Gold Dinar As A Supreme Currency: Review Based On The History Of Islamic Civilisation

Salmy Edawati Yaacob (Dr.), Wan Kamal Mujani, Salmy Edawati Yaacob (Dr.), Zaini Nasohah, Zuliza Mohd Kusrin (Dr.), Mohd Al-Adib Samuri (Dr.),

1Department of Syariah, Faculty Islamic Studies, The University of Malaysia.
2Department of Arabic and Islamic Civilisation Studies, Faculty of Islamic Studies, The National University
3Department of Syariah, Faculty Islamic Studies, The University of Malaysia.
4Department of Syariah, Faculty Islamic Studies, The University of Malaysia.
5Department of Syariah, Faculty Islamic Studies, The University of Malaysia.

Malaysia has proposed for the return of gold dinar as an important instrument in the monetary system during the severe currency crisis that has hit the Asean countries in 1997/98. The proposed gold dinar or the return of gold-based monetary system was received by intense debates when the World Bank President, Richard Zoelick, has proposed for an establishment of Bretton Woods II system recently in 2010. The question is how superior is the Muslim’s currencies of gold dinar that has claimed for its restoration in the global monetary system? And what evidence of Islamic history linking to its stability and privileges? Thus, this study aims to analyze the privileges and supremacy of gold dinar currency based on the historical data of Islamic civilization from the time of Prophet Muhammad s.a.w (peace be on him) until the fall of the Ottoman Turkish government. This is a qualitative study going by the strategy of historical approach. Text analysis on historical data was used to obtain results. The results show that gold dinar was crowned as the first currency for the Muslims and has become a symbol of strength and a Muslim’s identity during the time of the caliphates until the fall of the Ottoman Empire in 1924. The era of gold dinar was called the golden era of currency due to its stability by nature.

Key words: Gold dinar, Islamic currency, gold standard, stability currency, monetary system, supreme currency, Islamic civilisation

Introduction

The disorder in the present economic system, due to various crises including the global economic crisis of 2008, has urged the members of the world economy to reassess the existing currency system practiced today. Furthermore, there is a call for a readoption of gold dinar as proven by history that gold dinar was a currency of stability and harmony. Gold dinar is a round 24 carats 917 gold coin weighing 4.25 grams. The type and weight of the metal is the weight that was agreed by the Islamic jurists (fukaha) of the time. Therefore, gold dinar is always linked to the Muslims and is referred to as the syar‘i currency or the Islamic currency of today.

The effort to restore the use of modern dinar was indirectly started by the Islamic Association of Murabitun (Murabitun World Movement) in 1992 under the leadership of ‘Abd al-Qadir al-Murabit. This effort was further recognized and pursued by Tun Dr Mahathir Mohammad, the Prime Minister of Malaysia at that time. Efforts towards the implementation of gold dinar in Malaysia were proposed particularly the formation of trade mechanisms in gold dinar transactions during the era of Tun Dr Mahathir Mohammad. Tun then proposed the mechanism in the World Islamic countries Conference or the Organization of Islamic Cooperation (OIC) in 2003. The initiative and idea was viewed positively by some OIC countries, however, the initiative was considered a failure when some of the OIC countries showed a lack of confidence and did not have enough faith in gold dinar, moreover it was during that time when there was a problem of political and economic instability in some of the OIC countries (Mahathir, 2005).
However, Tun Dr Mahathir's ideas have a positive impact on Malaysia and a handful of its society. The increasing awareness on dinar has developed various efforts on the acceptance and use of gold dinar in Malaysia. Today, Malaysia has five gold dinar minting agencies i.e. the Islamic Gold Dinar, the Royal Mint Gold Dinar, Kelantan Gold Dinar, Public Dinar and recently, the Kedah State Mucazam Shah Gold Dinar. The quality of gold, weight and size of dinar follow the standards of ‘Umar al-Khattab, resembling the first gold dinar mint of Caliph ‘Abd al-Malik ibn Marwan. Gold dinar minted in Malaysia also follows the same standards. The carvings on the surface of the coins differentiate the dinars. Therefore, the proposal to return to gold dinar as currency is an alternative in controlling the instability of currency value. This is because gold is a real money with a guaranteed stability proportion in void of influence of the law of demand and supply (Lewis 2007), free from inflation, riba’ (usury), gharar (doubt), maysir (gambling) and other speculative elements (Salmy Edawati et al. 2011).

So, the question posed here is, how far can history prove the supremacy of gold dinar that it is now has become an alternative to the existing monetary system? Historical analysis is important in obtaining historical evidence relating to the advantages and disadvantages of gold-based system and the system of paper money. The success of the Islamic rulers in uplifting gold dinar as ideal and supreme currency for the Muslims should provide guidance in our attempt for the restoration of gold dinar or gold-based monetary system. Thus, this study will maneuver the history of gold dinar that started during the Prophet's s.a.w. (peace be on him) time, time of the Rashidun Caliphates until the reign of the three renowned caliphates (Omavids, ‘Abbasids and ‘Ottomans). The discovery of much historical evidence will be our catalyst in strengthening the information in pursuing gold dinar-based currency system, simultaneously uplifts gold dinar as the supreme currency for the Muslims.

Gold Dinar As A Supreme Currency:

Relevant historical data related to gold dinar has come under review since the time of the Prophet's s.a.w (peace be on him) time, time of the Rashidun Caliphates until the reign of the caliphates (Omavids, Abbasids, and Ottomans) in order to enlighten the proofs of privileges and supremacy of gold dinar as the currency of the Muslims.

(a) The Time of Prophet S.A.W (Peace Be On Him):

In the early days of Islam, the Arabian Peninsula did not own a specific currency. The Arabs in Makkah and Medina used Roman dinars and Persian dirhams during the prophethood of the Messenger s.a.w. (peace be on him). Makkah at that time did not undergo any changes of currency for that was the time of selections and faith strengthening of the missionaries of Islam (Kamaru Salam 2005) and the emergence of shari’a law jurisprudence and economic restructuring was not precedence. The Prophet s.a.w. (peace be on him) continued to use the Roman and Persian currency when the first Islamic state was set up in Medina. The Prophet s.a.w. (peace be on him) recognized the use of the existing available currency of the Roman and Persian without any changes. There was no minting of new currency for the new Islamic state. Thus, the currency used was the same as of the form and pattern of gold dinar currency issued by the Byzantine and Sassanid Empire.

However, study by Hassan (1999) has identified a few regulations related to the economic and shari’a law jurisprudence that was implemented by the Prophet s.a.w. (peace be on him). The regulations directed an adoption of weights used by the Makkah community as a standard measurement for the currency weights and measures for the people of Medina. At that time the Arabs of Makkah often traded in Syam and Yemen. They already had their own method of measurement that was by weighing. They did not accept currency in terms of counting because of various forms of shapes and sizes of the dinars and dirhams during the time, for fear of fraud in valuation (Hassan 1999). When Rasulullah s.a.w (peace be on him) was sent as a Prophet and a Messenger, he had conformed to what had been the tradition of the people of Makkah. He also directed the people of Medina to follow the weights and measurements of the people of Makkah whereby at the time Medina was using the counting method.

According to Anwar (2002), the people of Medina were measuring dirhams in the form of counting when the Prophet s.a.w. (peace be on him) arrived in Medina. Evidence to support this history was narrated in the story of Burayrah by ‘Aisyah r.a (Allah’s pleasure on her), ‘Aisyah said: "When your family wants me to count for them, I do." What was meant by ‘Aisyah r.a was dirham as a price. Then the Prophet s.a.w. (peace be on him) showed her how to use the weights and the standards for her to follow was the weights and measurements standards of the people of Makkah. In addition, it was narrated by Ibn ‘Umar r.a (Allah’s pleasure on him), that the Prophet s.a.w. (peace be on him) said, which means: "The measurement (accepted) is the measurement of the people of Medina and the weighing (accepted) is the weighing of the people of Makkah.”
According to Ibn Khaldun (1988), an order was made to use a measure of dirham established by the Prophet s.a.w. (peace be on him) at that time due to different measurement of Persia dirhams. The dirhams were available in three shapes and measurements as follows: a 20 qirath (carat), 12 qirath and 10 qirath. By this measurement, it was determined for Islamic dirhams to be of 14 qirath by taking 1/3 of all three Persia dirhams. The calculation was as follows:

\[
20 \text{ qirath} + 12 \text{ qirath} + 10 \text{ qirath} = \frac{42}{3} \text{ qirath} = 14 \text{ qirath}
\]

Meanwhile, according to Hassan (1999), calculation used to determine the standard weight of a dirham is equivalent to six dawaniq that is by taking the average weight of the Dirham of Suda’ al-Wafiyah weighing eight dawaniq and the Dirham of Tabriyah al-Atiyah weighing four dawaniq.

Dirham Suda’ al-Wafiyah (8) + Dirham Tabriyah al-Atiyah (4) = \( \frac{12}{6} = 6 \)

At the same time, there was a consensus of Islamic scholars with the opinion that a dirham is equivalent to the weight of 55 wheat grains, while 10 dirhams is equivalent to seven mithqal gold weight. One mithqal of gold is equivalent to 72 wheat grains (Al-Hasany 1983).

Thus, it can be concluded that at the time of the Prophet s.a.w. (peace be on him), there was no specific and special currency minted by the Holy Prophet s.a.w. (peace be on him). However, there was a significant contribution to the Islamic currency system when the Prophet s.a.w. (peace be on him) determined the weight for the dinars and dirhams used by the Muslims at that time. The measurement then was introduced solely to streamline the value of currency which came in various forms and sizes, thus leading to the stability and harmonization of the economic system. This is a proof to the claim of gold and silver as a form of currency of stable value. While the Prophet’s s.a.w. (peace be on him) recognition of the Roman and Persia gold and silver coins is a proposition of taqrir evidence that validates its use.

(b) The Time of the Rashidun Caliphas:

The Messenger s.a.w. (peace be on him) did not attempt to mint a new currency for the use of Islamic state, but instead he recognized and adopted the use of the existing currency without any changes. This continued up to the time of Abu Bakr al-Siddiq r.a. (Allah’s pleasure on him), and part of the time of ’Umar al-Khattab r.a. The early change in the currency of Islam took place in the year 18H (639AD) after the fall of Persia to the Muslim army. During this time, the Muslim community in Iraq and Iran had begun to print their own currency in Persian language (Hassan 1999). This shows that ’Umar al-Khattab r.a. has recognized and accepted the dirham coins issued using the mold of the Sassanid’s keeping the picture of the Sassanids and picture of place of worship of the Pagans on the coins.

Based on analysis by Hassan (19997), ’Umar al-Khattab r.a. was reported to have made a silver mint (dirham) by using the Sassanid’s mold with a slight modification. The modification was done by inserting the quote of ‘al-Hamdulillah/ Muhammad Rasulullah/ La ila ha illallahuwahdah’ on the new mint. However, the picture of the Sassanid’s emperor was still preserved on the front side of the coin and the place of worship on the back. He also inserted his name on some of the Persian dirhams. Thus, ’Umar al-Khattab r.a. was the first person to have made changes to the currency that was in the year 20H. Changes made were the addition of kufi script to the currency enhancements.

However, studies carried out by Hassan (1999) afterwards, contradicted the view of al-Maqrizi in which he found that the first person to make changes on the currency was Khalid ibn al-Walid r.a. (Allah’s pleasure on him), a famous Muslim warlord at the time of ’Umar al-Khattab r.a.. These changes were made in 15H (635AD) in which Khalid ibn al-Walid r.a. was believed to have printed his name on the currency minted by the Greek government in Tabriz. He still preserved the Greek emperor’s picture and the symbol of cross on the currency. He only added the word ‘XAUED’, the Greek word for 'Khalid' on the new mints. Nevertheless, for Hassan (1999) this discovery remains as evidence of initial changes of the Islamic currency that has taken place during the time of ’Umar al-Khattab r.a. Besides, Hassan (1999) also identified that ’Umar al-Khattab r.a. had a special currency standard based on weights known as ‘Standards of Caliph ’Umar al-Khattab r.a.’. The standards specified 10 dirhams as equivalent to 7 dinars, and each dinar has 4.25 grams of gold while each dirham contained 3 grams of silver. Vadillo (2002) believes that these standards should be retained and applied to the modern dinars and dirhams of today.

While during the time of Caliphs ’Uthman and ’Ali r.a. (Allah’s pleasure on them), the study by Hassan (1999) and Anwar (2002) found some changes made to the coins of dirham, by the Sassanids mold, i.e. by adding the words ‘Allahu Akbar’, ‘Muhammad’, ‘Bismillah’, ‘Barakah’, ‘Bismillahirabbi’ written in Kufi characters. Pictures of the Persian and Roman leaders and their religious symbols still existed on the currency.
dated 31H (652AD). Besides, Hassan (1999) also found that ʿUthman had printed the name of the city where the currency was issued in Pahlavi language and script, i.e. the language of the Sassanids in Persia.

Next, during the time of Caliph ʿAli ibn Abi Talib (ʿAli r.a.) had witnessed a bit more changes made to the existing currency by adding the imprint of the phrase ‘Allahu Rabbi’ or ‘Bismillah’ and the name ‘Muhammad’ in Arabic Kafi character. Thus, it can be concluded that at the time of the Rashidun Caliphatates there were carvings of Islamic symbol and the greatness of the Islamic rulers depicted on the currencies. This shows how the currency has become an important device in depicting a true symbol of Islamic identity. During this time also a special standard was introduced in the form of shape, size and weight of the Islamic currency through the standards of ‘Umar al-Khattab r.a.’ This proves that Islam has already had its hold on a specific set of standards in guaranteeing currency value stability and a harmonization of the economy. Thus, the adoption of currency system without a specific set of standards which is stable and fair will invite crisis and problems in the economic system.

(c) The Time of the Omavid Caliphate (662-750AD):

The reign of the Omavid’s Caliphate started in 41H (662AD) that was after the end of the reign of Caliph ʿAli ibn Abi Talib r.a.. Islamic political unrest and rebellion had occurred in the early stage of the reign of the Omavids. This situation gave a huge impact in the development of the Islamic eras. Consequently, the issuance and supervision of currency were done independently by governors of each province. Among them was Hajjaj ibn Yusuf al-Thaqafi, ʿAbd Allah ibn al-Zubayr, and Musʿab ibn al-Zubayr. These currencies were still the currencies of the Persian and Roman with further additional Islamic elements including the imprint of ʿAbd Allah Amir al-Muʿminin (Hassan, 1999).

Muʿawiyah ibn Abi Sufyan was the first caliphs of the Umayyad. According to Hassan (1999), in the early stage of his reign, he did not mint any new currency but to continue with the tradition of the Rashidun Caliphatates i.e. printing dinar in Arabic word and script. While the date printed on the currency followed either the Persian calendar or Hijri calendar. However, Zaydan (t.th) found that a small change was made by Muʿawiyah ibn Abi Sufyan r.a., when he inserted the picture of the caliph holding a sword (Anwar 2002). However, according to Grierson (1960) the currency issued by Muʿawiyah r.a. was rejected by the community at that time for it did not have a symbol of cross imprinted on it. Dr. Muller, a German orientalist has released a picture as a proof of the currency issued by Muʿawiyah ibn Abi Sufyan r.a.. The currency was the gold dinar that originated from Persia with Muʿawiyah’s r.a. name imprinted on it (Zaydan t.th).

During the early days of the Umayyad there was an existence of a non-gold and non-silver currency i.e. fulus or copper money that had been widely used. This fulus currency was used to purchase smaller and cheaper goods. The copper currency was used by the Romans from the early time, but it was not widely used among the Arabs before the conquest of the territories of Syria. The caliphs after Muʿawiyah ibn Abi Sufyan r.a. were reported not to have issued and minted new currency, but had merely adopted the existing dinar and dirham currencies available. This continued until the time of the fifth caliph of Umayyad i.e. ʿAbd al-Malik ibn Marwan, who reigned from the year 65H (685AD) to 85H (705AD). ʿAbd Malik ibn Marwan was a Muslim Caliph of vigor especially in safeguarding the Muslim’s economy. Hence, he had set three major goals in the economic currency. These goals were:

(i) The liberation of Islamic countries from the domination of foreign currency (Persia and Rome). This liberation was from the standpoint of economic and detachment from the non-Islamic elements.  
(ii) Consolidating all Muslims with only one currency when there were various issuances of currencies by the governors and leaders (Anwar 2002), which had caused difficulties among the Muslims, especially when there were differences between the value and weight of the currency.  
(iii) The Government alone had the right to issue currency (Anwar 2002).

In this regard, in achieving this mission, ʿAbd al-Malik ibn Marwan r.a. had issued the first Islamic dinars in the year 76H (696-697AD) (Hassan 1999; Pamuk 2000). Islamic dinar was worth one mithqal, and was a bit lighter than the Roman dinar, i.e. 4.25 grams against the Byzantine dinar of 4.55 grams. According to Hassan (1999), the weight of the Islamic dinar decided by ʿAbd al-Malik ibn Marwan was agreed by the ahlu al-hal wa al-aqd (avia al-hal wa al-aqd), the companions and the tabi’in who lived during that time. Meanwhile, Anwar (2002) views that the efforts to change the currency was not only confined to adding an Islamic word or expression, but in fact they also included the removal of non-Islamic symbols engravings and in some, symbol engravings were replaced by some others. Since the year 72H, for example, impressions of the symbol of cross on the crown of the Byzantine emperor was removed. It was similar with other impressions of cross, whether on the front or back of the coin. Meanwhile, according to Grierson (1960), the minting of dinar and dirham currency at the time of ʿAbd al-Malik ibn Marwan r.a. resulted in shapes of currencies which were completely free from the molds of
Byzantine and Sassanid, even though the currency of the Sassanid Arabs were still being produced. Figure 1 shows the form and shape of the first Islamic gold in the time of ʿAbd al-Malik ibn Marwan r.a.

Anwar (1999) also pointed out that Caliph ʿAbdul Malik ibn Marwan r.a. also had minted the Islamic dirham currency to replace the Persian dirham. The Islamic dirham currency weighs 6 dawaniq. While, on one side of the Islamic dirham was written the verse of al-Ikhlas and the other is the word tawhid. The dirham currency was called by the Islamic fuqaha as the al-Dirham al-Islami. While Hassan (1999) identified that the phases of currency minting of Islamic dinar and dirham was not done in haste. Rather, it was done in stages whereby the minting of dinar currency had occurred in the year 74H whiles the dirham currency in the year 75H, and this embarkation went on until the first true Islamic currency was created. Therefore, ʿAbd al-Malik ibn Marwan r.a. was the first person to play an important role in minting the first Islamic coin currency in three denominations and those were:

i) Dinar (gold coin)
ii) Dirham (silver coin)
iii) Fals (bronze coin)

The efforts of ʿAbd al-Malik ibn Marwan r.a. has become a significant contribution to the Muslims and the Muslim nation as a whole for this endeavor has set the motion and existence of the Islamic currency for the Muslims. These efforts also had prevented fraud and counterfeit currency. The caliph of Umayyad after ʿAbd al-Malik ibn Marwan r.a. had taken stern action against anyone who tried to parody the government’s currency. There were various types of currency issued by the Umayyad Caliphate afterwards among them were:

i) al-Hubayriyyah currency issued by ʿUmar ibn Hubayrah
ii) al-Khalidiyyah currency issued by Khalid ibn ʿAbd Allah
iii) al-Yusufiyyah currency issued by Yusuf ibn ʿUmar.

Meanwhile, Caliph al-Wasit was regarded as one of the caliphs who had issued the most currencies. He had set up factories to produce dirham currencies in Damascus in the year 84H (703-704AD). Although there were official currency of the Islamic government, some governors continued issuing their own currency. Ziyad ibn Abihi and Musa ibn Nusayr for example, had carved their names on the currencies they issued during their reigns (The Encyclopedia of Islam 1999).

In conclusion, the first Islamic gold dinar and silver dirham successfully issued was by Caliph ʿAbd al-Malik ibn Marwan r.a. which was based on the spirit of safeguarding the Muslim economy. The Islamic currency was adopted and widely used throughout the entire Islamic region and the surrounding European countries at that time. Therefore, morale and awareness of the government is a key factor in guaranteeing success of today’s gold-based monetary system.

(d) The Time of the ʿAbbasids Caliphate (750-1258AD):

According to al-Hibri (1993), the rule of government under the ʿAbbasid dynasty started in the year 132H (750AD) until 656H (1258AD). The ʿAbbasid’s rule lasted for more than five centuries during which had witnessed the prominence and greatness of Islamic civilization. In the early days of the ʿAbbasids, Muslims were still using the same currency used in the time of the Umayyad. However, during the early times of the ʿAbbasids, there was unrest and discord within the union of the caliphs. As a result of the turmoil, some local leaders issued their own currency. Even so, they still retained the name of the caliph on the currency as a sign of respect and devotion to a single caliph. In addition, faction rulers of the Omavid in Spain and the Fatimid
Caliphate in North Africa had issued their own currencies different from the currency being used by the caliphate of ‘Abbasids. Similarly, after the insurrection of the al-Murabitun (Almoravides) in Morocco in 449H to 541H (1057AD-1146AD), they also had issued their own currency. This was also followed by the al-Muwaḥhidūn during their power usurp there in the year 540H (1146AD), after which they also had issued their own currency (The Encyclopedia of Islam 1999).

Hassan (1999) found that at that time, the south European countries had seen a widespread use of dinar currency in their trades and daily business transactions. Dinar issued by the al-Murabitun was used in Europe and known as Murabit (or maravedi in Spain). Currency of one quarter (1/4) dinars, known as revenue production taris of the Fatimid government was also used in Italy brought through Sicily. Similarly, with the silver dirham that had come in large quantities to the eastern and northern Europe through trade. Some found their ways into the Scandinavian countries (Encyclopedia Britannica 2002). At this time, the use of paper money still could not be issued when Ilkhan, one of the Tartar king during the reign of Moghol in Baghdad, tried to introduce paper currency to the people but failed and finally was abolished by the Ghazan in the year 697H (1297M) (The Encyclopedia of Islam 1999).

In the beginning, the people of the ‘Abbasids still continued to use the currency of the time of Umayyads. Apparently however, there had been three aspects of changes made to the currency namely; the calligraphic writing, the substitution of the Qur’anic verse, and last but not least the writing style of the caliph’s name.

(i) Calligraphic Writing:

All writings on the currency had been using the Kufi calligraphy until the year 621H. However, according to Zaydan (t, th) during the reign of al-‘Aziz Muhammad ibn Salah al-Din al-Ayyubi, the writing on the currency was converted into ordinary calligraphy. However, there was a change in the Kufi script writing which was written in a more interesting form and with new styles. Improvement in the calligraphic writing began in 207H (822AD) for the dinar currency, and usually was minted in Baghdad.

Meanwhile, al-Hibri (1993) found that this change occurred due to the development of art and civilization of Islam that had taken place during the ‘Abbasids time and was called the golden age of Islam. The name of the place (country) of the issuer was not recorded until the early second century of Hijri (AH). The name of the year also started with the word al-sannah then was replaced with the word ‘am. This writing referred to the date of issue (month and year of production) or the reign era. Mintage year was initially written in words and was only replaced by numbers in the seventh century of Hijri (Zaydan t. th). The oldest dinar that was found to have recorded the year of Hijri was on the face of the currency dated back to 95H (The Encyclopedia of Islam 1999).

(ii) Substitution of Quranic Verse:

According to Anwar (2002), the Quranic verse of al-Ikhlas that was carved on the surface of the currency during the period of ‘Abd al-Malik ibn Marwan r.a. was replaced with the word ‘Muhammad Rasulullah’ by the ruler of the ‘Abbasids. Replacements and substitution of this phrase was intended to show the close relations between the Holy Prophet s.a.w. (peace be on him) and the ‘Abbasids (The Encyclopedia of Islam 1999). These reforms began after the change of ruler of the Islamic nation (Daulah Islamiyyah) from the Omavids to the ‘Abbasids in the year 132H (750AD).

(iii) Writing Style of the Calip’s Name:

Previously, the caliphate of Umayyad’s currency had imprinted the full name of the caliph without a title or laqab and then followed by the word ‘Amir al-Mu’minin’. However, during the standardization of Islamic currency at the time of ‘Abd al-Malik ibn Marwan r.a., the Umayyad rulers did not put their names on the face of the currency. Thus, the caliphate of ‘Abbasids changed the writing style which preceded with laqab followed be the caliph’s name. The first attempt initiated was the name of Caliph Abu Ja’far al-Mansur (136H/754AD-158H/775AD) (The Encyclopedia of Islam 1999). In addition to the name of the caliph, the successor to the caliph or the governor's name was also written during the ‘Abbasids time. In the year 145H (763AD), the caliphate of ‘Abbasids, al-Mansur, allowed his son, al-Mahdi, to write his name on the currency issued in Khorasan and Armenia. The name of the Armenian ruler was al-Hassan al-Qahtaba and his name had also been found written on the dirham silver currency issued in Armenia in the year 154H (771AD) (The Encyclopedia of Islam 1999).

In addition, the ruling faction of the Fatimid in the North African had also placed the names of the Ahl al-Bayt on their currencies. The names such as ‘Ali ibn Abi Talib Al-Wasi, Zahra’ and other names especially at the time of Caliph al-Mu’izz, the fourth ruler of the Fatimid Caliphate (The Encyclopedia of Islam 1999). After the defeat to the Moghols, the first Mogholian ruler also had placed on the currency issued the word ‘Coins in the name of the Great Victory Khan’ in Uyghur language. The Mogholian ruler thereafter, Uldyatu also placed
the names of all Rashidun Caliphates on the currency he had issued and then added the names of the Imam Shi'a after he declared himself a Shiite (The Encyclopedia of Islam 1999).

However, specific standards for the dinar and dirham currencies at the time of the 'Abbasids were yet to be coordinated. This was because of the political and administrative turmoil that took place during the reign of the 'Abbasid Dynasty had made it difficult for the caliphate to control the issuance of currency and thus had failed in his effort to establish a uniform standard for the currency. The value of each currency issued was also decreasing and counterfeit currency was rampant. The weight and percentage of gold and silver used in producing the dinars and dirhams currencies had also declined.

In conclusion, the dinar and dirham currency had retained its usefulness even when, during the rule of the 'Abbasids, there were various different types of currencies issued by many rulers as the results of political unrest and disunity among the caliphs. Many currency changes were related to the form of calligraphic writing, the replacement of the Quranic verse, and the writing style of the caliph’s name. This means that the weight and type of gold had remained intact. However, towards the end period there had been reports of forgery of counterfeit currency and currency devaluation caused by political upheaval during the 'Abbasid’s ruling. Nevertheless, the use of paper currency was still not accepted even though there were efforts to introduce it. This shows that society at that time were more confident with valuable metal like gold and silver as compared to paper in serving as a currency.

(e) The Time of the ‘Ottoman Caliphate (1299-1924AD):

The rule of the ‘Ottoman Caliphate began after the downfall of the ‘Abbasids to the Moghol army in Baghdad. Originally, the ‘Ottoman currency was only made of silver and in smaller forms called 'akche' (Europeans called it 'asper') and the original currency was the currency mold of Ilkhan (Anwar 2002). The government of the ‘Ottoman had never minted their own currency before the 15th century. They usually used the currency issued in Venice and the silver currency from other European countries. One major change made by the government of ‘Ottoman at the time was the introduction of a monogram placed on the face of the currency (Nurfarizan 2010).

According to Anwar (2002), the ‘Ottoman community had been using the silver currency of 'akche' until the year 848H. 'Akche' was minted using the same weight standard of 1.1 grams of silver. But, after 848H each time a new mint was produced, the currency's weight of 'akche' was reduced. Meanwhile, in the year 882H, the Sultanate of Muhammad II had made the first ‘Ottoman gold currency known as sultani dinar currency. Sultan dinar was minted in accordance with the standard of Vanice dukat currency weighing 3.52 grams of gold. In the reign era of Selim I and Sulayman I, the local currency such as the dinar ashrafi of Egypt and gold coins of the Ziyan Dynastin in Morocco continued to be used in addition to the sultani dinar currency.

Starting from 11H century, the ‘Ottomans began to experience severe economic problems like inflation and currency depreciation. This was due to the inclusion of excess silver by the European traders who bought gold for export to their country. As a result, the 'akche' fell dramatically causing severe inflation. Various efforts were made to stabilize the economy such as the issuance of silver currency with larger denominations, with a value of 10 and 5 'akche' known as 'para' currency. At this time also witnessed the dumping of copper currency or mangir of almost no value and was not even used in the business of buying and selling. Similarly, the value of the Sultan dinar had become very low compared with the Vanice ducat. This shows that the dominance of the European currency had taken over the role of the ‘Ottoman currency in the 11th century of Hijri (Hassan 1999).

This had led to the financial reform of the 12H century when the huge production of gold and silver currency was converted to become decorative items or commodities. Efforts to issuing currency based on gold, silver and copper were always doomed to failure. Finally, the ‘Ottoman had to issue currency molded to Europe in mid-13H century. At that time, the silver currency of value 20 qurush majdi was minted with a weight of 24 grams and gold currency named lira with the value of 100 qurush minted with a weight of 7.2 grams. These currencies continued to be minted and used until the end of the rule of the ‘Ottoman Turks in 1924AD.

At the end of the reign of the ‘Ottomans, the official use of paper money had already started. In 1256H (1840AC), the ‘Ottomans had issued a paper currency called al-Qa'imah. It was only used for 23 years until officially revoked in 1278H (1861AD). The revocation was due to the overproduction of the currency beyond its limit. This resulted in the public lost of confidence in al-Qa'imah. However, in the year 1293H, al-Qa'imah was once again issued, but the issuance was stopped for a while because the people had refused to acknowledge it. In 1332H, the production of al-Qa'imah was made for the third time and this time it was enforced by law. This paper money continued to be used until the fall of the Ottomans in 1924 (‘Ali 1983).

According to Encyclopedia Britannica (2002), there were several types of silver in the form of relatively small sizes (mostly from the government of the Umayyads) used in India during the time when Islam made its first entry into India and since the founding of the Sind Dynasty in the 8th century AD. Ghurid Dynasty who took Afghanistan under its realm since the 12th century AD had issued various forms of gold and silver
currencies. Most of these currencies were very heavy and weighted up to 10.76 grams. While between the 15th and 16th century gold currency was almost not produced. Sher Shah, who ruled northern India between 1540AD-1545AD had produced larger size of silver coins. Moghol rulers like Akbar (1542-1605AD) and Jahangir (1569-1627AD) had issued a beautiful currency by inserting the names of the emperors in Persian language on the face of the currency.

In addition, Hassan (1999) states that Arab countries like Egypt had issued their own currency after gaining independence from the Ottoman in 1914. Their currencies was based on a piaster minted in Arabic. It was made of gold and silver and imprinted with the image of King Fu'ad I and later King Faruq I. After Egypt turned into a republic, Egyptian currency was made of aluminum and bronze mixed with a little silver or sometimes gold. Kamaru Salam (2005) identifies that the situation in many other Muslim countries after western imperialism were almost the same. The introduction of paper money had changed the use of local currencies to follow their colonial’s currency, whether British, French, Dutch or Spanish. Until these countries had once again gained their independence from the colonialism that only then they introduced their own currencies. Figure 2 shows the last form of gold dinar used by the Muslims in the time of Ottoman Caliphate, Turkey.

Fig. 2: The last gold dinar of the Muslims in the time of the Ottoman Caliphate in the year of 1924.
Source: Hakimi Ibrahim 2002

The collapse of the Turkish government in 1924 had marked an end of the gold dinar and silver dirham in the classical Islamic world and financial system. Nearly 70 years after that only there emerged new mintings of gold dinar currency of the modern world such as the Islamic Gold Dinar (IGD), the Royal Mint Gold Dinar, Kelantan Gold Dinar (Dinar Emas Kelantan or DEK), Public Dinar and Mu'adzam Shah Gold Dinar (Salmy Edawati 2009; Salmy Edawati 2011).

In conclusion, in the early age of the Ottoman Caliphate did we witness the first currency minting of the Ottoman, which was the gold dinar known as the Dinar Sultani. However, the gold dinar could not be defended due to the massive entry of silver currency from Europe and the dumping of worthless copper currency called mangir. The financial transformation also occurred during the Ottoman rule after al-Qaimah bills were introduced and enforced. Following that, there was a sequence of economic crisis, currency depreciation and inflation occurred in the period due to the non-gold and non-silver based currency. Thus, economic instability and currency system disorders were the major reasons for the fall of the Ottoman in 1924.

Summary Of Research Results:

Based on analysis of historical data from the Prophet's s.a.w (peace be on him) time until the fall of the Ottoman Turks in 1924 shows that;

(i) The Messenger s.a.w (peace be on him) acknowledged and accepted the dinars and dirhams of the Romans and the Persians. This shows that gold dinar could be accepted as an appropriate intermediary tool in business transactions of buying and selling.
(ii) Gold dinar fulfills the principle and characteristic of the currency demanded in Islam, especially when the Quran and Hadith have indexed dinar and dirham as a currency.
(iii) The currency has become an important essence during the Rashidun Caliphates rule due to the Romans and Persians currencies that keep on changing, which has helped to highlight and portray the elements of Islamic values in the currencies.
(iv) Gold dinar was the first Islamic currency introduced during the reign of Caliph Abdul Malik ibn Marwan.
(v) The Islamic gold dinar was introduced: (a) to liberate Muslim countries from foreign currency (Persia and Rome). This liberation either from an economic standpoint and relief of non-Islamic elements in the currency, (b) uniting all Muslims with only one currency when there are variety of currencies issued by the governor and the rulers, and (c) only government alone has the right to issue currency.
(vi) Gold Dinar has become a symbol of resilience and strength of the Muslims that it was able to defeat other foreign currencies, thus proving strength and stability of the dinar value.

(vii) No inflation was recorded during the era of gold dinar. However, inflation was detected after the devaluation of silver ‘akche’ and widespread inclusion of the currency. This occurred due to the inclusion of excess silver by European traders who bought gold for export to their country. At the same time, there was also the dumping of worthless copper currency or mangir until it was further depreciated having no value and was not even used in business dealings of buying and selling.

(viii) The use of gold dinar was officially ended in 1924 during the fall of the Ottoman Turks. Modern gold dinar was introduced in 1992 by the Islamic Mint Ltd.

Conclusion:

Analysis based on Islamic history has shown that gold dinar is the key component of the success of an Islamic state, strength and a symbol of Muslim identity. History has indicated that gold dinar or valuable commodity-based currency is more stable and able to prevent economic crises. Inflation and economic crisis of today is mentioned in the history of Islam when the silver currency ‘akche’ which was printed in mass volume, depreciated, causing major economic crisis during the Ottoman era thus triggering the fall of the Ottoman Turks in the year 1924. Thus, the proposed restoration of gold dinar is not a baseless suggestion for the system’s harmonization has been proven in the history of Islamic civilization. However, its implementation mechanism should be examined thoroughly via in-depth study before it can make its way into the reality of the current economic.

References


