



COMPARING THE INTENTION TO USE DINAR
AND DIRHAM BETWEEN MALAYSIAN AND
INDONESIAN CONSUMERS

BY

INDRI DWI WARDHANI

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ABSTRACT

The currency fluctuation, global financial crisis and decreasing value of money have prompted the practice of using gold dinar and silver dirham for investment, savings, *hajj*, paying *zakat*, and dowry as well as buying and selling. Growth of dinar and dirham usage in Malaysia and Indonesia has been an argumentative issue in some discussions. These two countries also cooperate to re-introduce dinar and dirham back to the community under World Islamic Mint Organization. The purpose of this study is to investigate whether differences on consumers' intention to use dinar and dirham as a medium of exchange exists between Malaysia and Indonesia. This study used self-administered questionnaire and online questionnaire distributed throughout Klang Valley and Jakarta. Based on adaptation of the Theory Reasoned Action (TRA), three factors were proposed, which are attitude, subjective norm and religiosity. Data were collected from 102 Malaysian and 110 Indonesian consumers and analyzed using multiple regression analysis with SPSS version 19. Findings show there is significant and positive impact of attitude on customers' intention in Malaysia and Indonesia. Subjective norm and religiosity show positive impact on customers' intention to use dinar and dirham, but this study fails to prove the presence of significant relationship between these two independent variables with intention. The findings however show generous understanding on customers' intention to use dinar and dirham and its antecedent in the context of dinar and dirham usage in Malaysia and Indonesia.

ملخص البحث

التغير في اسعار العملات والازمات الماليه المتكرره والنقص من قيمة العمله الورقيه, كل هذا يجبرنا على التفكير باستخدام الدينار الذهبي والدرهم الفضي بالأستثمار, التوفير, الحج دفع الزكاه والصدقه وعمليات البيع والشراء. مع نمو التعامل بالدينار والدرهم في ماليزيا واندونيسيا ظهرت العديد من المشاكل في المناقشات التي تمت حول استخدام الدينار والدرهم بالتعاملات الماليه. ماليزيا واندونيسيا لديهما هدف يجعل التعامل الرسمي المالي بدول الاسلاميه بالدينار والدرهم وتحت اشراف المؤسسات الاسلاميه الماليه. الغرض من هذه الدراسه استكشاف الاختلافات بين نوايا المتعاملين بالدينار والدرهم في ماليزيا ونظرائهم في اندونيسيا. هذه الدراسه استخدمت استطلاع يدوي وعبرالانترنت للمتعاملين بالدينار والدرهم في منطقتي كلنج وجاكرتا. واعتمادا على نظريه الفعل المنطقي, هذه الدراسه طورت ثلاثه عوامل بحثيه والتي هي: المزاج, الغرض, والتدين. المعلومات التي تم جمعها تتكون من 102 مشترك ماليزي و 110 مشترك اندونوسي. وتم تحليل البيانات باستخدام التحليل الانحداري المتعدد. البرنامج المستخدم هو نظام احصائي لشركة اي بي ام ويسمي SPSS اصدار رقم 19. النتائج اظهرت ان المزاج العام للمتعاملين بالدينار والدرهم ايجابي وذو اهميه ويظهر تأييد لتعامل بالدينار والدرهم. اما الغرض والتدين اظهرا تأثير ايجابي على سلوك المتعاملين بالدينار والدرهم. لكن هذه الدراسه فشلت بإثبات وجود علاقه بين هذه الثلاثه العوامل مع عامل النيه. الشئ الحسن بهذه الدراسه اظهر الحماس الكبير للمشاركين لاستخدام الدينار والدرهم بالتعاملات الماليه بماليزيا واندونيسيا.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

.....
Wan Jamaliah Wan Jusoh
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

.....
Mohd Ismail Bin Sayyed Ahmad
Examiner

This dissertation was submitted to the Department of Business Administration and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing).

.....
Suhaimi Mhd. Sarif
Head, Department of Business
Administration

This dissertation was submitted to the Kulliyah of Economics and Management Sciences and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing).

.....
Nik Nazli Nik Ahmad
Dean, Kulliyah of Economics
and Management Sciences

DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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MALAYSIAN AND INDONESIAN CONSUMERS**

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LIST OF ABBREVIATIONS

P.B.U.H	Peace be upon him
PT	Perseroan Terbatas (a form of company)
ANTAM	Aneka Tambang (name of company)
ORG	Organization
TRA	Theory of Reasoned Action
TPB	Theory of Planned Behavior
TAM	Theory of Acceptance Model
UTAUT	Unified Theory of Acceptance and Use of Technology
Rp	Rupiah (Indonesia currency)
RM	Ringgit Malaysia (Malaysia currency)
WIM	World Islamic Mint
WITO	World Islamic Trade Organization
US	United States
DOS	Department of Statistics
BPS	Badan Pusat Statistik (Central Body of Statistics)
TTDI	Taman Tun Dr. Ismail (name of area)
IIUM	International Islamic University Malaysia
SPSS	Statistical Packages for Social Science
EFA	Exploratory Factor Analysis
KMO	Kaiser-Meyer-Olkin
PhD	Doctor of Philosophy
ASEAN	Association of Southeast Asian Nations
Min	Minimum
Max	Maximum
Std.	Standard
a.k.a	As known as
i.e.	(<i>id est.</i>): that is
et al.	(<i>et alia</i>): and others
e.g.	(<i>exempligratia</i>): for example
etc	(<i>et cetera</i>): and other things

INTRODUCTION

1.1 INTRODUCTION

Chapter One will present an overview of past studies, focusing on the comparison of the intention to use dinar and dirham among Malaysian and Indonesian consumers. The chapter will also present of the background of the study and problem statement. The research objectives will be outlined followed by the research questions and the significance of the study. This chapter will also provide the definition of key terms.

1.2 BACKGROUND OF STUDY

Gold and Silver are precious metals that are recognised as symbols of wealth (Syafputri, 2012). Gold, as a chemical element, is symbolized as Au (taken from Latin *Aurum*), with the atomic number 79 in the periodic table while silver is symbolized as Ag (taken from Latin *Argentum*) with the atomic number 47. These two precious metals are not easily affected by rust and are expensive because of their scarcity and availability. Many precious products are made from gold and silver because of their value, such as household goods, accessories, jeweleries and coins.

Gold coins are also known as dinar while silver coins are called dirham. These coins were previously accepted as medium of exchange in several countries until paper money was introduced to replace them. History assures gold and silver as the most stable alternative currencies ever known in the world. The last decade has shown annual increases in the price of gold (USD/ounce) in the world (see figure 1.1). From this, it could be assumed that gold dinar has a stable value as a medium of exchange.



Figure 1.1 Gold Price (1998-2012)

From the Islamic perspective, gold and silver have also been recognised as valuable items and symbols of wealth. For example, Allah (SWT) says in the Qur'an¹:

And those who hoard gold and silver and spend them not in the way of Allah, announce unto them a painful torment. (Qur'an at-Tawba: 34)

This verse associates the use of gold and silver as medium of exchange for those who believe in it.

In addition, there is also another verse in the Qur'an that mention gold and silver, in which Allah (SWT) says:

Beatified for mankind in love of the joys (that come) from women and offspring; and stored-up heaps of gold and silver.... (Qur'an al-Imran:14)

This verse indicates that man's happiness comes from women and children as well as savings of gold and silver. The verse also recognises that people believe happiness could be reached by saving and using gold and silver.

¹ The Islamic sacred writing revealed by God to Prophet Muhammad (P.B.U.H).

In the history of Islamic civilisation, gold had become one of the powers of economy in the world. During the time of Prophet Muhammad P.B.U.H² and the era of Islamic caliphate³, gold and silver were used as currency known as dirham (silver coin) and dinar (gold coin) although their introduction as exchange currency had started before Islam came to the fore. This among others has contributed to the rapid growth of Islamic economy as those currencies are more stable compared to other medium of exchange. However, dinar and dirham are no longer used after the Ottoman Empire collapsed and paper money took over as a medium of exchange in the whole world.

The usage of dinar and dirham has been re-introduced in 1991 by Umar Ibrahim Vadillo and in 1992, the coins were firstly minted again in Spain. As a matter of standardisation, the value of dinar, made of 97% pure gold, depends upon the global gold price while the value of dirham depends upon the global silver price. During this time also, Umar Ibrahim Vadillo mentioned a *fatwa*⁴ about “the prohibition of use of paper money as a medium of exchange” which became a support at the beginning when dinar and dirham were first minted (Saidi, 2011). The prohibition among others relates to Allah’s commands for Muslims not to practise *riba*⁵ and to implement business in the lawful way (Arham, 2010). It was stated in the Qur’an Surah al-Baqarah verse 275:

...Trade is (just) like usury. But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to (dealing in interest or usury) – those are the companions of the Fire; they will abide eternally therein (Qur’an al-Baqarah: 275)

² Peace be Upon Him.

³ An Islamic state led by a supreme religious as well as political leader known as a *caliph* (successor).

⁴ A ruling on a point of Islamic law given by a recognized authority.

⁵ Interest.

Upon the re-introduction, the emirate⁶ in Spain was the first initiated by the Murabitun world movement⁷ to mint gold dinar and silver dirham currency as alternatives to paper money that had been prohibited (Saidi, 2007). It was one of the cities that where caliphate⁸ in Andalusia spread dinar and dirham, and afterwards within 22 countries by the Murabitun World Movement. The adoption of dinar and dirham for buying and selling by communities in the countries is based on the consideration that they have valid and original amount if compared with fiat money in the market (Saidi, 2011).

In South East Asia, in 2001, Tun Mahathir Mohamad as the Prime Minister of Malaysia has made great contributions in the return of dinar and dirham usage. Tun Dr. Mahathir Muhammad recommended dinar and dirham to be used as an international currency in the trade between Islamic countries which opened people's eyes to the advantage of dinar as compared to paper money (Mohammed, 2002; Hamidi, 2009). It was before the onset of the monetary crisis in 1992 that the usage of dinar and dirham as alternative medium of exchange flourished against inflation in Malaysia.

In a similar vein, Indonesia also participated in the adoption of dinar and dirham. Malik Abdulhaqq Dwito Hermanadi as the liaison officer to the Murabitun Nusantara also stated that since 1999, dinar and dirham were minted in Indonesia through PT Logam Mulia, one of the subsidiary governmental companies owned by PT Aneka Tambang (ANTAM) (Saidi, 2011).

⁶ Political territory that is ruled by a dynastic Muslim monarch styled emir (commander in Muslim world).

⁷ Islamic movement founded by its current leader Abdalqadar as-Sufi (a.k.a Ian Dallas), with communities in countries all over the world.

⁸ An Islamic state led by a supreme religious as well as political leader known as a caliph (meaning literally a successor, i.e., a successor to Islamic Prophet Muhammad (P.B.U.H)) and all the Prophets of Islam.

Considering these trends and facts, it could be observed that the adoption of dinar and dirham as medium of exchange is mostly done by Muslims. Statistics show that the World Muslim population has increased every year since 1970, especially in Malaysia and Indonesia. In the year 2000, the number of Muslim population in Indonesia was 177,528,772 people (Kettani, 2010). In the year 2010, it has grown by 27 million people to 204,847,000 (Pew Research Center, 2011). The Muslim population in Malaysia has also increased where it accounted for 60.4% of the Malaysian population in the year 2000 (Kettani, 2010). In the year 2010, it had increased by 3 million people, equalled to 61.4% of the total population (Pew Research Center, 2011). This rapid development could contribute to the growth of dinar and dirham usage in the world.

Various studies have been done on the potential and opportunities for the development of dinar and dirham usage. Among areas studied include history on dinar re-introduction (Amat @ Anwar, 2002; Salmy Edawati, 2009), the adoption of dinar payment (Muhayiddin, Ahmed, & Ismail, 2011, 2012; Norizatun Azmin, Nur Hasyiyati, & Abdul Halim, 2012; Touzani, 2004) as well as issues and challenges about the usage of gold dinar (Abdul Halim & Norizatun Azmin, 2002; Abu Bakar, Nuradli Ridzwan, & Norhayati, 2002; Hasan, 2008; Sakiinah & Zainal Abidin, 2012; Yusuf, Meera, & Gairurazmi, 2011). However, it is also stated in Islam that actions of people are based on the intention behind it while the motives will affect the good outcomes and satisfaction (Alserhan, 2010). Therefore, it is important to learn the customers' intention to use dinar and dirham, especially in South East Asia.

1.3 PROBLEM STATEMENT

Dinar and dirham have been used as medium of exchange long before Islam introduced them to the world (Vadillo, 2008). Umar Ibrahim Vadillo originally proposed the *sharia*⁹ currency in the year 1991 in which after that the Murabitun World Movement shared out the use of dinar and dirham among 22 countries, including Malaysia and Indonesia. Today, there are small local consumers in Malaysia and Indonesia that use dinar and dirham for several purposes such as for investment, savings, electronic payment system, gift, charity, *hajj*¹⁰ as well as paying *zakat*¹¹ and *mahar*¹².

The growth of dinar and dirham adoption in some countries such as Malaysia, Indonesia, United Kingdom and South Africa is seen as a positive development towards acceptance of dinar and dirham (Salmy Edawati, Mohd Al Adib, Mohd Izhar Arif, & Mohamad Zulfazlee, 2011). Some communities prefer to use dinar and dirham for investments and savings; this is however unique for people who favourably choose dinar and dirham only, not to the majority of people. The slow adoption process of dinar and dirham among others is contributed by the questionable legalization due to which in this modern era people commonly use paper money as the medium of exchange (Meera & Larbani, 2009). In Malaysia, the usage of dinar and dirham as medium of exchange is not legal as stated in the Central Bank of Malaysia Act 2009 (Part VIII- currency) about the unit of currency and legal tender of currency notes (Hisham, 2010). However, the usage of dinar and dirham as medium of

⁹ Islamic canonical law based on the teachings of the Qur'an and the traditions of the Prophet (Hadith and Sunna), prescribing both religious and secular duties and sometimes retributive penalties for lawbreaking.

¹⁰ The Muslim pilgrimage to Mecca that takes place in the last month of the Muslim year, expected once of all Muslims.

¹¹ Obligatory payment made annually under Islamic law on certain kinds of property and used for charitable and religious purposes.

¹² The gift that must be given by the husband to the wife at the time of marriage.

exchange is not prevented though the user's risks are not guaranteed by the government. Thus, the legal issue of dinar and dirham usage might affect customers' intention to use dinar and dirham as medium of exchange.

Despite the legalisation issue, Kelantan state government in Malaysia published gold dinar and silver dirham to the public to be used as medium of exchange as long as buyers and sellers agree on the notion (New Strait Times, 2010). In contrast, in Indonesia, no state has published the use of dinar and dirham. However, Malaysia and Indonesia currently have some communities or agencies called *wakala* that demonstrate the benefits of using dinar and dirham as alternative currency exchanges. The development on the usage of dinar and dirham in Malaysia, particularly in Kuala Lumpur, is contributed by two organisations, i.e. Kelantan Golden Trade that has representatives in several states and Dinar Dirham ORG that distributes dinar and dirham actively. The role of these two organisations is the same as Wakala Induk Nusantara that distributes dinar and dirham in some provinces of Indonesia. In general, there are also similarities in the strategy to spread dinar and dirham in both countries. For example, while Dinar Dirham ORG is currently trying to introduce dinar and dirham in some wet markets in Kuala Lumpur, there is also market that is purposely prepared to introduce, distribute and spread the knowledge about dinar and dirham in some provinces of Indonesia.

Contributing further to the need of using dinar and dirham, currency fluctuation has become a serious problem nowadays since it affects the national economy. In order to overcome this situation, some people are currently looking for a commodity as an alternative currency. Gold dinar and silver dirham are aimed for use, since they have been recommended by some economic experts, according to whom gold and silver are known as commodity that fluctuate less (Rosly & Barakat, 2002;

Abu Bakar, Nuradli Ridzwan Shah, & Norhayati, 2002; Haneef & Barakat, 2006; Hasan, 2008).

Therefore, based on all these matters, the extension of using dinar and dirham has become the subject of interest in this study. It involves how local community intends to use dinar and dirham in transactions as this system is capably used in the state of Kelantan, Malaysia. Thus, it is interesting to investigate how the Kelantanese community is able to adopt and use dinar and dirham compared to the conventional money. By looking into the growth of the communities that are using dinar and dirham in Malaysia and Indonesia, it is therefore interesting to understand this sector and compare consumers' intention in using them in each country.

1.4 OBJECTIVES AND RESEARCH QUESTIONS

The objectives of this study are:

1. To identify the factors that influence consumers' intention to use dinar and dirham in Malaysia and Indonesia.
2. To investigate the differences in factors that influence customers' intention to use dinar and dirham between Malaysian and Indonesian consumers.
3. To determine the most influential factor(s) that affect consumers' intention to use dinar and dirham in Malaysia and Indonesia.

In relation to the above-mentioned objectives, the research questions are as follows:

1. What are the factors that influence consumers' intention to use dinar and dirham in Malaysia and Indonesia?
2. Are there any differences in factors that influence consumers' intention to use dinar and dirham between Malaysian and Indonesian consumers?

3. What is/are the most influential factor(s) that affect consumers' intention to use dinar and dirham in Malaysia and Indonesia?

1.5 SIGNIFICANCE OF THE STUDY

Significantly, this research has been conducted to understand the consumers' intention to use dinar and dirham in Malaysia and Indonesia. It also focuses on the usage of dinar and dirham that has been reintroduced and implemented as medium of exchange by some communities in Malaysia and Indonesia. Dinar and dirham were reintroduced in Malaysia and Indonesia in 1992 by Umar Ibrahim Vadillo (Saidi, 2011). But only a few studies have been conducted on dinar and dirham, which are mostly related to the history (Salmy Edawati, 2009) and the economy (Lee, 2011; Hasan, 2008).

This research would be able to fill the gap in the existing body of knowledge related to dinar and dirham in Malaysia and Indonesia by focussing on the customers' intention. Contribution to the knowledge is achieved by adapting the Theory of Reasoned Action (TRA) and by adding a new variable called religiosity to measure customers' intention to use dinar and dirham.

There is also contribution in the managerial perspective of this study that would provide further knowledge to the Muslim world regarding the distribution of dinar and dirham. It is supposed to help *wakala*¹³ and organizations that distribute dinar and dirham in Malaysia and Indonesia to find strategies to promote them by knowing the factors that possibly influence the customers. It would also help *wakala* and traders to disseminate the relevancy and benefits of using dinar and dirham as well as to encourage more consumers and traders to participate in the exchange of

¹³ An agency or delegated authority that organizations appoints the agent to carry out a specific job on behalf of the organizations where in this context is to distribute dinar and dirham

dinar and dirham. Other than that, it can help the governments of Malaysia and Indonesia to have more knowledge in the usage of dinar and dirham that could possibly be used as alternative currency to overcome currency fluctuation.

Therefore, it is important to conduct this research because of the contributions in the above-mentioned area. It would also furnish further knowledge of the factors that influence consumers' intention to use dinar and dirham.

1.6 DEFINITION OF TERMS

In this section, the key terms used in this study are presented below:

1.6.1 Customers' intention

This study defines customers' intention to use dinar and dirham as the action taken after consumers are aware of their existence; by seeing and touching the commodities as well as by gaining knowledge about the advantages of their usage.

1.6.2 Dinar

Dinar is a gold coin that is made of 97.1% pure gold and weighs 4.25 grams with a diameter of 21mm.

1.6.3 Dirham

Dirham is a silver coin that is made of 99% pure silver and weighs 2.975 grams with a diameter of 22mm.