FACTORS INFLUENCE PUBLIC ACCEPTANCE OF GOLD DINAR INVESTMENT IN KELANTAN

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ABSTRACT

Kelantan is the only state in Malaysia that first introduced investment in Gold Dinar. However, the acceptance level among the Kelantanese itself is still scanty. This research therefore, was conducted in objective to identify the factors that might influence public acceptance towards gold Dinar Investment in Kelantan. It concerned on whether their acceptance were related to either social, political, economic or investment factors. For this purpose, the researcher used primary data, which is a structured questionnaire and has focused to the respondents’ residence in Kelantan. The data were analyzed using SPSS through the descriptive analysis of frequencies, factor analysis, reliability, and descriptive statistic. Thus, the finding from this study shows that economic factors followed by investment reasons, political and social factors influence public acceptance of the public towards gold Dinar in Kelantan.

Keywords: Gold Dinar, fiat money, Investment

INTRODUCTION

Professor Omar Ibrahim Vadillo, a founder of the Morabeteen International Organization in South Africa, first introduced gold Dinar investment in 1983. It’s main purpose is for the unification of the economy among the Islamic country (Meera, 2006). In Malaysia, it’s former Prime Minister Dr. Mahathir Mohamad was first expressed interest in universal currency (gold dinar) after Malaysia and other Asian countries were attack by the speculators, which leads to financial crisis in 1997 (Mohd Dali, Muhammad, Azizan 2004). He suggested that universal currency (gold Dinar) could be used to help unite Muslim countries due to the fact that, since
beginning of Islam, the value of the Islamic bimetallic currency has remained surprisingly stable in relation to basic consumable goods (mahathir, 2001).

Gold is an ideal value keeper. It can be kept for future use and will not be obsolete like fiat money. It is uncreatable and indestructible and does not cause inflation. It is also un-susceptible to exchange rate (Dinar Dirham Research Group 2003). The collapse of Bretton Woods in 1971, lead the world monetary system in inflationary and high volatility. Thus, gold in international trade is seen as a strategic move to protect the interest of nations as far as monetary stability, independence and justice are concerned. It has a stable unit of account. In many peoples mind, an international payment system based on gold, addresses both the issues of monetary stability and justice (Mohamad 2002). In addition, it also assists welfare and sustained economic growth, free from deception, exploitation and oppression (Hifzur 2002).

The need to revisit the gold Dinar as a monetary stability has been voiced out by many scholars and ulama’s since 1970s in order to avoid riba and to provide alternative for the Muslim. Even though the gold Dinar could provide justice and stable monetary system, the implementation is not as easy as being said. The developing and less developing countries could not easily transform their system to the gold standard because developed countries would definitely oppose to the system which will make their paper money worthless. In order to avoid disruption in the economic order, the implementation of gold Dinar must be done part by part to ensure success especially in overcoming obstacles, such as the small amount of gold holding among Islamic countries and the minimum level of awareness regarding the usage of gold Dinar for trading transaction (Mohd Dali, Muhammad, Azizan 2004).

Kelantan became the first state in Malaysia to launch its gold dinar coins. Kelantan gold Dinar investment was launched on 20th September 2006. Kelantan gold dinar is similar to the original Islamic Dinar in weight and purity of gold used by previous legend. According to Islamic law, the Islamic Dinar is a specific weight of 22k gold (91.7 percent) equivalent to 4.25 grams while the Islamic Dirham is a specific weight of pure silver equivalent to 3.0 grams. People who bought Kelantan’s Gold Dinar is aim to treat it as their new investment tool since the price of gold in Malaysia has increased from time to time which reflected by the international gold price. The fluctuation price of gold is very small and it gives more safety return as compare to the stock market and currency exchange investment. In addition, nowadays, more investors are shifted to
gold investment rather than other investment tools since world economic most probably does not prone to the stock market exchange.

It has been almost two years after the launched of gold Dinar Kelantan. Yet, the response from people in Kelantan towards gold Dinar was dreary (sources: Customer Sales Statistic-January 2007 until March 2008, Kelantan Gold Dinar Distribution Centre, Kota Bharu, Kelantan). Thus, this study intends to discover factors influencing awareness of gold diner investment among the Kelantanese. Among the factors under study is social, political, and return on investment.

LITERATURE REVIEW

In Islam perspective, an exchange must be made with strict guidelines to ensure stability of prices in the market. These is in view of the fact that any instability or turmoil in the value of currencies will definitely cause trouble in the marketplace and create difficulties for people to carry out transactions and economic activities (Zainal Azam 2005). The idea of revisiting the currency of gold Dinar is an interesting idea in the development of the Islamic countries and its trading bloc.

This present study employed theory of reasoned action (TRA) (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 2000) to seek for the behavioral reasons of an individual towards their decision in gold dinar investment. TRA in this present study is composed of social factors, political factors, economic factors and the degree of perceived investment return from the investment.

Social factor refers to people who go to work or socialize and; folk unities either in local and international level while political factor refers to political believes and support towards government efforts. For investment factor, it includes the stability of international gold price and comparison with other investment vehicles. Others factor refers to response from public and the features of gold Dinar.

METHODOLOGY

220 questionnaires were distributed to the respondents all over Kelantan but only 100 were received and usable. To identify the respondents, simple random sampling method was used.
which were based on the list in the Yellow pagers. The variables were operationalized using self-constructed questionnaires. The dependent variables and the independent variables were measured using five-point Likert type scale anchored from (1) “strongly agree” to (5) “strongly disagree”.

RESULT AND FINDINGS

Respondent Profile

Out of 100 respondents selected via random sampling, it comprises of 53 percent male and 47 percent female and are all Malays. This might be relatively due to composition of population ethnic in Kelantan where the biggest ethnic is Malay. In terms of age level, most respondents are fall between the age of 21 – 30 years old (44 %) followed by 31 – 40 years old (35 %), 41 – 50 years old, (12 %) and 8 percent and 1 percent for 51 years old and above, and 20 years old and below respectively. The result shows that most of the respondents are young people. In terms of marital status, most of the respondents are married which represents 66 percent and un-married respondents are 33 percent and widower is 1 percent. Most of the respondents are Federal government servant (47 %) and state government servant (13%). Others (business owner and private) are comprises of 40 percent. Surprisingly most of the respondents are holding STPM/Diploma (39%). Bachelor degree holder hold 34 percent and the rest were hold others. Therefore, their income level are mostly within RM1,000 to RM3,000 (77%) and most of them were located in Kota Bharu area (refer to table 1 below)

Goodness of Measure

Validity and Reliability test

Factor analysis attempts to identify underlying variables, or factors that explain the pattern of correlations within a set of observed variables. At the same time factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables (Hutcheson and Sofroniou, 1999).

From the results of factor analysis, it statistically shows that public acceptance on investment in gold dinar was due to four factors, namely economic factors, investment factors,
social factors and political factors. Table 1 presents the results of varimax factor rotation of all variables for public acceptance of gold dinar. Eleven items from Economic factors, was loaded in factor 1 with a variance of 25.6 percent, five items from investment factors loaded on factor 2 with 18.97 percent, two items from political factor loaded on factor 3 with a variance of 12.09 percent and two items from social factors loaded on factor 4 with a variance of 9.97 percent. The total variance achieved is 66.95 percent.

Reliability test shows that all items are reliable with conbach alpha above 0.8, which means that means that all items has internal consistencies.

Table 1:
Factor analysis of factors influencing public awareness of Gold Dinar Investment

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Gold dinar was introduce by the Kelantanese gov. as an agent for unity of the people</td>
<td>.791</td>
</tr>
<tr>
<td>Q2 Gold is acceptable by people of the world</td>
<td>.796</td>
</tr>
<tr>
<td>Q3 Gold dinar was introduced as an economic means to unite muslim country</td>
<td>.651</td>
</tr>
<tr>
<td>Q4 Gold dinar can strengthen the financial of a country</td>
<td>.652</td>
</tr>
<tr>
<td>Q5 Gold dinar has potential to expand globally</td>
<td>.594</td>
</tr>
<tr>
<td>Q6 Gold dinar is an alternative to fiat money as fiat money is susceptible to speculation</td>
<td>.551</td>
</tr>
<tr>
<td>Q7 Gold dinar will give economic stability in the east</td>
<td>.559</td>
</tr>
<tr>
<td>Q8 Introduction of dinar emas has supported by every one regardless of their political believe</td>
<td>.678</td>
</tr>
<tr>
<td>Q9 Gold dinar is the gov. Intention to economic justice and transparency</td>
<td>.772</td>
</tr>
<tr>
<td>Q10 Gold is a safest means of currency if political and stability occured</td>
<td>.665</td>
</tr>
<tr>
<td>Q11 Gold dinar investment is safe investment and guaranteed return.</td>
<td>.626</td>
</tr>
<tr>
<td>Q12 Gold dinar is Profitable than other investment</td>
<td>.802</td>
</tr>
<tr>
<td>Q13 Gold dinar has a stable price</td>
<td>.719</td>
</tr>
<tr>
<td>Q14 Gold dinar is a solution for financial crisis</td>
<td>.707</td>
</tr>
<tr>
<td>Q15 Gold dinar will increasing in value due to gold price</td>
<td>.651</td>
</tr>
<tr>
<td>Q16 Gold dinar is Inflation-proof</td>
<td>.501</td>
</tr>
<tr>
<td>Q17 Gold dinar is the Best tool of exchange</td>
<td>.749</td>
</tr>
<tr>
<td>Q18 Gold dinar is a Choice of paper currency</td>
<td>.627</td>
</tr>
<tr>
<td>Q19 Gold dinar has a better spreading</td>
<td>.741</td>
</tr>
<tr>
<td>Q20 Respond from public can make gold dinar successful</td>
<td>.786</td>
</tr>
</tbody>
</table>
Descriptive analysis

The main objective of this study is to have a broad overview of what factors influence acceptance of the public towards Gold Dinar. There are various factors that might influence the public in accepting the investment, however, based on the data collected from the questionnaire survey, descriptive statistics are computed as below:

Table 2: Descriptive Statistics for Dependent and Independent Variable

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>100</td>
<td>1.33</td>
<td>5.00</td>
<td>4.1067</td>
<td>.63719</td>
</tr>
<tr>
<td>Political</td>
<td>100</td>
<td>1.80</td>
<td>5.00</td>
<td>3.7940</td>
<td>.63783</td>
</tr>
<tr>
<td>Investment</td>
<td>100</td>
<td>1.67</td>
<td>5.00</td>
<td>3.9933</td>
<td>.70747</td>
</tr>
<tr>
<td>Social</td>
<td>100</td>
<td>1.33</td>
<td>5.00</td>
<td>3.7733</td>
<td>.70254</td>
</tr>
</tbody>
</table>

Descriptive statistics computed include the means, standard deviations, and rank orders of the responses. It involved economic factors, political factors, investment factors and social factors of the public acceptance towards Gold Dinar investment. Descriptive statistics for the final list of variables of the study are shown in Table 2. The measurement scale used is a five-point likert like scale. For ease of interpretation, the range of the 5 point likert scale was categorized into 3 groups. Scores of less than 2.33 (4/3 + lowest value (1)) are considered low acceptance level; and 3.67 (highest value 5 – 4/3) and above are considered high acceptance level.

In order to answer the research question of, “What are the factors influencing the public acceptance toward Gold Dinar?” Table 2 shows the mean and standard deviation related to those factors. It can be seen that the mean values of all variables fall between 3.7 to 4.0 points. The mean levels of all factors are above 3.67 indicating a high influence towards acceptance of gold dinar. Furthermore, factors related to political and social do not differ by much; indicating that their influence is equally important to the public in accepting gold dinar. Investment factors shows higher influencing factors with mean of 3.99 and economic factors are the most influential in determining the public acceptance towards gold dinar.
Overall, based on the descriptive analysis, it can be concluded that economic factors is the most influencing factors in public acceptance towards gold dinar, followed by investment, political and social factors.

DISCUSSION

This study was designed to determine the factors that influence the acceptance of gold Dinar in the region of Kelantan. A comprehensive profile analysis had been done in order to get the actual data. Furthermore, all the key determinants that influence the awareness and acceptance of gold Dinar such as economic, social, political and investment factor were investigated.

Based on the descriptive analysis results, it indicates that economic reasons followed by investment, political and social reasons influence the acceptance of the individuals towards investing in Gold Dinar. The result of the present study is consistent with Mohd Arsad and Mohd Nahar (2002), who found that people choose more strong and stable investment vehicles to avoid economic fluctuation. During the economic fluctuation, people are earning less due to the devaluation of the dollar which fluctuates in value and subject to speculation and manipulation. Thus the gold Dinar was accepted by investors as it provides stable value of the currency. Moreover, the price of gold Dinar is tied to the international price of gold. It is also uncreteatable, indestructible, does not cause inflation, and cannot be devalued by government decree (Dinar Dirham Research Group (2003). On the other hand, it is an asset which does not depend upon anybody’s promise to pay.

The descriptive result also indicates that political factor does influence the acceptance of Gold Dinar among the Kelantanese. This finding is supported by Hassan (2003) who signified that most of Kelantanese tend to have high spirit of nationalism and Islamic believe. Since the gold Dinar is a symbol of Islamic currency and even has been used for international trade during the Malacca Empire in the 16th century, it has convinced the Kelantanese in the acceptance of Kelantan gold Dinar as well as to support this government effort in order to strengthen the economic condition of the country. As a result, the political believe towards gold Dinar is high among Kelantanese. In addition, as mentioned by Gary North (2004), gold is seen in a much positive light in countries beginning to come to the forefront on the world scene. Prominent developing countries such as China, India and Russia have been accumulating gold. In fact, China with its 1.3 billion people recently established a National Gold Exchange and relaxed control over
the assets. President of Argentina proposed, during his campaign, a gold backed peso as an antidote for the financial catastrophe which his country has experienced and Russia is talking about a fully convertible currency with gold backing. The political pressure is very strong to keep a higher price of gold from identifying reduced confidence in the dollar.

Social factor such as frame of references, culture, races, ethnicity and demographic is the least influential towards acceptance of Gold Dinar Investment.

CONCLUSION

As a conclusion, the researcher concludes that among those four factors, Economics, followed by investment, political and social factors influence the acceptance of public towards gold Dinar. It can be proved by the mean value in the descriptive results which shows the highest value between them.

Therefore, in order to increase level of acceptance among the public in gold Dinar investment, it needs commitments from all parties including the government either at the state national level, Permodalan Kelantan Bhd (PKB) itself who responsible in the distribution of gold Dinar as well as the private sectors. This gold Dinar is not the matter of political agenda, but more towards economic view, as to strengthen Malaysia economic through the anticipation of gold Dinar as trade, medium of exchange, a new tool of investment and as an alternative of existing currency. In the case of Kelantan gold Dinar, it is not restricted to Kelantanese only or people who live in Kelantan, but to all Malaysian who are particularly aware the unique of gold Dinar itself.

Based on the results derived from the present study, the implication from this research will provide advantage to Permodalan Kelantan Bhd (PKB) in improving their strategy to increase awareness and acceptance towards gold dinar investment. Moreover, since no such study was thoroughly done on the Gold Dinar Investment, the present study will contribute to the literature of Islamic finance and Islamic investment in particular.

For future research, difference perspective such as scope, location and period should be looked at. Number of samples should be increased in order to have a better generalization. Future research could also be investigated focusing on the effectiveness of the Gold Dinar Investment strategy and their implementation in order to increase economic stability.
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