

## **Money and its rules in Islam**

**Definition:** It refers to anything that is publicly acceptable as a means of exchanging and could be used as value measurement or wealth reservoir.

### **The Main Functions of Money:**

- 1- A means of exchanging.
- 2- Value measurement.

### **The Secondary Functions of Money:**

- 1- Value reservoir.
- 2- A method for credit payments.

### **Stages of Money Development:**

1- **Commodity money:** The animals were used as an exchanging means  
2- **Metal money** (currencies). Bronze, iron and copper were used in the form of ingots, and then gold and silver were discovered. It was proved that these two metals are the most suitable to be used as money, because of the following characteristics:

- 1- Reasonable rarity.
- 2- Do not corrode or rust over time.
- 3- Accepting division.
- 4- Light weighted and easy to carry.

Gold and silver were used for a long time, then silver was excluded because of the low value, so gold was the premium money till 1931, when the whole countries abandoned the gold's base.

3- **The alternate paper cash**, used as a substitute for gold and silver. Goldsmiths used it in order to facilitate their transactions and people used it instead of precious metals. As a result, they were issued in small bills.

**4-Fiat money** refers to the cash which has higher monetary value than its commodity value.

They are of three types:

**1- Governmental money/coins**

Cash which is printed in small values (10 Halalas – 15 Halalas) issued to facilitate small transactions.

**2-Banknotes:**

A banknote is a negotiable promissory note issued by the central bank which one party can use to pay another party a specific amount of money.

Banknotes are considered legal tender; along with coins, they make up the bearer forms of all modern money. A banknote is known as a "bill" or a "note."

In themselves, these things are almost worthless, especially the paper notes. What gives our cash its value is the Government's backing. If the Government says a note or a coin is legally tender, the entire country knows we can use it for exchange.

**3-Credit money (Deposit money):**

It is not real, tangible concrete money, but it is current accounts in banks, which the owners are entitled to withdrawal them whenever they wanted by checks or debit cards

Credit money is not legal tender. This means we don't need to accept it like it is cash. But, as for fiat money, it needs to be widely accepted to be able to exchange or it's useless!

## **Rules of Cash Money:**

Money is independent cash such as silver or gold and other valuables which are ruled by the following terms:

- 1- It is permissible to make it capital for setting up companies
- 2- The occurrence of usury in cash money as with gold and silver.

### Kinds of usury:

#### 1-Loan usury

The conditional increase taken by the debater per delay without a redemption

#### 2-Sails usury (with benefits)

It is trading or sailing a commodity with increase/interest

'Ubada ben As-Samit reported Allah's Messenger as saying, "Do not sell gold for gold, or silver for silver, or wheat for wheat, or barley for barley, or dates for dates, or salt for salt except equal for equal, kind for kind, payment being made on the spot; but sell gold for silver, silver for gold, wheat for barely, barley for wheat, dates for salt and salt for dates, payment being made on the spot, as you wish."

### Rules for exchanging these types In Islam

- Same kind (gold for gold):**
- 1- Should be Equal Quantities of goods
  - 2-Exchange Instantly (no delay on time)

**Deferent kinds (gold for silver) Should be hand in hand**

In this case the following rules should be applied:

a- It is not allowed to sell sum of cash money for same cash or other type of cash with delay of payment.

For example, it is not permitted to sell a 1 US dollar for 3.75 S.R or less or more (with delaying).

b- It is not allowed to sell sum of cash currency with preference for the same cash, either on credit or hand in hand.

i.e. It is not allowed to sell 10 S.R for 11 S.R cash money. (hand in hand or delayed)

c- It is allowed to exchange type of cash money with other types of cash money, instantly

1 US dollar could be sold for 3.75 S.R or less or more, **instantly**.

3- Alms( Zakat) is compulsory, if it reaches the set amount in gold, silver Zakat is obligatory on it if its value reaches the lower of the two nisabs(amounts) of gold or silver, or if it completes the nisab with other currencies and goods prepared for trade, if it is owned by those who are obligated to pay it.

Zakah amount in gold starts from 85 gm and above

Zakah amount in silver starts from 595 gm and above

### **How to count your Zakah amount?**

e.g. If 1 gm of gold=150 S.R (changeable amount according to gold price)

Zakah in cash =150\*85=12.750 SR

If the cash amount is equal or more than 12.750 you have to pay Zakah as below:

- Your cash/ divided by 40=
- Or Your cash \*2.5/100=