



**THE VIABILITY OF THE GOLD DINAR
IMPLEMENTATION MODEL: A CASE STUDY IN ACEH**

BY

BEDJO SANTOSO KADRI

**A thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy in
Islamic Banking and Finance**

**IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia**

APRIL 2016

ABSTRACT

This study begins by elucidating on the status of gold dinar as money from the fiqh viewpoint. Upon establishing its legitimacy and supremacy over fiat money, the thesis then explores and addresses the numerous criticisms, issues, debates regarding gold dinar and the possibility for its implementation in the current monetary system. In this, we examine the factors and potential models for public acceptance of this new financial medium. Upon identifying the desired factors and challenges, the thesis proposes an appropriate framework for implementing the gold dinar as currency within the contemporary financial and monetary context followed by a study of its viability. The study concentrates on the sample of Aceh as an autonomous region for seeking Islamic rules implementation. Using a mix methods comprising library and field research, we examined the historical uses of gold in Islam from which we concluded that the hukm (law) of gold/silver as money is permissible, and can become compulsory (wajib) for a country, if the objectives of minting gold dinars is to protecting national independence and sovereignty. In addition, the review indicated that gold dinar as money serves more benefits while fiat money promotes numerous harms. Based on a deductive analysis, we found that gold as a measurement of value is more viable rather than the use of physical gold dinar. The study distributed 200 questionnaires showed that public acceptance of the gold dinar as money is affected by economic capability, investment capability, social capability, political capability, and Islamic value. Interestingly, economic factor is the most influential factor. Structural Equation Modelling (SEM) showed that economic capability (X1), social capability (X4), and Islamic value (X5) variables positively and significantly influence public support for adopting the gold dinar as money. The research also found that mobile payment systems based on gold as a measurement of value were a good payment system model. The model involved merchants/agents, ICT providers, clearing house, customers, and regulators. The proposed model facilitates people to conduct transactions efficiently, easily and safely by using mobile phones. The sampled scholars, businessmen, politicians, and community leaders shared the belief that the proposed model can be effectively contribute towards forming a just society that is prosperous and tranquil. However, Acts, central bank, legal tender law, government, and political support are serious challenges in implementing the proposed model. Hence, the study suggested implementation at the Cooperative level to minimize the influence of inhibiting factors.

ملخص البحث

هذه الدراسة محاولة لإلقاء الضوء على حكم العملة الذهبية من منظور فقهي، بالإضافة إلى معرفة شرعيتها وهيمتها على العملة الورقية. وهذه الدراسة تنطقت إلى حسم الخلاف في القضايا التي تتعلق باستخدام العملة الذهبية في النظام المالي المعاصر. وذلك لكثرة العوائق التي تحول دون تحقيق استخدامها، وهذا الواقع يتطلب إيجاد العملة الذهبية المناسبة حتى يتمكن من تطبيقها في نظام الاقتصاد الحالي. كما أن الدراسة تنطرق إلى معرفة العوامل والعناصر التي تتعلق بالمجتمع ورغبته في استخدام العملة الذهبية. وهذه الرسالة غرضها الأساسي بناء الخطة العريضة لتحقيق مدى إمكانية تطبيق العملة الذهبية وضمان صلاحيتها. وأما حدود هذه الدراسة فهي محدودة بمنطقة أتشيه، حيث إنهما من إحدى ولايات إندونيسيا التي تحاول تطبيق الشريعة الإسلامية تطبيقاً كاملاً وقد حاولت هذه الولاية في استخدام العملة الذهبية بشكل واسع. وهذه الدراسة متكونة من المنهج الكمي والكيفي. وأما ما يتعلق بالمنهج التحليلي في هذه الدراسة فالآليات المستخدمة هي المنهج التاريخي، والواقع، وكله ذلك مؤيد بالحجج من الكتاب والسنة التي تتمثل في تقرير النبي صلى الله عليه وسلم بخصوص استخدام العملة الذهبية، ومن تلك الأدلة يمكن أن نستنتج أن اتخاذ العملة الذهبية أمر مشروع، بل إن حكم اتخاذ العملة الذهبية قد يصل إلى حد الوجوب إذا كان الهدف منه من أجل إكمال التطبيق الشرعي في أتشيه حتى يكون شاملاً متكاملًا، ولتحقيق الاستقلال الذاتي من هيمنة الآخرين في الاقتصاد وتحقيق سيادة الوطنية. واكتشفت الدراسة أن استخدام الدينار الذهبي بوصفه عملة سارية مصلحته أكبر من استخدام العملة الورقية، حيث إن استخدام العملة الورقية قد جلب مفساداً عظيمة، بالإضافة إلى ذلك، فإن الدراسة الاستقرائية قد اكتشفت أن التقييم بالعملة الذهبية أكثر دقة مقارنةً بالعملة الورقية، شريطة أن يكون المعيار هو الدينار الذهبي. وقد اتخذت الدراسة المنهج الميداني وذلك بتوزيع 200 استبياناً وقد تم توزيعها في 23 منطقة ومدينة في ولاية أتشيه، واكتشفت من خلال الاستبيانات الموزعة أن الدعم الشعبي تتأثر بالقدرة الاقتصادية، والقدرة على الاستثمار، والقدرة الاجتماعية، والقدرة السياسية، والقيم الإسلامية، والملفت للنظر أن القدرة الاقتصادية تعدّ من أكبر العناصر في التأثير. وباستخدام نموذج المعادلة الهيكلية (SEM) اكتشفت أن القدرة الاقتصادية (X1)، والقدرة الاجتماعية (X4)، والقيم الإسلامية (X1) تؤثر تأثيراً إيجابياً في الدعم الشعبي لتطبيق استخدام العملة الذهبية في أتشيه. ولاستخدام هذا النموذج قد اشترك فيه العملاء، والزبائن، ومزودو تكنولوجيا المعلومات والاتصالات، وشركات المقاصد، وكذلك القانون لضمان صلاحيته في التطبيق العملي. وهذا النظام بإمكانه أن يخدم الصفقات العامة بشكل شامل بكل سهولة وأمن ومرن فضلاً عن أن النظام يمكن استخدامه في الهاتف المحمول. وأما الاستبيانات فقط تم توزيعها على علماء الدين، والأكاديميين، ورجال الأعمال، والسياسيين والوجهاء، والاستبيانات تقرر بأن المجيبين يتفقون على أن هذا النظام المقترح يمكن أن يساعد على تحقيق العدل والرفاهة في المجتمع. ومع ذلك إلى حدّ الآن لا يمكن تطبيق هذا النظام لوجود الموانع القانونية الحكومية في موضوع المالية المصرفية. كما أن الإرادة الحكومية والدعم السياسي يمثلان أكبر العقابيل نحو تطبيق هذا النظام. ومن أجل ذلك توصي الدراسة أن يستخدم هذا النظام على مستوى الشركة والكتلة الاجتماعية حتى لا يتصادم مع العقلة والضغوطات الداخلية المذكورة.

APPROVAL PAGE

This thesis of Bedjo Santoso Kadri has been approved by the following:

Khaliq Ahmad Bin Mohd Israil
Supervisor

Ahamed Kameel Mydin Meera
Co Supervisor

Mustafa Omar Mohamed
Internal Examiner

Imam Ghozali
External Examiner

M. Shabri Abd. Majid
External Examiner

Abdul Kabir Hussain Solihu
Chairperson

DECLARATION

I hereby declare that the findings of this thesis are the product of my research efforts. I also declare that it has not been previously or concurrently submitted as whole for any other degree at IIUM or other institutions.

Bedjo Santoso Kadri

Signature.....

Date:.....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF
FAIR USE OF UNPUBLISHED RESEARCH**

**THE VIABILITY OF THE GOLD DINAR IMPLEMENTATION
MODEL: A CASE STUDY IN ACEH**

I declare that the copyright holder of this dissertation are jointly owned by the student and IIUM.

Copyright © 2016 Bedjo Santoso Kadri and International Islamic University Malaysia. All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM Intellectual Property Right and Commercialization policy.

Affirmed by Bedjo Santoso Kadri

.....
Signature

.....
Date

Dedicated to

*My Late Beloved Mother
Hjh. Saji Binti Shalehan*

*My Late Beloved Father
Hj. Kadri Darma Wiyana Ahmad*

*My Wife
Siti Nazaliah Binti Mohd Zain*

My Children

*Khalif Radhian Akbar, Fakkor Robbi Radhian, Fadhil Radhian Ahmad,
Hadhian Ahmad, and Ilyas Radhian*

*My Daughter in Law
Setyani Puji Utami*

And

*My Granddaughter
Khalishah Asy - Syaima*

ACKNOWLEDGEMENTS

All praises belong to Allah, the All-knowing of the knowledge of the unseen and the witnessed. I thank Him for all His blessings, especially the message He sent through His Messenger, peace be upon him as role model and teacher in all spheres of life including economics and finance. I cannot count every single tear and sweat spent, every second of chance used, every gesture for kindness shown by His creations in the writing of this thesis, but His and His-only blessing.

I wish to specially thank sincerely my supervisor Professor Dr. Khaliq Ahmad Bin Mohd Israil and Professor Dr. Ahamed Kameel Mydin Meera for their dedication, professionalism and patience in guiding me through until the completion of my thesis. They are always willing to assist me and share her research skills and experience during several meetings and discussions throughout this challenging journey. It is only Allah that can adequately reward her for these enormous contributions in this world and in the Hereafter, Amin.

I am also indebted to my family who gave their support in my academic pursuit. Foremost, my wife Siti Nazalia Binti Mohd Zain for her support, time, and patience. Also my five sons, Khalif Radhian Akbar, Fakkar Robby Radhian, Fadhil Radhian Ahmad, Hadhian Ahmad, and Ilyas Radhian who gave me the encouragement. I have indeed valued every moment of their concern and support. I am equally grateful to my late father Hj. Kadri Darmo Wiyyono bin Ahmad, and my beloved mother Hj. Saji binti Sholehan who has given me the inspiration and motivation to give the best in education. May Allah grant my late father a place in paradise, insha Allah.

I would also like to engrave my sincere thanks to all my lecturers Prof. Dr. Abdul Ghafar Ismail, Prof. Dr. Mohammad Aslam Haneef, Prof. Dr. Mansor Hj. Ibrahim, Prof. Dr. Engku Adawiah Bt Engku Ali, Assoc. Prof. Dr. Rusni Binti Hassan, Assoc. Prof. Dr. Salina Kasim, Dr. Shabri Abdul Majid, Assoc. Prof. Dr. Dzuljastri Abd. Razak, Dr. Muhamad Abduh. and Syaikh Dr. Mustafa Omar Muhammad and Syaikh Dr. Munthoha for their guidance and fondness in sharing the light of knowledge they have been bestowed.

I would like to special thanks to Hj. Dr. Olivia Fahrannisa. SE, Msi, the dean of economics faculty at UNISSULA-Semarang, she gave me her support academically, financially as well as spiritually in completing my PhD program. Finally, and certainly not the least, I would like to express my gratitude to Sr. Nurfadhila Bt Fauzi, Sr. Haslina Bt. Othman, Nur Syuhada Binti Mohamed Zin, Br. Mohd Khairol Fahmi, Ahmad Zulhilmi, Zarina Bt Jaapar and everyone who has either directly or indirectly provided me with their support to complete this doctoral program. This limited space does not permit me to list their names individually. I pray to Allah to reward them for their kindness and to bless them for their efforts with barakat.

The Quran, (Al-Hijr 15: 85) states that: “We created not the heavens, the earth and all between them, but just ends. And the hour is surely coming (when this will be manifest). So overlook (any human faults) with gracious forgiveness”

May Allah pave a way for my humble contribution to benefit more researches in this growing field of Islamic monetary and financial system so that we ultimately achieve the true purpose of Shariah (Maqasid al Shariah) for the kindness of mankind.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration	v
Copyright	vi
Dedication	vii
Acknowledgements.....	viii
List of Tables	xiv
List of Figures	xvii
List of Arabic Key Terms Used in the Thesis.....	xviii
Tabel of Transliteration.....	xviii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	4
1.3 Research Questions.....	7
1.4 Research Objectives.....	8
1.5 Research Approach.....	8
1.6 Scope of study.....	11
1.7 Significance of Research	11
1.8 organization of chapters.....	12
CHAPTER TWO: GENERAL OVERVIEW ON CURRENT MONETARY SYSTEM, MONEY, AND GOLD <i>DINĀR</i>.....	16
2.1 Introduction.....	16
2.2 Monetary Systems	18
2.2.1 Commodity Monetary System (CMS)	19
2.2.1.1 Advantages and Disadvantages of Commodity Money	20
2.2.2 Representative Monetary System (RMS)	22
2.2.3 Fiat Monetary System (FMS)	23
2.3 The Function of Money in Classical View	25
2.3.1 Primary Functions of Money: Medium of Exchange and Unit of Account Function	27
2.3.2 Subsidiary Functions: Store of Value and Store of Wealth Functions	28
2.4 The Birth of Fiat Money in the Monetary System.....	35
2.5 Criticism of the current monetary system.....	41
2.5.1 Fiat Money: Money Supply, Inflation, and Wealth	42
2.5.2 Banking System, Credit, and Fractional Reserve Banking.....	47
2.5.3 The Bad Effect of Interest in the Economy.....	50
2.6 The Suggested Solutions	57
2.7 Usury and Injustice in the Current Monetary System	64
2.8 The Features of Gold <i>Dinār</i>	71
2.9 The Gold <i>Dinār</i> Debates.....	77
2.9.1 Some Queries and Objections	77

2.10 Survey of the Economic Crisis	91
2.10.1 Types of Financial Crisis	92
2.11 Revisiting gold <i>dinār</i> and its challenges in the gold <i>dinār</i> implementation	96
2.11.1 The Previous Studies.....	103
2.11.2 The Implementation of Gold <i>Dinār</i> in Several Countries.....	111
2.12 History of the Using Dinar and Dirham in Aceh and Nusantara	114
2.12.1 Aceh Deureuham, Deurham, Derham, Dirham, Dramas or Aceh Gold Dinar.....	116
2.12.2 Models of Gold Dinar Used in Aceh	117
2.13 Conclusion	120
CHAPTER THREE: FRAMEWORK AND METHODOLOGY	121
3.1 Introduction.....	121
3.2 Research Framework	121
3.3 Background of the Sample.....	122
3.4 Research Method	127
3.5 Research Instruments.....	129
3.6 The Questionnaire and Interview Guide.....	130
3.7 Data Collection	131
3.8 Data Analysis.....	131
3.9 Conclusion	133
CHAPTER FOUR: GOLD <i>DINĀR</i> AS MONEY: AN ANALYSIS FROM ISLAMIC PERSPECTIVE	134
4.1 Introduction.....	134
4.2 Result and Discussion.....	135
4.2.1 A Brief History of Currency in Islam	135
4.2.2 The History of Currency during the Prophet’s Time (PBUH).....	135
4.2.3 The History of Currency during <i>Khulafā’ al- Rāshidīn</i> Period	137
4.2.4 The History of Currency during the Islamic Caliphate.....	138
4.2.5 The History of Currency after the Collapse of Islamic Caliphate.....	140
4.3 Fiqh Discussion of Money.....	142
4.3.1 Deriving the Law (Ḥukm).....	143
4.3.2 Minted Currency by State Law	145
4.4 The <i>Siyāsah Shar‘iyyah</i> Approach	147
4.4.1 <i>Maṣlahah</i> of Fiat Money.....	148
4.4.2 <i>Mafsadah</i> of Fiat Money.....	149
4.4.3 <i>Maṣlahah</i> of Gold and Silver as Money	151
4.4.4 <i>Mafsadah</i> of Gold and Silver as Money	152
4.5 Discussion on <i>Maṣālih al-Mursalah</i>	153
4.5.1 Fiat Money and the <i>Maqāsid Al-Sharī‘ah</i>	157
4.6 The Implementation Strategy of Gold as Money in the Current Economic System	160
4.6.1 Determining the Alternatives	160
4.6.2 Criteria Determination	162
4.6.2.1 Infrastructure and Regulations.....	163
4.6.3 Deductive Analysis to Select the Best Alternative	166

4.7 Conclusion	168
CHAPTER FIVE: FACTORS INFLUENCING PUBLIC ACCEPTANCE OF THE GOLD <i>DINĀR</i> SYSTEM IN ACEH.....	171
5.1 Introduction.....	171
5.2 Review of the Existing Researches.....	172
5.3 The implementation of the gold <i>dinār</i> in several countries.....	177
5.4 The statements regarding the gold <i>dinār</i>	178
5.5 Research Indicators.....	180
5.6 Result and discussion.....	182
5.6.1 Factor Analysis	182
5.6.2 Descriptive Analysis	186
5.6.3 Discussion	187
CHAPTER SIX: PEOPLE ACCEPTANCE MODEL ON THE GOLD <i>DINĀR</i> AS MONEY IN ACEH: A STRUCTURAL EQUATION MODEL.....	192
6.1 Introduction.....	192
6.2 Model Framework	192
6.3 Result and Discussion.....	197
6.3.1 Estimated Model Fit SEM-PLS	197
6.3.2 Structural Model Evaluation (Inner Model).....	203
6.4 Conclusion	206
CHAPTER SEVEN: MOBILE PAYMENT SYSTEM FRAMEWORK BASED ON GOLD AS A MEASUREMENT OF VALUE: A PROPOSED MODEL IN ACEH	208
7.1 Introduction.....	208
7.2 Previous Studies	210
7.3 Key Terms Definition.....	213
7.3.1 Digital Currency System.....	213
7.3.2 Clearing System on the Digital Currency Concept.....	216
7.4 The Proposed Model: Mobile Payment System based on Gold as Measurement of Value	219
7.5 The Design of Mobile Payment System based on Gold Framework To Be Implemented In Aceh	222
7.5.1 The Existing Positive Supporting Infrastructure in Aceh	223
7.6 Description of the Framework	226
7.7 Islamic View on the Proposed Model.....	230
7.7.1 The Advantages of the Model.....	230
7.7.2 Islamic View: Justice	232
7.7.3 Islamic View: <i>Ribā</i> (Usury)	235
7.7.4 Islamic View: No element of <i>Gharār</i>	237
7.7.5 Islamic view: No containment of Prohibited Elements	238
7.8 Conclusion	239
CHAPTER EIGHT: THE VIABILITY ANALYSIS ON THE IMPLEMENTATION OF MOBILE PAYMENT SYSTEM BASED ON GOLD AS A MEASUREMENT OF VALUE IN ACEH	242
8.1 Introduction.....	242

8.2 Viability Analysis on Mobile Payment System based on the Gold <i>Dinār</i>	242
8.3 Result and Discussion.....	247
8.3.1 Respondents' Perception.....	247
8.3.2 Conceptual Perception	250
8.3.3 Operational Perception.....	256
8.3.3.1 The Perception of the Financial Services Authority (OJK).....	256
8.3.3.2 The Perception of Politician	258
8.3.3.3 The Perception of the Community Leaders, Cooperatives Managers and Businessmen.	259
8.3.3.4 The Perceptions of Practitioners.....	262
8.3.3.5 The Perception of ICT Experts.....	264
8.3.3.6 People, Leaders, and Scholars and Academicians Understanding	268
8.3.3.7 Government, Political Support, Acts (Qānūn), Gold Sufficiency, and Infrastructures	268
8.4 Conclusion	270
CHAPTER NINE: CONCLUSION AND RECOMMENDATION	271
9.1 Introduction.....	271
9.2 Recapitulation of Study	271
9.3 Summary of Findings	273
9.3.1 Money in the Islamic View.....	275
9.3.1.1 The Law of Using <i>Dinār</i> -Dirham	275
9.3.1.2 Benefit (Maṣlahah) and Harm (Mafsadah) Analysis.....	278
9.3.1.3 Gold <i>Dinār</i> Implementation.....	280
9.3.2 Public Support of the Gold <i>Dinār</i> Adoption in Aceh	282
9.3.3 Model Relationship among Variables.....	284
9.3.4 Mobile Payment System based on Gold as a Measurement of Value.....	285
9.3.5 Viability Study of the Mobile Payment System based on Gold to be Implemented in Aceh (A Study from the Stakeholders Perception).....	289
9.3.5.1 Conceptual Perception for Possible Implementation in Aceh	290
9.3.5.2 Operator Perception.....	292
9.3.5.3 The Challenges of the Adoption of the God <i>Dinār</i> as Money in Aceh	298
9.4 Implications of the Study.....	299
9.4.1 Policy Makers and Government Implications.....	299
9.4.2 Implication for Gold Activists	300
9.4.3 Implication to the Society and Community	302
9.4.4 Contribution to the Body of Knowledge.....	302
9.5 Limitations of the Study and Recommendations for Further Research	303
BIBLIOGRAPHY	306
LIST OF PUBLICATIONS, CONFERENCES AND AWARDS.....	333

APPENDIX A: Survey Instruments: Questionnaire.....	335
APPENDIX B: Factor Analysis.....	346
APPENDIX C: Normality Testing.....	360
APPENDIX D: Partial Least Square (PLS).....	362
APPENDIX E: Respondents Profile and Question Items.....	367
APPENDIX F: Interview Protocol.....	372
APPENDIX G: Appointment Letter.....	376
APPENDIX H: Interviews Summary (Indonesian Version).....	377
APPENDIX I: Respondents' Mapping.....	388

LIST OF TABLES

Table 1.1	The Relation between Research Objectives, Research Gap, Methodology, and Research Output	10
Table 2.1	Comparison of The Monetary System	25
Table 2.2	Characteristic and Function Money	32
Table 3.1	Relations between Objectives, Methodology, Data Instruments, and Data Analysis	122
Table 3.2	Population Description	126
Table 3.3	Distribution of Respondents	129
Table 4.1	<i>Mafsadah</i> of Fiat Money	150
Table 4.2	Arguments and Rebuttals Regarding The Weakness of Gold as Money	153
Table 4.3	Gold Holder Countries	165
Table 4.4	Deductive Analysis	166
Table 5.1	Review of the Existing Literature	176
Table 5.2	Authors Statement	179
Table 5.3	Research Indicators	181
Table 5.4	KMO and Bartlett's Test	182
Table 5.5	Anti-Image Matrices	183
Table 5.6	Total Variance Explained	184
Table 5.7	Rotated Component Matrix	184
Table 5.8	Naming the Factors Found	185
Table 5.9	Descriptive Analysis	187
Table 6.1	Selected Studies upon Public Acceptance	195
Table 6.2	Validity Test	200
Table 6.3	Reliability test	202

Table 6.4	Structural Model	203
Table 6.5	R-Square (R^2) Value	204
Table 7.1	The Selected Process the Best Model	220
Table 8.1	Components of Viability Model	244
Table 8.2	Stakeholders and Dimension	246
Table 8.3	Profile of Respondents	249
Table 8.4	The Possibility of Gold Implementation as Currency in Aceh	251
Table 8.5	The Response of the Community Leaders, BMT and Businessmen	259
Table 8.6	The Response of the Gold <i>Dinār</i> Activist and Practitioners	262

LIST OF FIGURES

Figure 1.1	Chapters Flowchart	15
Figure 2.1	Systemic Model in the Gold <i>Dinār</i> Implementation	102
Figure 2.2	Noradli's Model	107
Figure 2.3	Nik Maheran's Model	109
Figure 2.4	Ompo's Model	110
Figure 2.5	Gold <i>Dinār</i> Preference Study Model	111
Figure 3.1	Aceh Map	125
Figure 4.1	Volatility of World Currency between 1880 – 1995	155
Figure 6.1	The basic Model of TAM	193
Figure 6.2	Conceptual Framework	196
Figure 6.3	The framework of Research Conceptual Based on Equation Model	198
Figure 6.4	Diagram Output of SEM on PLS Using SmartPLS Software	199
Figure 7.1	Community and Commodity Based Digital Currency (CBDC) by Using Mobile Phone	215
Figure 7.2	Model Mobile Payment System Based on Gold as Measurement of Value	225
Figure 7.3	Transaction Model	226
Figure 8.1	The Cooperative Model of Mobile Payment System Based on the Gold as Measurement of Value	268
Figure 9.1	Mobile Payment System Model Based on Gold as Measurement of Value	288
Figure 9.2	The Cooperative Model of Mobile Payment System Based on the Gold as Measurement of Value	297
Figure 9.3	Mechanism of the Payment Process	297

LIST OF KEY TERMS USED IN THE THESIS

- Akhlāq* : The plural of the word *khulq* which means disposition, Conduct, character, attitudes, ethics, moral and manner. It is an Arabic term referring to the practice of virtue, morality and manners in Islamic theology, and philosophy (*falsafah*)
- Al-wasliyah* : Islamic Scholars Association based on Syafi'i Madhhab in Sumatra Island
- Al-māl* : The wealth which generate the profit or some benefits to its owners
- ‘Aqīdah* : Article of faith, tenet, creed, or dogma.
- Bayt al-Māl wa Tamwīl* : The Islamic state treasury and rising fund
- Bismillāhi rabbi* : In the Name of Allah or I begin in the Name of Allah
- Da‘wah* : *Lit:* Call. Inviting people to Islam, whether by literal invitation and preaching, or by the example of good actions.
- Dāniq* : *Lit:* An ancient coin, a small coin. *Tech:* A coin of silver equal to eight grains of barley or 0.496 g.
- Dinār* : A monetary unit. *Tech:* Gold coin weighing one *mithqāl*, equivalent to 4.25 gram
- Dirham* : *Lit:* A weight of varying magnitude. *Tech:* A measure for weighing commodities. One *dirham* equaled 3.171 gram
- Diyāt* : Recompense for loss of a life.
- Dhahab* : *Lit:* a gold or valuable metal.
- Fiddah* : *Lit:* a silver
- Fiqh* : Islamic jurisprudence. The science of the *shari‘ah*. It is an important source of Islamic economics.
- Fulūs* : a coin made of bronze from the Roman and Byzantine tradition. And it is used in the practice of the first Muslim communities (the Umayyads, who first minted Dinar and Dirham also minted fulus).
- Fuqahā’* : The plural of the word *faqīh*. It refers to the Islamic jurist or well-known as the expert of Islamic jurisdictions
- Gharār* : The root word of *gharār* denotes deception, uncertainty or ambiguity. *Bai‘ al-gharār* is an exchange in which there is an element of deception either through ignorance of the goods, the price, or through faulty description of the goods.
- Ḥājj* : Pilgrimage to Mecca. Sunnis regard this as the fifth Pillar of Islam.

<i>Hanafīs, Malikīs, Shafi‘īs, Hanbalīs</i>	: The names <i>imām</i> of the Islamic thought of school and it refers to the followers of each <i>imām</i> . The one who practice the way of Syafi‘ī it is called as Syafi‘īs and so on.
<i>Ḥarām</i>	: That which is unlawful in Islam. It is necessary to abstain from the acts which are haram
<i>Hijriyyah</i>	: The Islamic calendar commences from the event of the The emigration of the Prophet Muhammad PBUH, from <u>Makkah</u> to <u>Medinah</u> in 622 CE.
<i>Ḥudūd</i>	: <i>Lit:</i> limits or boundaries. Usually refers to limits placed by Allah on man; penalties of the Islamic law (<i>sharī‘ah</i>) for particular crimes described in the Qur’ān –intoxication, theft, rebellion, adultery and fornication, false accusation of adultery, and apostasy
<i>Ḥukm Syar‘ī</i>	: The Ruling in the Qur’ān or Sunnah.
<i>Insyaffudin</i>	: Islamic boarding Schools Association in Aceh
<i>‘Iwāḍ</i>	: Recompense or equivalent counter value in an exchange.
<i>Kanz al-Māl</i>	: Treasuries
<i>Khalaf</i>	: <i>Lit:</i> Substitute, succession. <i>Tech:</i> Relating to the law of ownership, it refers to securing or taking possession of things through succession under the law of inheritance.
<i>Khalīfah</i>	: The Caliph, more generally, one performing the duties of <i>khilafā’</i> (Islamic state).
<i>Khulafā’ al- Rāshidīn</i>	: The four Caliphs after the death of the prophet Muhammad. The caliph of Abū Bakr, the caliph of ‘Umar, the caliph of ‘Uthmān and the caliph of ‘Alī.
<i>Kūfī</i>	: It refers to the ‘Arabic style of type writing
<i>Kufr</i>	: Unbelief, infidelity, blasphemy; also hubris.
<i>Lafadh</i>	: <i>Lit:</i> word. An Arabic word is called as <i>lafadh</i> . In other common language, <i>lafadh</i> is classified into three namely noun, verb, and preposition.
<i>Mafsadah</i>	: <i>Lit:</i> Harm or something harmful.
<i>Majma‘ al-Fiqhi al-Islāmī</i>	: Islamic fiqh academy is an Academy for advanced study of Islam based in <u>Jeddah</u> , <u>Saudi Arabia</u> . It was created at the decision of the second summit of the <u>Organisation of the Islamic Conference</u> (OIC) 1974 and inaugurated in February 1981.
<i>Maqāṣid al-Sharī‘ah</i>	: The purpose of <i>sharī‘ah</i> which provides the guidance in obtaining wealth by removing hardship (<i>raf‘ al-ḥaraj</i>) and preventing harm (<i>daf‘ al-ḍarar</i>) in the economic sphere.
<i>Maṣlahah</i>	: <i>Lit:</i> Utility, benefit. <i>Tech:</i> Exigencies which necessitate protection of faith, life, progeny, property and rationality. <i>Al-maṣlahah</i> is the basic consideration

- in the formulation of law in Islam. Those acts or omissions that cause harm to any of the above named five *maṣāliḥ* are known as *al-mafāsīd* and enactment against them becomes obligatory in the Islamic state.
- Maysir* : *Lit:* Gambling. *Tech:* An agreement in which possession of a property is contingent upon the happening of an uncertain event. By implication it applies to those agreements in which there is a definite loss for one party and definite gain for the other without specifying which party will lose and which will gain.
- Madhhab* : *Lit:* the way or path. *Tech:* it refers to Islamic thought of school such as Ḥanafīs, Malikīs, Shafi'īs and Ḥanbalīs
- Mikyāl* : Measure of capacity or dry measure for grain
- Mithqāl* : A weight for measuring commodities, equivalent to 4.5 grams
- Mu'allaf* : The one who early embarrasses Islam and convert to Islamic religion.
- Mu'āmalah* : *Lit:* Economic transaction. *Tech:* Lease of land or of fruit trees for money or for a share of the crop.
- Mubāḥ* : Permissible; an action for which people will neither be rewarded nor punished.
- Muḍārabah* : A form of business contract in which one party contributes capital and the other personal effort. The financier is known as *rabb al-māl* and the worker or entrepreneur as *muḍārib*. The proportionate share in profit is determined by mutual consent. But the loss is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour.
- Muḥammadiyyah* : *Lit:* the Muslim who conduct the way of life of the prophet Muhammad. It refers to the name of Islamic organization in Indonesia which the 2nd largest followers. It is established since November 1912 initiated by Aḥmād Dahlān.
- Mujtahidīn* : They are specialist on the deduction of the Islamic rules from four major sources: the Qur'ān, Hadīth, conscience of the community, and reasoning.
- Niṣāb* : This refers to the minimum amount of property liable to zakāt payment
- Qaḍī* : a judge ruling in accordance with Islamic religious law (*sharī'ah*), appointed by the ruler of a Muslim country. *Qaḍīs* traditionally have jurisdiction over all legal matters involving Muslims
- Qarḍ al-ḥasan* : *Lit:* A virtuous loan. *Tech:* A loan with the stipulation to return the principal sum in the future without any increase.
- Qirād* : A measure of weight and length of varying sizes in different ages. A *qirād* for measuring silver and

- commodities is equivalent to 0.248g and for measuring gold, 0.2120 g. For measuring length, a *qirād* is equivalent to 175 m.
- Qiyās* : *Lit:* analogy. *Tech:* Qiyās is the process of deductive analogy in which the teachings of the Hadīth are compared and contrasted with those of the Qur’ān, in order to apply a known injunction (*nas*) to a new circumstance and create a new injunction.
- Rabī‘ al-’ awwal* : The name of month in Islamic calendar. It is the 3rd month where the prophet Muhammad was born
- Ribā* : This means interest. More specifically, it refers to any pre-agreed excess paid or received over and above the principal in a loan contract.
- Ribā al-faḍl* : This refers to interest in barter. This indicates the excess charged in the exchange of commodities of the same kind (for instance, wheat for wheat, barley for barley, etc.). Barter transactions were common during Prophet Muhammad (peace and blessings be upon him)’s time, and he did not restrict the application of Riba only to the credit transaction of cash, but to all types of barter
- Ribawi* : Goods which has been defined by *sharī‘ah* that the exchange to be equal for equal. e.g. Gold for gold; silver for silver, wheat for wheat, barley for barley, dates for dates and salt for salt. Payment is to be made on equally on the spot.
- Salaf* : *Lit:* the predecessor or early Muslim. *Tech:* the Muslims who life closed to the age of Prophet Muhammad. Traditionally it refers to the companions, the followers, the followers of the early followers. Approximately 400 years in the early of Islamic emerging.
- Ṣalāh* : *Lit:* supplication. *Tech:* the practice of physical and compulsory prayer in Islam as opposed to supplication. It is one of the five pillars of Muslim
- Ṣarf* : Sale of a monetary value for monetary value. Exchange of currencies.
- Sharī‘ah* : *Lit:* The way. *Tech:* The way of Allah as shown by the Qur’ān and the *sunnah* of the Prophet. It is generally spoken to mean the Islamic law.
- Siyāsah Shar‘iyyah* : *Lit:* to train and to take care of, the meanings which are very much there in statesmanship or statecraft. *Tech:* *Sharī‘ah* Oriented public policy.
- Sulṭān* : The king who regulate an Islamic state.
- Sunnah taqrīriyyah* : It refers to the approval action of the prophet Muhammad in conjunction to the action of companion who reported some case to him. Since he did not forbid or just silent, it reflected to the permissibility.

- Shirkah* : A contract between two or more persons who launch a business or financial enterprise with the purpose of making a profit.
- Tābi‘ūn* : The generation who lived after the companions of the prophet Muhammad. They included to the *salaf*, the golden age generation in emerging of Islam
- Ṭalāq* : *Lit:* divorce *Tech:* when a husband or a man initiated a divorce it is called *ṭalāq*.
- ‘*Ulamā’* : The plural of in contemporary usage by Muslims refers to the religious elite of scholars at the top of the sectarian hierarchy
- Uṣul al-Fiqh* : *Lit:* Principles of Islamic jurisprudence. *Tech:* the study and critical analysis of the origins, sources, and principles upon which Islamic jurisprudence is based.
- Waqf* : *Lit:* Detention. *Tech:* Appropriation or tying up of a property in perpetuity so that no proprietary rights can be exercised over the corpus but only over the usufruct. The *waqf* property can neither be sold nor inherited or donated to anyone.
- Wazan* : *Lit:* measure. *Tech:* the measure of the thing.
- Zakah* : *Lit:* To purify. *Tech:* A tax that is levied on all persons having wealth above an exemption limit (*nīṣāb*) at a rate fixed by the *shari‘ah* to purify wealth and souls from impure love. The object is to take away a part of the wealth of the well-to-do and to distribute it among the poor and the needy. It is levied on cash, cattle, agricultural produce, minerals, capital invested in industry and business, etc.
- Zulm* : *Lit:* wrongdoing, misuse of *Tech:* used interchangeably for cruelty or unjust acts of exploitation, oppression, and wrongdoing, whereby a person either deprives others of their rights or does not fulfill his obligations towards them.

TABLE OF TRANSLITERATION

CONSONENTS			
Arabic	English	Arabic	English
ء	'	ض	Ḍ
ب	B	ط	Ṭ
ت	T	ظ	Ẓ
ث	Th	ع	'
ج	J	غ	Gh
ح	Ḥ	ف	F
خ	Kh	ق	Q
د	D	ك	K
ذ	Dh	ل	L
ر	R	م	M
ز	Z	ن	N
س	S	و	W
ش	Sh	ه	H
ص	Ṣ	ي	Y

Vowels			
Short Vowels		Long Vowels	
أ	A	آ	Ā
إ	I	إي	Ī
أ	U	أو	Ū

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The issue of the gold-*dinār* as an alternative monetary system to replace the fiat money system has been a very exciting debate over the last three decades. Rab, H. (2002), Meera, A. (2002, 2004, 2009, 2011), Sanusi, M. (2002), Halim, et al. (2002), Allais, M. (1993), Edawati, S. (2013), and Choudhury, M. (1998a) postulated that the current system has destroyed human prosperity and wealth via an increase of price levels and an abundance of illegal monopoly.

The current fiat monetisation system was adopted after the Bretton Woods collapse in 1971. Prior to this, the gold *dinār* was implemented for 13 centuries and ended with the collapse of the Ottoman Caliph in 1924. During this period, there was a just and harmonious monetary system (Vadillo, U., 2008; Edawati, S., 2013; Triono, D. 2011; Hassan, M. and Coudhury, M., 2002). In addition, Bordo, M. (1993) stressed that the gold monetary system was much more stable compared to the fiat money system, which is based on interest and fractional reserve banking. Meera, A. (2009; 2010; 2011; 2012) postulated that the fiat system amplifies the economic distress cycle, triggering an unjust and unstable economy ultimately contributing to global economic crises (Edawati, S., 2012b).

Krugman, P. (1999) stated that the world has experienced three global generations of crises. The First Generation Model (FGM) was caused by the attack of speculators on the exchange rate in Latin America in 1970 and 1980. The Second Generation Model (SGM) was famous for the European Exchange Rate Mechanism (ERM) in 1992. The crisis was due to an interest war between countries. The Third