* (the higher objectives of Islamic law), which serves as a guiding framework in contemporary Islamic economic discourse. The alignment of monetary practices with *maqasid* principles—such as the preservation of wealth, justice, and social welfare—reinforces the argument that money in Islam is inherently value-laden. This perspective challenges the conventional separation between economics and ethics, proposing instead an integrated model in which economic efficiency and moral responsibility are mutually reinforcing rather than mutually exclusive.

In light of these findings, the reconstruction of the concept of money in Islamic economics can be seen as both an intellectual and practical necessity. It requires not only a synthesis of classical and contemporary thought but also a critical re-evaluation of current institutional practices. Without such reconstruction, Islamic economics risks remaining confined to theoretical discourse without achieving meaningful real-world impact. This study contributes to the broader discourse by demonstrating that the Islamic concept of money offers a viable alternative paradigm that prioritizes justice, stability, and real economic productivity. However, its successful implementation depends on the extent to which its foundational principles are genuinely internalized and operationalized within modern financial systems. This calls for a more rigorous alignment between theory and practice, supported by continuous scholarly engagement and institutional reform.

#### 4. CONCLUSION

This study concludes that the concept of money in Islamic economics, as derived from both classical and contemporary literature, is fundamentally grounded in the rejection of money as a commodity and the affirmation of its role as a medium of exchange and a unit of account. Classical scholars such as Al-Ghazali and Ibn Khaldun established a strong philosophical foundation by emphasizing that money has no intrinsic value and must remain closely linked to real economic activities. This foundational view is consistently upheld and further developed in contemporary scholarship by figures such as Muhammad Baqir al-Sadr and M. Umer Chapra, who expand its application within modern financial systems. The study also finds a clear pattern of continuity and transformation within Islamic monetary thought. While core principles—such as the prohibition of *riba*, rejection of speculative practices, and emphasis on real-sector integration—remain unchanged, contemporary approaches introduce more systemic and institutional dimensions to address modern economic challenges. This demonstrates that Islamic economics is both normatively consistent and adaptively dynamic. However, a significant gap persists between theoretical ideals and practical implementation, particularly within Islamic financial institutions that often replicate conventional mechanisms with only superficial modifications. This indicates that the philosophical essence of Islamic monetary theory has not been fully internalized in practice, thereby limiting its transformative potential. The novelty of this study lies in its conceptual reconstruction that systematically integrates classical foundations with contemporary developments, producing a more coherent and comprehensive framework of money in Islamic economics. This integrative approach not only bridges the historical gap in the literature but also offers a relevant theoretical basis for responding to current economic challenges, including financial instability, inequality, and the disconnection between

monetary and real sectors. The Islamic concept of money represents a value-based and ethically grounded framework aimed at achieving justice, balance, and social welfare. Its relevance in the contemporary global economy depends on the extent to which its foundational principles are authentically implemented and institutionally embedded. Therefore, future efforts should focus on strengthening the alignment between theory and practice, as well as advancing innovative models that reflect the true spirit of Islamic economic principles.

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