

## **The Role of Dinar and Dirham in Realizing Economic and Social Justice**

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### **ABSTRACT**

This research analyzes the role of dinar and dirham in realizing economic and social justice amidst the dominance of the fiat money system that is prone to inflation, inequality, and economic instability. Unlike previous studies that focus primarily on theoretical aspects, this research provides a comprehensive normative-empirical analysis that bridges classical Islamic monetary principles with contemporary economic challenges, offering practical implementation strategies for modern economies. Using a qualitative approach through literature study and normative analysis, this research finds that dinar and dirham as precious metal-based currencies have stable intrinsic value, are able to strengthen purchasing power, and support fair and transparent transactions in accordance with Islamic economic principles. The study's novel contribution lies in its systematic examination of implementation pathways and policy frameworks that could facilitate the integration of Islamic monetary instruments in contemporary financial systems. Instruments such as zakat and infaq are also strengthened in this system as an effective wealth redistribution effort. Dinar and dirham are believed to be able to reduce speculative practices and usury, and encourage inclusive and real sector-based economic growth. However, the implementation of this system faces challenges in the form of infrastructure constraints, limited legality, and the diversity of scholars' views. Nevertheless, with the support of government policies, collaboration of zakat institutions, and public education, dinars and dirhams can be a strategic alternative towards a monetary system that is more fair, stable, and in line with Islamic values in the context of the modern global economy.

**Keywords:** dinar, dirham, economic justice, social justice, Islamic economics, monetary system.

### **INTRODUCTION**

The context of modern economic problems shows the existence of increasingly complicated injustice, inflation, and social inequality (Kornilova, 2023). Injustice in the economy can be seen in the unequal distribution of resources, where a small group of elites control the means of production, while most of the people live in difficult conditions. This problem is exacerbated by unequal development policies, the influence of globalization, geographical conditions, and gender inequality. Inflation is also a big problem that affects purchasing power, especially for low-income groups. Although Indonesia has experienced a decline in inflation in recent months, rising prices of basic goods have reduced people's ability to meet basic needs and affected investment and economic growth (Puspita, 2025).

Despite the growing interest in alternative monetary systems, significant gaps remain in the existing literature regarding the practical implementation of dinar and dirham in modern economies. Most previous studies have focused on historical analysis or theoretical discussions without adequately addressing the contemporary challenges and

opportunities for implementation. While scholars like Meera (2002) and Vadillo (2009) have extensively discussed the theoretical foundations of Islamic monetary systems, there is limited empirical research on how these systems can be integrated into modern financial infrastructures. Furthermore, existing literature lacks comprehensive analysis of the regulatory frameworks needed to support dinar and dirham implementation in contemporary nation-states.

Recent studies by Ahmed et al. (2023) and Rahman (2024) have begun to address some implementation issues, but they primarily focus on individual country contexts without considering the broader implications for international trade and monetary cooperation among Islamic nations. Additionally, the literature shows insufficient attention to the role of digital technologies in facilitating dinar and dirham transactions, which represents a critical oversight given the rapid digitization of financial services globally.

This research addresses these gaps by providing a comprehensive analysis that combines theoretical foundations with practical implementation strategies, examining both domestic and international implications of dinar and dirham adoption in modern economic systems.

Socioeconomic inequality has long been a concern in social theory. It not only affects individuals but also results in a variety of social problems, such as increased crime, low quality of life, and potential social instability. Some of the factors that lead to this inequality include limited access to education, health, and economic opportunities. The development of the digital economy also has a negative impact, beating out traditional markets and causing fraud. Therefore, strategic measures are needed from the government to address this problem, by prioritizing increasing people's purchasing power, creating new jobs, and increasing investment in education and digital technology (Riyana, Mala, & Sutantri, 2024).

The current global monetary system uses fiat money, which is not backed by physical commodities. While it provides flexibility to monetary policy, it is also vulnerable to inflation. Alternatively, there is the idea of returning to gold and silver-based currencies, which are considered more stable. History shows that gold and silver have been used as stable medium of exchange, and using this standard can prevent inflation due to uncontrolled money printing. However, major challenges in this transition include the uneven distribution of gold reserves in different countries and the rejection of countries with interests in the fiat system. Nonetheless, amid economic uncertainty, gold and silver are safe assets, and the revitalization of the precious metal-based currency system could be a solution to financial stability (Arianto, 2024).

The dinar and dirham, Islamic currencies made of gold and silver, have existed since the time of the Prophet Muhammad until the era of the caliphate (Azmi & Mahardika, 2020; Ichsan, 2020; Landes Yuanda, 2017). They have a stable value and are not affected by inflation, in contrast to modern fiat currencies. The use of dinar and dirham is also supported by references in the Qur'an and Hadith, which make it legal in Islam. However, in Indonesia, dinar and dirham are not allowed as official tender but only

in certain situations, such as investments. Despite the challenges, both are seen as stable alternatives to inflation-prone fiat currencies (Rahmatillah, 2024).

Economic justice is an important principle in Islamic economics, including distributive and social justice (Alizadeh Emamzadeh, 2020; Opoku & Acheampong, 2023; Zauro, Saad, Ahmi, & Mohd Hussin, 2020). Distributive justice focuses on the equitable distribution of wealth, and with instruments such as zakat, the redistribution of wealth from the able to the incapable can be done. However, there are still challenges in realizing this justice, especially related to economic inequality. Zakat and infak play an important role in reducing social inequality and improving welfare (Faisal Reza, 2025).

Compared to the fiat system, the dinar and dirham offer value stability and anti-inflation properties. People can be more confident in storing wealth by using precious metal-based currencies that are not easily affected by unstable monetary policies. The use of dinar and dirham also helps to reduce the practice of speculation and usury that are prohibited in Islam, supporting the goal of achieving people's well-being (Rahayu, Manajemen, Syariah, & Hamfara, 2024).

Some member countries of the Organization of Islamic Cooperation (OIC) have begun to adopt the dinar and dirham as a step to create a more stable alternative currency system (Kamil & Muhammad Rasyid Ridlo, 2023; Lujja, Mohammad, Hassan, & Oseni, 2016; Majeed, Al-Zyoud, & Ahmad, 2019; WIBOWO, 2019). It aims to increase economic cooperation between Islamic countries and build resilience to global economic fluctuations. Overall, the relevance of the dinar and dirham shows the importance of returning to the basic principles of Islamic economics to achieve stability and justice in the modern economy. The historical experience of the use of the dinar and dirham provides valuable lessons on how precious metal-based currencies can be a solution to today's economic challenges (Alim, Fikriawan, Lubis, & Nasri, 2024).

This research aims to analyze the role of dinar and dirham in realizing economic and social justice, as well as examine the potential and challenges of their implementation in the context of modern economics.

## METHOD

This study uses a qualitative approach with literature study methods to understand the concepts, theories, and practices of dinar and dirham related to economic and social justice. This type of research includes descriptive-analytical that describes the role of dinar and dirham as well as normative research that examines aspects of Islamic sharia related to their use. Data sources include books on Islamic economics, scientific journals, official documents, articles, papers, and other secondary sources such as theses and research reports. The data analysis techniques used were content analysis to identify key themes, comparative analysis to compare views from various literatures, and normative analysis to assess the suitability of the use of dinar and dirham with Islamic sharia principles.

Several limitations must be acknowledged in this study. First, the reliance on secondary data sources may limit the depth of empirical insights that could be gained

from primary data collection through surveys or interviews with practitioners and policymakers. Second, the rapidly evolving nature of monetary policy and financial technology means that some sources may become outdated quickly, potentially affecting the currency of findings. Third, the normative analysis is inherently subjective and may reflect the researchers' interpretative framework, which could introduce bias in the evaluation of Islamic principles. Fourth, the limited availability of quantitative data on dinar and dirham transactions in contemporary settings constrains the ability to provide statistical evidence for some claims. Finally, the focus on literature predominantly from Islamic scholarly sources may limit the cross-cultural applicability of findings and reduce exposure to alternative perspectives from conventional economic theory.

Despite these limitations, the comprehensive literature review approach provides valuable insights into the theoretical foundations and practical considerations necessary for understanding the role of dinar and dirham in contemporary economic systems.

## **RESULTS AND DISCUSSION**

### **Result**

The role of the Dinar and Dirham in Realizing Economic and Social Justice is very important. Exchange rate stability is a crucial indicator in the macroeconomy that affects inflation and people's purchasing power. In Indonesia, fluctuations in the rupiah exchange rate against the US dollar have a major impact on many aspects of the economy. Research shows that when the rupiah weakens, import costs increase, which leads to an increase in the price of goods and services in the market. The monetary policy implemented by Bank Indonesia is very important to maintain exchange rate stability and control inflation through interest rate adjustments.

The Pass-Through theory explains that the impact of exchange rates on inflation occurs gradually, rather than immediately. This shows that the depreciation of the rupiah increases production costs and ultimately raises the overall price. Exchange rate stability also reflects market confidence, and uncertainty can reduce investment interest, which negatively impacts economic growth.

Exchange rate fluctuations are influenced by external factors such as the monetary policies of developed countries and global market volatility. Reducing economic inequality is also important through the zakat system and wealth distribution. Zakat plays a role in the redistribution of wealth and increasing the purchasing power of the poor. Zakat programs are largely focused on education and health, as well as poverty reduction, although the impact may not be great. Zakat can also reduce consumption by the wealthy group, thus affecting production and inflation.

The dinar and dirham contribute to social justice by encouraging fair transactions, ensuring an equitable distribution of wealth, and increasing trust in the market. Economic justice guarantees everyone has the opportunity to achieve prosperity. The principle of brotherhood in the Islamic economy encourages beneficial relations between all parties.

The dinar and dirham also support inclusive and equitable economic growth. Sharia economics offers wider access to finance and focuses on small businesses. Sharia-based communities strengthen social solidarity, and religious institutions play an important role in educating the public on appropriate economic practices.

The challenges in applying dinar and dirham in the modern era include the diverse views of contemporary fiqh scholars on the relevance of these currencies. Although the dinar and dirham have intrinsic value stability and avoid usury, the challenges of their implementation are considerable. The practicality of using dinar and dirham is highly questionable in today's complex economic system.

The switch to the dinar and dirham requires a major investment in financial infrastructure. Its legality is also a problem because it is not recognized in the modern banking system. Its value can fluctuate depending on the price of gold and silver in the market, creating instability.

Overall, despite some challenges and constraints, the implementation of dinar and dirham has the potential to provide better social and economic justice. However, there is a reliance on centralized gold reserves and resistance from major countries that could complicate the recovery of gold standards broadly.

## **Discussion**

Exchange rate stability has a direct and indirect influence on inflation in Indonesia. In the short term, changes in exchange rates may not have a direct impact on inflation. However, in the long run, a decline in the exchange rate can lead to an increase in production costs and prices of goods. Therefore, it is crucial to have a monetary policy that is responsive to global market conditions. The policy aims to maintain exchange rate stability and people's purchasing power. Bank Indonesia needs to monitor domestic and global economic developments and make appropriate interventions to reduce exchange rate fluctuations. In addition, it is important to expand the domestic economic base by increasing real sector productivity in order to reduce dependence on imports and strengthen economic resilience.

The government must also ensure that goods are available and distribution is smooth, to avoid price spikes due to exchange rate fluctuations. Keeping inflation low must be done with synergy between fiscal policy and economic growth. Overall, exchange rate stability is very important in controlling inflation and protecting people's purchasing power. By implementing the right monetary policy and support from the productive sector, Indonesia can face the challenges of inflation and achieve sustainable economic growth.

Zakat, as an instrument of Islamic economics, has great potential in reducing economic inequality and realizing social justice. Apart from being a ritual obligation, zakat is also a mechanism for redistributing wealth from the poor to the needy. In order for zakat to be implemented properly, there needs to be transparent and accountable management. Information technology can help improve the efficiency of zakat management so that funds can be distributed more on target. Cooperation between zakat

institutions and the government is also very important. With clear regulations and incentives for zakat givers, the effectiveness of zakat can increase. Zakat can also support development programs to improve the welfare of the poor.

Zakat that is well managed can contribute to economic stability by reducing income gaps and increasing purchasing power, supporting inclusive and sustainable economic growth. In the context of Islamic economics, fair transactions are key to improving welfare. Fairness in transactions ensures equal opportunities for everyone to achieve well-being. This includes fair treatment to all parties involved. The public needs to be aware of the importance of social justice, and the state must create regulations that support the implementation of effective fiscal policies.

A sharia-based economy supports social solidarity through the principles of justice, transparency, and sustainability. One of the instruments is zakat, which helps in the redistribution of wealth and welfare of the poor. The concept of *asabiyyah*, which means social solidarity, is also important because economic progress depends on the extent to which solidarity is established. However, there are challenges in the implementation of sharia economics such as lack of public understanding and infrastructure barriers. Efforts from various parties are needed to improve the understanding and development of the sharia economy.

The use of dinar and dirham as modern means of exchange has given rise to debate. The dinar and dirham offer value stability and are in accordance with Islamic economic principles, but there are challenges in their implementation. Contemporary *fiqh* plays a role in formulating the application of Islamic economic principles in the modern era. The decision to use dinar and dirham must take into account community comfort and infrastructure support. The use of dinar and dirham in transactions must be careful so as not to cause legal or financial problems.

## CONCLUSION

This study concludes that dinar and dirham as precious metal-based currencies have significant potential in creating economic and social justice. Compared to fiat money systems that are vulnerable to inflation and exchange rate fluctuations, the dinar and dirham offer high value stability, strengthen people's purchasing power, and reduce speculative economic practices and usury, in line with Islamic economic principles. The use of dinar and dirham can support a fairer distribution of wealth through instruments such as zakat and *waqf*. In addition, confidence in economic transactions can increase due to the intrinsic value contained in the precious metal. The system also encourages inclusive economic growth and strengthens the real sector, especially for the Islamic economic community. However, the implementation of dinar and dirham in the modern era faces various challenges, including aspects of legality, financial infrastructure, and the diversity of views of *fiqh* scholars. Dependence on gold reserves as well as resistance from large economies are obstacles to the widespread implementation of the precious metal-based monetary system. With the right approach, such as government policy support, collaboration with zakat institutions, and public education, dinar and dirham can

be a strategic alternative to create a fairer, more stable, and in accordance with Islamic values in the midst of global economic uncertainty.

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