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Analysis of Imam Al-Ghazali's Thoughts on the Function of Money in Islamic Economics

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Abstract

This study aims to analyze Imam Al-Ghazali's thoughts on the function of money from an Islamic economic perspective and its relevance to the modern economic system. In Al-Ghazali's view, money has a primary function as a medium of exchange, a standard of value, and a means of facilitating economic transactions, not as a commodity traded solely for profit. This thought arose from efforts to maintain justice, economic stability, and the welfare of society in accordance with sharia principles. This study uses a qualitative method with a library research approach through an analysis of Al-Ghazali's works and contemporary Islamic economic literature. The results show that Al-Ghazali's concept of the function of money rejects the practices of hoarding wealth, usury, and speculation that can lead to economic inequality. In addition, Al-Ghazali's thoughts are relevant to the modern Islamic financial system, which positions money as a medium of exchange, not a tool for generating profits without real economic activity. Thus, Al-Ghazali's thoughts make an important contribution to building an Islamic economic system that is just, stable, and oriented towards social welfare.

Keywords: Functions of Money, Islamic Economics, Al-Ghazali's Thoughts, Usury, Islamic Financial System.

INTRODUCTION

Islamic economics is an economic system built on sharia values with the goal of creating justice, balance, and social welfare. In this system, money is not viewed as a commodity to be traded solely for profit, but rather as a tool to facilitate human economic activities. This concept is one of the fundamental differences between Islamic economics and conventional economics, which tends to view money as a capital commodity. Therefore, a discussion of the function of money in Islamic economics is crucial for a deeper understanding of the principles of Islamic economics.

The development of the modern financial system today demonstrates the increasingly complex functions of money. Money is no longer used solely as a medium of exchange but is also used as a means of speculation and profit accumulation through usury, interest, and non-real transactions. These conditions often trigger economic inequality and financial crises in various countries. From an Islamic perspective, such practices are considered contrary to the principles of justice and welfare because they can harm one of the parties in an economic transaction (Huda, 2021).

The thoughts of classical scholars have become an important source in the development of contemporary Islamic economics. One figure who made a significant contribution to the discussion of the function of money is Imam Al-Ghazali. Al-Ghazali is known as an Islamic scholar, philosopher, and thinker who discussed various aspects of life, including economics. His thoughts on money provide a moral and ethical foundation for the use of wealth in accordance with the objectives of sharia (maqasid sharia).

According to Al-Ghazali, money was not created to be hoarded or traded as a commodity, but rather as an intermediary in the exchange of goods and services. Its primary function is as a medium of exchange and a measure of value, helping people meet their daily needs fairly and efficiently. This view demonstrates that Islam places money solely as a medium of transaction, not the primary objective of economic activity (Fauzia & Riyadi, 2020).

In Al-Ghazali's thinking, the practice of hoarding and trading money for personal gain is considered detrimental to the economic stability of society. When money no longer circulates in real economic activity, wealth distribution becomes unequal and has the potential to create social inequality. Therefore, Al-Ghazali emphasized the importance of money circulation in productive activities that can benefit society at large (Karim, 2022).

The relevance of Al-Ghazali's thought is increasingly evident in modern economic developments, particularly in the Islamic financial system. Islamic financial institutions today strive to implement Islamic principles by avoiding usury (riba), gharar (gharar), and maysir (risk) in transactions. The concept of money as a medium of exchange, not a commodity, is a crucial foundation for the

operations of Islamic banking and other Islamic financial institutions.

Furthermore, developments in financial technology and the digitalization of the economy have also influenced the role of money in society. The emergence of electronic money, cryptocurrencies, and various digital financial instruments has created new challenges in Islamic economics. In this context, Al-Ghazali's thoughts can serve as ethical guidelines for assessing whether the use of digital money is still in accordance with Sharia principles or opens up opportunities for excessive speculation.

Studying the function of money from Al-Ghazali's perspective is also important because it can provide a historical understanding of the development of Islamic economic thought. Many people assume that Islamic economics only developed in the modern era, even though classical scholars have comprehensively discussed economic concepts for centuries. Al-Ghazali's thinking demonstrates Islam's strong concern for economic stability and social welfare (Rahman & Hasanah, 2023).

Academics have conducted extensive research on the function of money in Islamic economics, but most have focused on aspects of Islamic banking and monetary policy. Meanwhile, studies specifically addressing Al-Ghazali's thoughts on the function of money are still relatively limited. Yet, this classical figure's thinking holds strong relevance in addressing various contemporary economic issues.

From an Islamic macroeconomic perspective, money plays a crucial role in maintaining economic stability. A healthy money supply will stimulate real sector growth, increase production, and create a more equitable distribution of income. Conversely, the use of money for speculative activities can lead to inflation, inequality, and economic crises. Therefore, Al-Ghazali's concept of money can serve as an alternative way of thinking in building a more stable and equitable economic system.

Al-Ghazali's thinking also emphasized the importance of morality in economic activity. In Islam, economic activity is not solely oriented toward material gain but must also consider ethical values and social responsibility. Money should be used to support the public good and avoid practices that harm others. This view is particularly relevant in the modern economic system, which often focuses on profit without considering its social impact (Sulaeman, 2024).

By understanding Al-Ghazali's thoughts on the function of money, people can gain a broader understanding of the true concept of Islamic economics. The function of money is not only understood technically as a means of payment, but also has moral and social dimensions aimed at creating economic balance. This thinking also serves as a critique of modern economic practices that use money as a tool for speculation and exploitation.

Based on this description, this study aims to analyze Al-Ghazali's thoughts on the function

of money in Islamic economics and its relevance to the development of the modern economic system. This study is expected to contribute academically to the development of Islamic economic theory and serve as a reference for the community and Islamic financial institutions in implementing the concept of money in accordance with Islamic principles.

METHOD

This study employed a qualitative research method with a library research approach. This approach was chosen because the research focuses on analyzing Imam Al-Ghazali's thoughts on the function of money in Islamic economics, as obtained through various literary sources, both classical and contemporary. The library study was conducted by collecting, reading, understanding, and analyzing various references relevant to the research theme.

The data sources in this study consist of primary and secondary data. Primary data were obtained from Al-Ghazali's works discussing economic issues, particularly regarding the concepts of money, wealth, and transactions in Islam. Meanwhile, secondary data were obtained from books, scientific journals, articles, and previous research related to Islamic economics, the function of money, and Al-Ghazali's economic thought. The use of secondary data aims to strengthen the analysis and provide a more comprehensive understanding of the research object.

Data collection techniques were conducted through documentation and literature searches from various trusted academic sources, such as Islamic economics reference books, national and international journals, and other scientific publications relevant to the research topic. The collected data was then classified based on discussion themes, such as the function of money in Islam, Al-Ghazali's concept of money, and its relevance to the modern economic system.

The data analysis technique used is descriptive-analytical. The researcher describes Al-Ghazali's thoughts on the function of money, then analyzes its meaning, purpose, and relevance in the context of contemporary Islamic economics. The analysis is conducted systematically by connecting Islamic economic concepts with modern economic phenomena, particularly the Islamic financial system and the development of the function of money in the digital era.

This research method is expected to provide a deeper understanding of Al-Ghazali's concept of the function of money and its contribution to the development of modern Islamic economics. Furthermore, this research is also expected to provide insight into the importance of applying sharia values in the use of money to create a just, stable, and socially beneficial economic system.

RESULTS AND DISCUSSION

Imam Al-Ghazali's Thoughts on the Function of

Money from an Islamic Economic Perspective

Imam Al-Ghazali's thoughts on the function of money in Islamic economics stem from his view of the importance of maintaining a balance between economics and morality in society. According to Al-Ghazali, economic activity cannot be separated from ethical values, as the primary goal of economic activity in Islam is to create the common good. Therefore, money must be used wisely to prevent social harm or economic inequality in society.

Al-Ghazali viewed money as a primary medium of exchange, facilitating human transactions. Before the advent of money, society employed a barter system, which often created difficulties due to mismatched needs between the parties involved. The advent of money facilitated the exchange of goods and services because it was accepted by all parties in economic activity. Thus, money played a crucial role in ensuring the smooth flow of trade and economic distribution.

In addition to serving as a medium of exchange, Al-Ghazali explained that money functions as a unit of account. Through money, the value of goods or services can be determined more clearly and measurably. This function helps society determine fair prices for goods and avoids uncertainty in economic transactions. According to him, without a clear standard of value, trade will be difficult and potentially lead to disputes between individuals in society (Saprida, 2021).

In his thinking, Al-Ghazali rejected the view that money is a commodity to be traded solely for profit. Money has no direct utility like other consumer goods, but rather serves only as a medium of exchange. Therefore, the practice of profiting from money without any real economic activity is considered contrary to Sharia principles. This view forms a key basis for the prohibition of usury in Islamic economics.

Al-Ghazali also criticized the practice of hoarding money for personal gain. He argued that hoarded money loses its social and economic function because it no longer circulates in society's productive activities. Hoarding wealth can disrupt the distribution of wealth and widen economic inequality. Therefore, Islam encourages the use of wealth and money in beneficial activities that can positively impact the welfare of society at large (Ismail, 2022).

Furthermore, Al-Ghazali emphasized that money must be used to support productive economic activities. In Islamic economics, profits can only be earned through real endeavors such as trade, halal investments, and business partnerships. Therefore, the use of money must always be related to the real sector and must not be used for excessive speculation. This concept demonstrates Islam's strong emphasis on economic stability and social justice.

Al-Ghazali's thoughts on the function of money are also closely related to the concept of maqasid sharia. According to him, the proper use of money will help safeguard wealth (hifz al-mal) and support the creation of social welfare. Conversely, the misuse of money through usury, fraud, and speculation can undermine the economic order and lead to social injustice. Therefore, the function of money in Islam is not only economic but also has moral and spiritual dimensions.

In the modern era, Al-Ghazali's thoughts remain relevant to the development of the Islamic financial system. The principle that money is not a commodity but a medium of exchange underpins the operations of various Islamic financial institutions. Islamic banking, for example, eschews the interest system and emphasizes real asset-based transactions and the principle of profit-sharing. This demonstrates that Al-Ghazali's thoughts continue to make a significant contribution to the development of contemporary Islamic economics (Nasution & Harahap, 2023).

Furthermore, Al-Ghazali's thinking also critiques the modern capitalist economic system, which tends to position money as a tool for the unlimited accumulation of profits. This interest-based and speculative economic system often triggers economic crises and social inequality in various countries. In Al-Ghazali's view, this situation occurs because money has deviated from its primary function as a medium of exchange and become an object of exploitative trade.

Thus, it is understandable that Al-Ghazali's thinking regarding the function of money in Islamic economics positions it as a tool to simplify human life and create economic justice. Money should not be treated as a commodity or a means of exploitation for personal gain. Instead, money should be used in productive, fair, and sharia-compliant economic activities to foster overall social welfare (Fadli & Anwar, 2024).

Imam Al-Ghazali's Views on the Use of Money as a Medium of Exchange and the Prohibition of Making Money a Commodity

Imam Al-Ghazali believed that money was created to facilitate human economic transactions. In society, money serves as a medium of exchange that overcomes various difficulties inherent in the barter system. With money, the exchange of goods and services becomes easier, more efficient, and fairer because society has a generally accepted means of payment. Therefore, Al-Ghazali viewed money as a means of supporting economic activity, not as the primary objective.

According to Al-Ghazali, the primary function of money is as a medium of exchange and a measure of the value of goods. Money has no intrinsic value like food, clothing, or other necessities. Its value arises from a societal agreement to use it as a means of transaction. Therefore, money should not be treated as a commodity traded for personal gain.

Al-Ghazali's view forms a crucial basis for Islamic economics, which prohibits the practice of usury (riba). When money is traded for profit without any real business activity, its original function is altered. In Islam, profit may only be earned through real economic activities such as trade, halal investments, and productive business partnerships. This principle aims to maintain fairness in transactions and prevent economic exploitation of others (Hakim, 2021).

Al-Ghazali also rejected the practice of hoarding money, deeming it contrary to the goals of Islamic economics. He believed that money must

continue to circulate within society so that it can be used for productive activities that benefit all. If money is simply hoarded without being used, economic circulation will be disrupted and wealth distribution will become unequal. Hoarding money also has the potential to create social inequality and weaken economic activity.

In addition to prohibiting hoarding, Al-Ghazali criticized speculative activities that use money as a tool for instant profit without sound economic processes. In his view, economic activity must be based on real work, effort, and productivity. Excessive speculative practices will only create economic instability and harm society at large. Therefore, Islam emphasizes that money must be directly linked to the real sector to create sustainable prosperity.

Al-Ghazali's views on money demonstrate that Islam places great emphasis on the moral aspects of economic activity. The use of money is not solely assessed for material gain, but also for its impact on society's social life. When money is used properly and productively, the economy will operate healthily and fairly. Conversely, if money is used as a tool for exploitation and speculation, various economic problems such as social inequality and poverty will arise.

In the modern economic context, Al-Ghazali's thoughts remain highly relevant, especially within the Islamic financial system. Islamic banking applies the principle that money is not a commodity that can generate profits on its own. Profits are only obtained through transactions involving tangible assets and productive business activities. This is evident in the implementation of mudharabah, musyarakah, and murabahah contracts, which emphasize the principles of fairness and risk sharing in economic transactions (Lubis & Siregar, 2023).

On the other hand, modern conventional economic systems often make money an object of trade through interest mechanisms, speculative markets, and non-real financial instruments. This situation causes more money to circulate in the financial sector than in the productive sector. As a result, economic inequality and financial crises frequently occur in various countries. Al-Ghazali's thinking critiques this system, emphasizing that money should only function as a medium of exchange and a means of supporting economic activity.

Thus, Al-Ghazali's views on the use of money as a medium of exchange and the prohibition on treating money as a commodity demonstrate that Islamic economics places a significant value on money. Money is not a commodity to be traded for profit without any real effort, but rather a means to facilitate transactions and support productive economic activity. This concept aims to create justice, balance, and social welfare in the economic life of society (Ramadhan, 2024).

The Relevance of Imam Al-Ghazali's Thoughts on the Function of Money to the Modern Islamic Economic and Financial System

Imam Al-Ghazali's thoughts on the function of money remain strongly relevant to the development of modern Islamic economic and

financial systems. The concept of money as a medium of exchange, rather than a commodity, is a key foundation of contemporary Islamic economics. Amidst increasingly complex global economic developments, Al-Ghazali's thoughts offer an alternative perspective on the importance of maintaining money's original function to create a just and stable economic system.

In the modern Islamic financial system, the principle that money is not a commodity is implemented through the prohibition of usury in various transactions. Islamic banking, unlike conventional banks, does not use an interest system, but instead implements a profit-sharing system and real asset-based transactions. This principle demonstrates the alignment between the concept of modern Islamic economics and the thinking of Al-Ghazali, who rejected profit-making from money alone without any productive business activity (Yusuf, 2021).

The relevance of Al-Ghazali's thinking is also evident in the application of sharia contracts such as mudharabah, musyarakah, murabahah, and ijarah. These contracts emphasize real economic activity in generating profits. In this system, money serves only as a means of supporting transactions and not as the primary source of profit. Thus, the sharia financial system strives to maintain the circulation of money in productive sectors that benefit the wider community.

Furthermore, Al-Ghazali's concept of prohibiting the hoarding of money is closely linked to efforts to maintain modern economic stability. In Islamic economics, money must continue to circulate to support production, distribution, and consumption activities. When money is hoarded or circulates only among certain groups, wealth distribution becomes unequal and can trigger social inequality. Therefore, the Islamic economic system encourages investment and the use of wealth in productive and beneficial activities (Harahap, 2022).

Al-Ghazali's thoughts are also relevant in addressing today's developments in the digital economy and financial technology. The emergence of electronic money, digital wallets, and even cryptocurrencies has transformed the way people conduct economic transactions. In this context, Al-Ghazali's concepts can serve as a guideline to ensure that the use of financial technology remains compliant with Sharia principles. Financial technology should be used to facilitate transactions and improve public welfare, not as a means of speculation that harms many parties.

The development of cryptocurrencies, for example, has sparked debate among Islamic economists because most crypto transactions are speculative and lack a clear underlying asset. This contradicts Al-Ghazali's view, which emphasized that money must be linked to real economic activity. Therefore, Al-Ghazali's thinking is crucial as an ethical foundation for assessing various modern financial innovations to ensure they remain within the framework of Sharia (Siregar & Daulay, 2023).

Furthermore, Al-Ghazali's concept of money is also relevant in maintaining macroeconomic stability. Modern economic systems, overly reliant on interest and speculation, often trigger inflation, financial crises, and market instability. In contrast,

Islamic economics emphasizes real-sector transactions and equitable wealth distribution. These principles can help create a more stable and sustainable economic system because the circulation of money is supported by real production activities.

Al-Ghazali's thinking also contributed to economic development oriented toward social welfare. In Islam, the goal of economics is not merely to pursue material gain, but also to achieve justice and the welfare of society. Therefore, money should be used to support beneficial activities such as halal investments, zakat (alms giving), almsgiving, and economic empowerment of the community. This concept is highly relevant in efforts to reduce poverty and social inequality in the modern era (Nasrullah, 2024).

Furthermore, the relevance of Al-Ghazali's thought can be seen in the growing global attention to an ethical and sustainable economy. The global economic crisis caused by financial speculation and exploitation has led many to seek a more just and humane economic system. Al-Ghazali's Islamic economic principles, such as honesty, justice, and the prohibition of exploitation, offer an alternative solution for creating a more sustainable and stable economic system.

Thus, Al-Ghazali's thoughts on the function of money are highly relevant to the modern Islamic economic and financial system. The concept of money as a medium of exchange, the prohibition of usury, the rejection of speculation, and the importance of money circulation in the productive sector are principles that remain in place today. These thoughts demonstrate that Islamic economics was not only relevant in the classical era but also capable of providing solutions to the ever-evolving challenges of the modern economy (Fauzan & Ridwan, 2025).

CONCLUSION

Based on the discussion, it can be concluded that Imam Al-Ghazali's thinking regarding the function of money in Islamic economics positions money as a medium of exchange and a measure of value, aimed at facilitating human economic activity. Al-Ghazali emphasized that money is not a commodity that can be traded for profit without real economic activity. Therefore, the practices of usury, hoarding, and speculation are considered contrary to sharia principles because they can lead to injustice and undermine the economic stability of society.

Al-Ghazali's view demonstrates that the function of money in Islam is not merely economic, but also has moral and social dimensions. Money must be used productively to support lawful business activities, facilitate the distribution of wealth, and create shared prosperity. Thus, the circulation of money in society is a crucial factor in maintaining economic balance and justice in accordance with the objectives of sharia (maqasid sharia).

Furthermore, Al-Ghazali's thinking remains highly relevant to the development of the modern Islamic economic and financial system. The principles of prohibiting usury, rejecting

speculation, and emphasizing real-sector transactions are the main foundations for the operations of Islamic financial institutions today. Amidst the development of the digital economy and the complexity of the global financial system, Al-Ghazali's thinking can serve as an ethical guideline for creating a more just, stable, and socially beneficial economic system. Thus, Al-Ghazali's concept of the function of money continues to make a significant contribution to the development of contemporary Islamic economics.

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