

## Study of Implementation Gold Dinar as Currency

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**Abstract:** The issue of going back to use gold dinar as currency has become a lively discussion following the ASEAN currency depreciation crisis in 1997/1998 and the global economic crises going on today. The call was made by former Prime Minister of Malaysia, Tun Dr. Mahathir Mohammed in 2001 to Organisation of Islamic Country (OIC). However, until now there is still no one ideal mechanism implemented globally. So, the question arose: should gold dinar from Arabs currency be used back as a currency in current economy? Thus, this study aims to examine the potential of gold dinar performance as a currency by identifying the implementation infrastructure that first needs to be developed. This is a qualitative study going by the strategy of library research approach. Method of text analysis and evaluation on the capability in providing infrastructure for implementation of gold dinar was done to get the results. The study show that the implementation of gold dinar as currency in the economy is still not suitable because of the shortcomings in providing for physical infrastructure (inadequate gold supply), inadequate awareness reforms and lacks political will (consensus from other nations to use gold dinar as money).

**Key words:** Gold dinar • Inflation • Economic crisis • Implementation infrastructure of gold dinar • Gold standard

### INTRODUCTION

Currency instability is one of the main contributors to the global economic crises. This can be seen since the era of global economic recession in 1933 (The Great Depression), the Mexican peso crisis in 1995, the currency depreciation crisis of the Asian countries (1997/98), the Russian ruble crisis in 1998 and latest the global economic crisis of 2008. The global economic crisis effected for majority of country in the world include of middle east country [1]. These economic crises ensued because of the instability in the value of fiat currency being used in the world economic system. Therefore, a proposal was put forward to adopt the gold standard in the world monetary system. Monetary systems that rest on gold standard are said to use gold as the ultimate standard of value [2]. So, many of economist especially in Malaysia, suggested to use back gold dinar as money.

Gold dinar money was first used during the era of the Romans and the Persians by the name *denarius*. Its use was widespread extending into the land of the Arabs and

was adopted by the Prophet s.a.w. (peace be on him), the time of the Rashidun Caliphates and the times after that until the era of the 'Ottoman Caliphate. The name dinar was derived from the Roman gold currency of *denarius*, the Arabs called it 'dinar'. The first Islamic dinar and dirham were introduced during the reign of Caliph 'Abd al-Malik ibn Marwan. Islamic gold dinar is a round gold coin weighing 4.25 grams of 917 gold of 24 carat. The type and weight is referred as the prescribed weight according to the Islamic law agreed by the Islamic jurists (*fukaha*) of the time. For this reason, gold dinar is revered to as the currency for the Muslims and referred to as the *syar'i* currency or the Islamic currency of today. The use of gold dinar as money ended in 1924 after the fall of the Ottoman Caliphate [3]. The earliest study (after the fall of the Turkish government) on the use of physical gold dinar was carried out by al-Maqrizi [4] during the era of the Mamluks. After that, there were several other studies done, including studies by Vadillo [5], Ahamad Kameel [6], Nuradli Ridzwan Shah [7], Zuhaimy [8], Muhammad Nasri and Azizi [9] and Hosein [10].

Ideas and proposals to reassume gold dinar currency system are not new for al-Maqrizi [4] in his book *Ighathah al-'Ummah bi Kashfi al-Ghumma* clearly affects Muslims currency in the form of gold and silver. Al-Maqrizi who has lived during the Mamluk era saw clearly the problems with the country's monetary system when it was hit hard by inflation due to massive copper printing as smaller denominations currency (*fulus*). Al-Maqrizi [4] asserts that the use of physical gold dinar as money can prevent inflation. The copper money at that time caused inflation because copper could easily be created and produced, in contrast to gold and silver money. Thus, al-Maqrizi [4] outlines three key areas that need to be addressed in order to achieve monetary and economic stability in one's country. The three things are, the use of gold and silver as money, avoid drops in currency value (devaluation) and limit printing of *fulus* (money in smaller denominations).

Study by Al-Maqrizi [4] that relates to elimination of inflation through restoration of dinar and dirham currency, is a study of value and of great importance at that time because that was the era undergoing the evolution and transition from a bimetallic system to a system of paper money. The time then was very different to the present time of rapid growth of economic development. However, there is no denying that the currency crisis and inflation that occurs in this era, especially the currency crisis in 1997, was the same one mentioned by al-Maqrizi. The currency crisis in 1997 saw the dumping of Asian currencies causing rapid currency devaluation. According to Mahathir [11], the Asian currency crisis occurs due to the speculative attacks on currencies of the Asian countries through the activities of short selling by currency traders. Speculation attacks had depreciated the value of Malaysian ringgit, Thai baht and Indonesian rupiah. Therefore, the worst inflation phenomenon had occurred due to increase in inflation causing escalation of cost in production and inadvertently the fall in currency value [12; 13].

Consequently, Tun Dr. Mahathir Mohammad, as the Prime Minister of Malaysia at that time suggested the return of gold dinar to a monetary application. This is because the current world monetary system has proven failed to ward off currency speculators attack causing sharp declines in the value of currencies in most Asian countries, including Malaysia in 1998 [14]. Major currencies like U.S. dollars and pounds sterling influenced local currencies leading to economic instability in the

Middle East and the Asian countries. Therefore, Mahathir [15] holds the opinion that gold dinar is one important mechanism to assist smaller nations from instability and injustice of the global economic system.

Ideas and suggestions inspired by Tun Dr. Mahathir became the starting point of the acknowledgement of gold dinar as a currency. Vadillo [5] considers this effort as a positive indication for Malaysia to implement gold dinar. Meanwhile, a recent survey by Mohd Mazli [16] on the use of gold dinar as money has identified several locations in Malaysia where dinar and dirham are accepted in their daily business transactions. Among the places are the Siti Khadijah Market in the city of Kota Bharu, Kelantan, W.N. Haji Wan Ahmad Goldsmith in Shah Alam, Restaurant and Cafe Steamed Rice House in Bangi and Dr. Rosni Adam Dental Clinic in Cheras, Selangor. These studies demonstrate that the use of physical gold dinar has been adopted by few world nations for quite a long period of time. Some have adopted the use of gold dinar in smaller groups or in specific groups or communities. Questions arise here, if the use of gold dinar as money has lasted that long, why can't it expand or received by a wider society or better in the global economy? Also, to what extent is it ideal to be used as money in today's real world? Therefore, this study aims to analyze whether the implementation of gold dinar as money is appropriate in today's economy basing on its potential and the capability in developing the infrastructure of implementation.

#### **Gold Dinar Infrastructure of Implementation as Currency:**

Infrastructure implementation is the most important factor to be established in order to ensure successful implementation of gold dinar currency system. Based on previous related studies on infrastructure of gold dinar carried out by al-Maqrizi [4], Vadillo [5], Ahamad Kameel [6], Nuradli Ridzwan Shah [7], Zuhaimy [8], Muhammad Nasri and Azizi [9] and Muhammad Nasri and Ishak [17], it can be concluded that some forms of infrastructures development need to be accomplished for realisation of gold dinar currency system. The infrastructures are: establishment of a body responsible in building awareness and political will of gold dinar, currency laws and legislation and physical infrastructure (monetary unit and a controlling body on gold dinar reserve making sure of its sufficiency). Therefore, the entire infrastructures have to be developed simultaneously in order to advent the implementation

mechanism in the physical use of gold dinar as money. If one of these infrastructures cannot be fulfilled, then the implementation of gold dinar system will be difficult to accomplish.

**Establishment of a Body Responsible for Building Awareness and Political Will:** This body is responsible in creating awareness and political will of the rulers and leaders across countries in adopting the gold dinar currency system. This body plays an important role to inculcate awareness and ensure readiness of the rulers and to obtain consensus from the world leaders in adopting the system in their countries.

**Awareness and Readiness of Rulers to Use Gold Dinar:** Ruler or leader of a nation must have a strong awareness and be enthusiastic particularly in acknowledging and accepting the use of gold dinar as money. This is important since the world communities nowadays have become too complacent with floating paper money. Thus, they must realise the benefits of gold-based currency. Islamic history has proven that the commitment and determination of 'Abd al-Malik ibn Marwan were the key factors to successful widespread formation and implementation of the Islamic gold dinar throughout the Muslim provinces at the time. According to Grierson [18] and Hallan [19], the success factors of his efforts are due to several reasons, namely:

- His commitment in uniting the Muslims by introducing a uniform currency with Islamic characteristics throughout the Muslim provinces.
- His high desire to expel the rebels and strengthen the Omavids Empire.
- His commitment to free economic Islamic institutions from foreign influences. This is because prior to the existence of Islamic dirham and dinar, the Muslim community relies heavily on the currency of the Byzantine and the Sassanid. Although at that time there was a minted dinar and dirham by the rebels and the independent Muslim governors, its use was limited and did not significantly influence the economic strength of the Muslims which was centered on the Omavids Empire.
- His devotion against the threats of the Byzantine government from insulting the Prophet s.a.w. (peace be on him) on the *solidus* currency if the caliphs were to use expression of Quranic verses in government official letters.

These situations explain awareness of the rulers that the return to gold dinar as a currency system is a crucial factor in order to isolate unIslamic elements affixed to today's currency (*riba'*, *gharar*, *maysir*, injustice and oppression). Furthermore, dinar and dirham are symbols of identity of the Muslims. Whilst, Mahayuddin Yahya and Ahmad Jelani Halimi [20] believed that the success factor for the establishment of the Islamic dinar and dirham was due to strong support from the Muslim leaders. For example, during the early formation of the Islamic dinar and dirham by Caliph 'Abd al-Malik ibn Marwan, he was strongly supported by the Muslim leaders to streamline the uniformity of gold dinar currency during that time. The agenda of Islamic currency formation was discussed and refined in stages, through consensus and everyone was *istiqamah* (determined) towards the establishment and coordination of a one unique currency for the Muslims.

However, if viewed from countries' perspectives and world community, awareness on the stability of gold-based currency system is increasingly positive. This can be expressed in periodic program conducted by the World Gold Council (WGC). WGC is a prestigious and the most influential international gold association in the administration of all matters relating to gold. For example, the world gold conference organized by WGC in 1998, 1999 and 2000 was attended by countries' heads of financial and banking showing evidence of strong support from the world leaders for gold-based currency system. Most of the issues discussed were centered on gold as an important instrument in the currency system [21].

**Other Countries Approval to Use Gold Dinar:** Consensus and willingness of other countries around the world in implementing gold dinar currency system has become an essential infrastructure without which implementation of gold dinar system impossible to achieve. Adoption of gold dinar system would involve a huge change to a country. Therefore, Sanep [22] argues that these changes would be perfect if it involves many nations around the world. Nonetheless, there is a possibility of nations who will not join in the currency union under the gold dinar system, even among the Islamic nations themselves. There are several reasons preventing a communal agreement between these nations. The reasons are as follows:

**Burden Borne by the Nations:** Implementation of gold dinar currency system will require a nation to provide for

gold dinar reserves, so as to form money, or at least as reserve backup. This requirement will be a burden to the nation as a producer of money. If there is an insufficient gold dinar reserve in a country, that country will face a bigger problem. In fact, the burden will be heftier if the money that has been issued and circulated in the current economic system is still being used, while at the same time the government also has to provide backup. This burden may be a reason for many countries to refuse participation [22].

**Implementation Unbefitting:** Changes in monetary policy towards the implementation of gold dinar system would mean integrated changes of the economic system leading to a currency union. According to the theory of Optimal Currency Area (OCA), a currency union is suitable to be carried out for countries that meet the OCA criteria for the optimal benefit these participating countries will gain. This means that for those countries that are in the coverage area suitable to be in the union pack would be the ones suited for the union. For those countries that do not meet the OCA criteria, they will not benefit from the currency union, but will suffer losses on the contrary [23]. Therefore, countries that do not meet the OCA criteria would definitely not join in the currency union. If this system continues to be implemented in isolation or performed by some countries only, it will face the problem of Gresham's Law of "Bad Money Drives Out Good Money." Gresham's Law happens if a simultaneous use of two currencies of different intrinsic value occurs in the financial markets [24]. Bad money (paper money of less intrinsic value) will drive out good money (gold dinar of higher intrinsic value) from the financial markets.

**Difference in Economic, Political and Social Situations Between Nations:** If viewed from the angle of political stability, economic and social development varies between world nations. Countries that suffer from natural disasters, war, political upheaval and economic chaos would definitely not think of having an unwarranted problem of going through a large scale policy change [22]. Hence, this will also create a situation of rejection by some countries against gold dinar system.

**Currency Laws and Legislation:** Permission to use gold and silver in international laws is essential in the realization of gold dinar currency system. Furthermore, the currency laws and legislation need to be established in order to control varying negative possibilities and risks that will arise in making gold and silver the money in circulation.

**International Law Relating to Permission to Use Gold and Silver as Money (Amendment-the IMF Articles):** The biggest setback in the monetization and implementation of gold dinar is the law set by the International Monetary Fund (IMF) on gold (but not on silver). From the time of gold standard system until the Bretton Woods system, the IMF's law has fixed the currency exchange to follow a certain parity based on the value of gold. However, that was followed by a second amendment to the IMF Article made on April 30th, 1976. The amendment was made to Division 2(b)(i) Article IV) in which member countries need to make Special Drawing Right (SDR) or any other selected by member countries other than gold as backup for the national currency [25,26]. However, amendments to laws in the IMF's article can be instigated only if there are more than 85 percent of the voting member countries [26]. Thus, if almost all of the member countries voted to return to the gold physical system, amendments to the article will take place and the gold dinar currency system could be implemented.

**Domestic Laws and Legislation:** Domestic laws and legislation is responsible for developing some related acts i.e. the Currency System Act, the Weights and Measurement of Currency Act and the Quality of Gold, Silver and Fulus Act.

- Formation of Currency Control System (Role of Central Bank)

Today, many countries have set up central banks as the monetary authority to regulate financial and economic system. The central bank of each country differs in structure and approach taken in carrying out their respective duties. However, they hold equal responsibility in maintaining monetary and financial stability. Therefore, in terms of gold dinar currency system, the central bank is responsible in ensuring the stability of his country's monetary system and the development of financial infrastructure as well as participation in the development of the nation's economy as a whole. The roles of central banks in the implementation of dinar currency are:

- To encourage currency stability and a strong currency structure.
- To act as a banker and financial adviser to the government.
- To produce money unit currency and maintain reserves to safeguard the value of money.
- To regulate quality and currency weight and measurement.

The central bank will streamline the standard of gold dinar currency and to issue a particular standard in relation to weight and measurement and quality control for the currency. The already circulated gold dinar money would be accepted on the condition that it has been approved and meets the standards set by the central bank.

- Formation of Weight and Measurement of the Currency Act Dinar currency will be printed in accordance with certain standards set by central banks based on 'Standard of 'Umar al-Khattab' and this cannot be done arbitrarily. Justification for weight and measurement of gold dinar are as follows [4]:
- Measurement of gold dinar weighing 4.25 grams of 917 gold or 22 carat gold. Gold dinar contains 91.66 percent of pure gold with content of material other than gold of 8.34 percent.
- Silver dirham is made in accordance with 2.975 grams weight of silver sterling. All these measurements are in accordance with the standards of 'Umar al-Khattab, who set the ratio of the difference between dinar and dirham based on the relative weight of both gold and silver currency i.e. 7 dinars must be equivalent to 10 dirham in weight. These monetary units will be in circulation among the world nations. Producers of gold dinar and silver dirham worldwide must use the same uniform standards. Any changes in printing coins cannot be done arbitrarily without the consent of the law

**Establishment of Gold, Silver and *Fulus* Act:** Whilst, currency control in terms of quality is also placed under the authority of the central bank as a controlling body over the quality and weight of coin currency today. Thus, central banks around the world are responsible for setting standards of quality on gold, silver and *fulus*. Because gold and silver are physical monies having certain weight and are at risk of currency counterfeiting, central banks need to develop a device to test for purity and authenticity and to have a special weighing scale for dinar and dirham just like during the time of Prophet s.a.w. (peace be on him), known as '*sonjah*'. The device and scales must be owned and located in all banks and at business places. The control system of gold dinar minting must be monitored as closely as possible as was done by the rulers at the time of the caliphates. According to Harakat [27], there was an evidence during the Marinids rule when the Sultan's palace was built near the Mint centre of *Dar al-Sikkah*, during the reign of Sultan Abu

Yusuf Ya'qub al-Mansur b. 'Abd al-Haq. Sultan Abu Yusuf appointed *nazir al-dar* as inspectors to supervise and monitor coin minting for the government of Marinids. The government of Marinids is one of the emerging Islamic state in North Africa after the fall of al-Muwahhidun. Among other Islamic government at that time was the government of Hafs who ruled al-Magribi al-Adna and the government of Zayyan, otherwise known as Banu 'Abd al-Wad, who ruled al-Magribi al-Awsat. Meanwhile, the Marinids ruled al-Magribi al-Aqsa, or Morocco today [28]

#### **Formation Of a Special Punishment Act for Currency**

**Criminals:** Law and punishment for currency criminals should be put in place as one of the infrastructure in the formation of gold dinar currency system. This is important as the physical currency is gold dinar of pure gold of high value. In reality, physical gold dinar will be easily exposed to corrosion, counterfeiting and fraud of being mixed with other metals of lower value (devaluation of currency). Based on the history of world currency, currency crimes often occur during the era where metallic currency was used. As such, clear laws and punishments need to be meted out in order to prevent such frauds from being committed, as was done by Caliph 'Abd al-Malik ibn Marwan during his reign. According to al-Rifa'i [29], Caliph 'Abd al-Malik ibn Marwan had enforced such laws to punish criminals who produce counterfeit money by imposing heavy penalties. The penalty set was the cutting of limbs (hand) for counterfeit currency crimes. Thus, if such laws and punishments were put in place, the implementation of gold dinar system would minimize the problems associated with corroding, counterfeiting and devaluation of dinar and dirham.

**Physical Infrastructure:** There are two major physical infrastructures need to be established in the development of gold dinar currency system. Gold dinar physical infrastructure is, the monetary unit of gold dinar and a body responsible in guaranteeing sufficiency of gold dinar reserves.

**Gold Dinar Monetary Unit:** Major infrastructure in creating gold dinar system is to ensure the physical existence of dinar and dirham currency. A modern dinar money has already existed today and started circulation since 1992. Although it has been nearly 20 years in circulation in the world market, it has yet to assume monetary role as an official currency. To this day, there are only five bodies or agencies carrying out the business in gold coin minting in

Malaysia and they are the Islamic Mint, Royal Mint, Kelantan Golden Trade, Public Fine Gold Ltd. and the state of Kedah [30].

**A Body Responsible for Guaranteeing Sufficiency of Gold Dinar Reserves:** The success of gold dinar system also depends on the successful development of infrastructure on the establishment of a body guaranteeing sufficiency of gold supply reserves. This infrastructure is considered as major because the money in circulation is gold. This body acts as a guarantor on the adequacy of gold dinar reserves as money. Therefore, if there is no guarantee on the adequacy of gold supply, the gold dinar currency system is impossible to implement. Thus, this body should draw up guidelines for the world gold accumulation whether from the statistics of world gold mining or from the public. A special mechanism needs to be formed to secure gold from the public and private agencies. This is a formidable task to execute because today gold is consumed in various forms; in industrial, as jewellery, ornaments, souvenirs and as assets in savings and investment. Gold is also used in dental treatment (dentistry) and electrical wiring (electroplating). While recently, gold has been used as catalysis, in nanotechnology and biotechnology [31, 32]. Therefore, this body must ensure and guarantee that the gold supply is sufficient to be the money in circulation [33].

According to Mohd Isa [34], in terms of quantity, metallic gold is ranked 75th among metals found underneath the earth. It is in the form of quartz rock and sediment. Gold is usually found together with silver. Gold and silver alloys are formed naturally called electrum [35]. Each year, the world produces about 2300 metric tonnes of gold that is found South Africa (610 metric tonnes), USA (320 metric tonnes), Australia (240 metric tonnes), Russia (200 metric tonnes) and Canada (170 metric tonnes). Whilst eighty percent of the world's gold is produced by South Africa, the United States of America, Russia, Australia, Canada, China and Brazil. Besides that, in Malaysia, gold has been excavated since 2000 years ago and the place where it is most found is in Mamut, Sabah (1.5 metric tonnes per year), Lubuk Mandi in Terengganu (600 kg per year), Bau in Sarawak (460 kg per year), Bukit Koman in Pahang (1.3 metric tonnes per year) and Penjom, Pahang with 3 metric tonnes per year [34]. Malaysia only earmarks 100 metric tonnes for jewellery in contrast to a demand for 2,240 metric tonnes. The amount of world's gold dinar reserves is also important to ensure an adequacy of gold to be used as currency. History has

proven that the failure of gold standard currency system was due to inadequacy of gold needed to accommodate the growing world trades.

Study by Green [36] related to world gold dinar reserves shows that the total world gold reserves in 1800 until 1850 (bimetallic system) was only 1,200 metric tonnes. Whereas in 1851 until 1900 (fixed gold standard system) the amount increased to 10,400 metric tonnes. Meanwhile, according to sources of World Gold Council [37], the amount of gold reserves in 2008 was 29,726.6 metric tonnes. Therefore, in order to realize a successful implementation of gold dinar currency system, it is necessary to ensure that gold reserves are sufficient to meet the needs of the world trades. The issues of gold dinar reserves adequacy to requirements for monetary circulation of today are problems to be empirically explored. However, if be calculated roughly the amount of gold available today, it is clearly insufficient to accommodate for trades requirement and the requirement of money in circulation. This statement is supported by Hayek [38] which reads as follows:

*...most people therefore now believe that relief can come only from returning to a metallic (or other commodity) standard. But not only is a metallic money also exposed to the risks of fraud by government; even at its best it would never be as good a money as one issued by an agency whose whole business rested on its success in providing a money the public preferred to other kinds. Though gold is an anchor-and any anchor is better than a money left to the discretion of government-it is a very wobbly anchor. It certainly could not bear the strain if the majority of countries tried to run their own gold standard. There just is not enough gold about...*

Historical facts have also proven that success of Islamic gold dinar is dependent on the adequacy of gold supply. Analysis made by Wan Kamal [39] discovers how *Ashrafi Dinar* drives out foreign coins from Europe i.e. *Ducat* and *Florin*. At that time, the Mamluk government owns huge amount of gold reserves and this is an evidence of the major factor in ensuring implementation success of gold dinar.

**Anylysis:** Analysis is performed on the ability of implementation infrastructure in promoting gold dinar as currency.

Table 1: Solutions of infrastructure in promoting gold dinar as currency

Infrastructure	Solutions
Awareness and readiness of the rulers	The existence of organizations such as the World Gold Council (WGC) in which through conferences on world's gold organized by the WGC are proofs of awareness and supports of world rulers. Such conferences indicate responds and reactions of world countries' central banks towards the restoration of gold dinar currency versus the currency being used today. Such conferences also have been producing resolutions which many a times often lead to favor advantages of gold-based currency system and thus have great impacts on IMF [21]. The IMF on its own goodwill has issued a directive relating to the purchase of gold reserves with a limit of 2000 metric tonnes per year starting in 2000 until today. This is because the world holding of gold reserve reflects the strength of the world currency values??. If gold reserve decreases, the currency will also experience a devaluation and hence no underlying value in gold. Conferences such as this prove that there is support for the return of gold-based system. The directive has been announced by the Director General of World Gold Council, Aram Shishmanian on August 7, 2009. In addition, a statement released by the World Bank president, Robert Zoelick in 2010 related to the Bretton Woods II system demonstrates awareness and supports of world leaders in the implementation of gold-based currency system [40]. The Murabitun World Movement Organisation (Murabitun) also is a catalyst in providing a boost to the awareness of leaders toward the restoration of dinar and dirham. However, the awareness ratio of the world leaders is still too low compared with those who reject the gold system.
Consents from other countries	There are only a few countries who reportedly agreed in implementing gold dinar system in international trade and they are Iran, Bahrain and Sudan [14]. Furthermore, a small community of Indonesia, Norwich and Cape Town have also been using dinar and dirham in their daily transactions [41]. This shows that there is a small number of countries who would approve with the implementation of gold dinar system.
International Law	International law is subject to Section 2(b)(i), Article IV of the IMF. However, the law will change according to the needs of the world. Gold consumption law in IMF articles has once been changed in 1933 and 1976 due to current economic requirements. Not surprisingly, when there are requirements to return to gold standard system, again this article will be amended [42]. The IMF has allocated that if consensus of member states exceeds 85 percent of votes on any financial policy, that policy may be amended.
Domestic legislation: Formation of a special Act on penalty for currency criminals	Drafting of the Act is done based on needs and requirements. Had the gold dinar system agreed upon by many countries, then related acts on currency can be formulated.
Monetary Unit	Monetary units of dinar and dirham long have been in circulation in the world market that began in 1992 (Islamic Mint). Now, the circulation of these units has become widespread in consistent with the existence of many gold and dirham minting companies (especially in Malaysia) such as the Royal Mint of Malaysia, Kelantan Golden Trade, Madiwasa Ltd. Public Dinar Ltd. and others. However, the existing units of dinar and dirham is still not adequate to provide for the entire monetary circulation.
A body guarantee for gold reserves adequacy	Revenue from gold mining has increased from time to time. Many more gold mining centre found. Total world gold reserves in 2008 was 29,726.6 metric tonnes, an increase from 1900 with only 10,400 metric tonnes [37]. However, the needs for gold today has also increased since gold is being used in various forms, namely as jewellery, investment, dental care (dentistry), electrical wiring (electroplating), used in catalysis, nanotechnology and biotechnology [31, 32]. Gold shortage may occur because the current gold reserves are not sufficient to provide for the entire money in circulation.

## RESULTS

The analysis discovers that the implementation of gold dinar as a currency is still not yet possible to be carried out in the current economy thus implementation would not be possible in the near future. This is because based on an assessment on the ability of the development of implementation infrastructure; the study finds that there are two significant infrastructures difficult to develop i.e. the physical infrastructure and national agreement infrastructure:

**Physical Infrastructure:** Insufficient supply of gold to provide for money in circulation. Implementation of gold currency in a growing economy requires a very large amount of gold. Based on the statistics of world gold reserves today, it is insufficient to serve as currency, especially gold today is consumed in various forms (jewellery, dental treatment, electrical wiring, catalysis, nanotechnology and biotechnology). Problems also arise in securing gold from public and private agencies due to high costs and process complication.

**National Agreement Infrastructure:** This infrastructure is difficult to implement because it involves confidence and trust of nations on a monetary policy that will have impacts on an entire community. Implementation of gold dinar is somewhat new even though history has proven at one time a successful implementation of bimetallic system, however changes over time and differences in economic environment make it even more difficult to gain trust from the world nations to adopt the gold dinar currency system. This is proven by Malaysia in which even though ideas on ??gold dinar implementation initiatives has been around for more than 10 years with several mechanisms proposed and implementation attempts with the Organization of Islamic Country (OIC), however, until today there is still no official consensus received from any country.

## DISCUSSIONS

The results of this study show that gold dinar is still not suitable to serve as currency in the current economy. This is because of the two major infrastructures that cannot be made readily available in a complete way i.e. physical infrastructure in the context of gold dinar reserves and the infrastructure of consensus among countries in acknowledging monetary role of gold dinar.

Based on these results, several questions are answered in terms of the inability of gold dinar currency system implementation despite having been introduced for over 10 years. For example, a study was conducted by Vadillo [5] outlining four basic requirements needed development in order to guarantee successful implementation of gold dinar as currency. These four things were; the production and minting of gold dinar and silver dirham, freedom in selling, buying through the supervision and surveillance of Islamic law, ease of transportation and transfer of gold (international) and conversion of all paper money to dinar and dirham currency. The basic points outlined here are not exhaustive, especially the absence of infrastructure of gold supply adequacy which is very crucial for gold-based currency system implementation. Solutions to basic infrastructure or implementation basis was also not supported with data and clear evidence.

While study by Zuhaimy [8] on mechanism of gold dinar as currency had only outlined establishment of three basic requirements towards the implementation of gold dinar system. The three requirements were; creating dinar and dirham currency, establishment of Islamic markets and formation of an Islamic investment system. He also

suggested for simultaneous implementation of gold dinar and silver dirham alongside the existing currency system. The result of this study found that if all three basic components were established, then the return of gold dinar as a monetary unit could be implemented. However, this study has shown some shortcomings when only three infrastructure were outlined towards the implementation of gold dinar currency system without any emphasis on the infrastructure of gold dinar sufficiency and world nations consensus. This study also suggests the implementation of dinar and dirham simultaneously with the use of paper money. If this condition exists, the theory of Gresham's Law of 'Bad Money Drive Out Good Money' will occur. If Gresham's Law occurs, the use of gold dinar as money in circulation will fail definitely.

In addition, study by Muhammad Nasri and Azizi [9] outlined eight strategies for gold dinar implementation, i.e.; to establish a steering committee on planning and implementation of gold dinar, to establish joint committees with consumer countries, consensus from all consumer countries, formation of a uniform implementation mechanism, an integrated strategy on the use of gold dinar (dual system), the formation of gold dinar central bank, implementation in an integrated way and formation of gold dinar control mechanism. However, study by Muhammad Nasri and Azizi [9], was seen as rather general because for every recommendation made lacking in details and elaboration. These were mere recommendation having no support on implementation mechanism for gold dinar currency system.

However, study by Muhammad Nasri and Ishak [17] was seen in agreement with these findings when outlining the infrastructure of supports received from all Islamic nations and developing countries for a global implementation of gold dinar. This study also suggested for dinar currency to be consumed in a form of digital money keeping abreast with current technology and globalization era. They also proposed an establishment of Islamic centres where real gold can be stored and establishment of an Islamic state strong enough to set up a central bank. However, this study only focused on consolidation of Muslim countries in gold dinar implementation. This agenda is also perceived as difficult to realize when not all Islamic nations conform to the theory of Optimal Currency Area (OCA).

To summarize, efforts to make gold dinar a currency have failed due to some infrastructure which cannot be developed. Infrastructure implementation of gold dinar was never extensively investigated by the economists or researchers of gold dinar. Therefore, these findings have



exposed the failure factors of gold dinar implementation and thus attribute to implementation disagreement for dinar as a currency in the current economy.

## CONCLUSION

Formation of extensive infrastructure for gold dinar implementation is important as a key to successful currency implementation. Solutions to all infrastructures outlined serve as guidance in determining the ability of gold dinar implementation as a currency in the current economy. This study has analyzed in completeness all related data in terms of the infrastructure outlined and this is evidence that these findings are relevant in determining actual capacity of the implementation of gold dinar as a currency. This study has outlined three major infrastructures for gold dinar implementation i.e.; a body to inculcate awareness and political will to restore gold dinar currency, currency laws and legislation (IMF Article) and physical infrastructure (monetary unit and gold dinar reserves sufficiency). Analysis of studies have found that there are two infrastructures that cannot be provided i.e. physical infrastructure in terms of gold insufficiency and the infrastructure on construction of political wills in terms of obtaining consensus from the world nations. Therefore, these findings indicate that the use of gold dinar as a currency is still not ideal to be implemented in the current economy due to the failure in providing infrastructures proposed here.

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