The Role Of Oic Countries In The Development Of The Dinar Dirham As An Alternative To World Currency

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ABSTRACT

Islamic Organization Cooperation has been doing it for a long time agreement Work The same economy trade . OIC has 57 member countries, one of which is Indonesia system mark swap floating free . Exchange rate is something matter important thing to do noticed by everyone government Because every movement appreciation and depreciation mark swap influence economy a country. Phenomenon weakening mark commodity the current dollar currency This become the strongest currency in the world becomes opportunity for Islamic countries to developing Dinars and Dirhams because own mark physical and value intrinsic ones are not changed from formerly . Stability level a country 's currency only can materialized If commodities and values eye the money No changed or not can affected by turmoil economy or geopolitics in the world. With use Vector Error Correction Model (VECM) approach for test possibility the role of OIC countries in application of Dinar Dirham as world alternative currencies . The result show response inflation to mark swap seen that mark always exchange is on the equilibrium line from period 1 to 10 though happen inflation in the period secondly , meaning Dinar and Dirham currencies are not can influenced by inflation.

INTRODUCTION

Money is the part that doesn't can separated in system economy modern monetary . Modern economics does not will Once reach level its development without there is money. Modern economy with all its complexity No can separated with tool media exchange , that is, money. At the moment countries generally have created currency from paper . Naturally There is a number of reason they use fiat money , including this money can folded , esp cost making paper currency more cheap compared to making coins and necessities a country will currency

increases , then need the can fulfilled with easy look for material standard paper . This is proven that fiat money No own mark the intrinsics , then Why public accept That all .

Exchange rate or mark swap is price A currency of a country, which is measured or stated in other currencies . According to (Miskhin, 2014), exchange rate is price One internal currency other currencies . Through change mark swap that's what it is , value something goods will is known (Karim, 2016). Therefore that is , the measure of money according to sharia economics must just and perfect , straight , fixed , no easy adrift . Size currency that does not fair , called as make damage in advance earth (Chapra, 2018), explained in the Qur'an surah Al A'raf verse 85.

According to (Omag, 2012) gold is kind metal glorious trustworthy who can maintain value and use in transaction . (Meera, 2017)also mentioned that gold moment This Lots discussed as the right solution For overcome problems from system financial and monetary problems that often occur instability . Based on WITO (World Islamic Trade Organization) standards (2017), the value equivalent with 4.25 grams 22 carat gold , with a diameter of 23 mm, while 1 Dirham Kisra The same with 7/10 Mitsqal , or 2.975 grams of silver . Dirhams and dinars have fixed value Because That No There is problem in exchange of money, if dinars are made as unit mark so the value of the dirham is multiplication from dirhams; and if assumed the dinar as a monetary unit value is ten times dirhams. Dinars and dirhams are currency established by Allah SWT and used race Muslims at the time That , is explained in QS. Ali Imran verse 75.

Therefore That in development modern economy every country needs understand importance guard condition stable economy especially in guard mark exchange , because every mark from each country 's currency tends changed even some do n't worth (Baharuddin et al., 2022), there is some Islamic countries started leave Dollar currency and change to Dinar and Dirham as major currency such as Algeria , Bahrain, Kuwait, Serbia and several other countries , because mark fiat money Keep going decrease with uncertainty continuing global economy happen . So that role OIC countries cooperation views Serious matter the especially in look for alternative replace currency that does not valuable and possible minimize risk global uncertainty with use return Dinar Dirham as world currency .

LITERATURE REVIEW

Dinar Dirham

In history Muslims , Rasulullah SAW and his companions using dinars and dirhams as their currency , aside as tool exchange , dinars and dirhams are also used as standard size laws syar'i , like zakat rate and size theft . During the time of the Prophethood , dinars and dirhams were used as tool transaction trade by Arab communities.257 Usage second this currency continues without There is change even a little bit until 18 AH when the caliph Umar bin Khattab RA added Islamic lafadz-lafadz in the second the currency . However , along developments over time, instruments payment not even this used Again in trading international and superseded position with banknotes (conventional) .

Based on WITO (World Islamic Trade Organization) standards (2017), the value equivalent with 4.25 grams 22 carat gold , with a diameter of 23 mm, while 1 Dirham Kisra The same with 7/10 Mitsqal , or 2.975 grams of silver (Iqbal, 2009). Dirhams and dinars have fixed value Because That No There is problem in exchange of money, if dinars are made as unit mark so the value of the dirham is multiplication from dirhams; and if assumed the dinar as a monetary unit value is ten times dirhams. Dinars and dirhams are currency established by Allah SWT and used race Muslims at the time That , is explained in QS. Ali Imran verse 75. Movement price gold in the transaction own mark separately so that can determine election in investment . according to Suharto (2013), value swap own pattern similar movement with price gold . When the price gold goes up then should mark IDR exchange rate also rose against USD. And vice versa when gold down against USD then mark you also have to exchange IDR down against USD.

Exchange Rate

Exchange rate or exchange rate defined currency as price from foreign currency in domestic currency , so that enhancement mark swap means increasing price from currency foreign Which cause eye Money domestic relatively cheap or happen depreciation , on the other hand If happen decline the number of domestic currency units required For buy a unit of foreign exchange , means happen enhancement relatively mark domestic currency or happen appreciation (Baur & Glover, 2015). Exchange rate a country 's currency is differentiated on mark exchange nominal and value swap real . The nominal exchange rate is price relatively currencies of two countries (Mankiw, 2022). For example , USD 1 worth for IDR 9,500 on the money market. Whereas mark swap real state level , where perpetrator economy can trade goods from a country for goods from other countries. Change mark swap can change price relatively something product become more expensive or more cheap , so mark swap sometimes used as tool For increase Power competitive (Ginting, 2013).

In general , policy mark swap a country is directed For support balance sheet payment and help effectiveness policy monetary . In relation with policy monetary , depreciation mark excessive exchange can result its height rate inflation so that disturbing objective end policy monetary For look after stability price . In connection with that , then policy mark correct exchange is factor important in economy a country (Nabila & Arini, 2018). In its development in the world, there are a number of type system mark exchange that can be used in accordance with respective policies . In general , a country can use system mark swap still or system mark swap floating free and system mark swap floating under control .

METHODS

Unit Root Test

The Augmented Dickey-Fuller (ADF) test is formal method for identify stationarity tests . Test This determine whether the model contains unit root . Stationarity test is also possible applied to the unit root . This matter due to the fundamental level of the test This expected can test is coefficients certain in the assessed autoregressive model value 1 or No . Test measurements in the stationarity test can determined with use ADF count . Following stages testing hypothesis used in ADF testing :

Hypothesis :
$H_0 : \emptyset = 1$ (there is a unit root or the data is not stationary)
$H_1 : |o| = 1$ (no there is a unit root or stationary data)
H_0 is rejected if the calculated ADF test statistical value is less than the ADF Critical Value table value of 5% or the probability value ADF more small from mark residuals on output. If H0 is rejected, so data stationary.

Determination Of Optimum Lag

Lag checking is used For determine ideal lag length for used in inspection next and will find limit gauge for Vector Autoregressive (VAR) models. Amount degrees freedom represented by the lag length in the VAR model. Models with smallest Akaike Information Criterion (AIC) value is the best . These models depicted as following :

$$\text{AIC}(k) = T \ln\left(\frac{\text{SSR}(k)}{T}\right) + 2n$$

Vector Error Correction Model

VAR model for row non- stationary time with One or more connection cointegration has developed using the Vector Error Correction Model (VECM). Unique way behave VECM should seen through reaction every variable dependent to shocks to factors these and factors

environment other . Function response impulse and decomposition variant provides two perspectives on the features of the VECM model. Every variable (as variable dependent) in the VECM model is represented by a equality . Inclusion The Error Correction Term (ECT) element in the model exemplifies VECM. Following This is representation general VECM model with length of lag one :

$$\Delta y_t = \alpha e_{t-1} + \beta_1 \Delta y_{t-1} + \beta_2 \Delta y_{t-2} + \cdots + \beta_p \Delta y_{t-p} + \varepsilon_t$$

Information :
Δy_t : vector of first derivatives of the dependent variable
$\Delta y\_{(t-1)}$: vector of first derivatives of the dependent variable with lag-1
$e\_{(t-1)}$: error obtained from the regression equation or called ECT
ε_t : residual vector
α : cointegration coefficient matrix

Impulse Response Function

Because it's difficult For interpret coefficient in VECM equation , response impulse used For interpret VECM model equations . Function response impulse describe level where one variable surprising the others during period time certain . This matter possible For see how long does the effect last? from One variable surprising the others before disappear or return to point balance .

RESULTS

Table 1 Unit Root Test

Augmented Dickey-Fuller test statistics				
Variable	Differentiation	t-Statistics	Prob.*	Information
Exchange rate	Levels	-2.085296	0.2511	Not Stationary
	First Difference	-9.650340	0.0000	Stationary

From table stationary test results can is known that mark probability mark exchange at the indicated level prob value . 0.2511 > 0.05 no stationary at level level. So it applies testing at the level furthermore For get stationarity that is first different Where prob value . mark exchange 0.0000 < 0.05 then stationary at level first different .

Table 2 Optimum Lag

Lag	LogL	FPE	AIC	S.C	HQ
0	-134.6628	1.193456	3.014729	3.042505	3.025930
1	-53.15455	0.199446*	1.225657*	1.281208*	1.248058*
2	-53.04543	0.203437	1.245454	1.328781	1.279056
3	-52.94711	0.207562	1.265491	1.376594	1.310294
4	-52.85327	0.211795	1.285628	1.424507	1.341632
5	-52.71426	0.215905	1.304761	1.471415	1.371966

Based on the optimum lag test results show that The criterion that has the optimum lag is found at lag 1 which has smallest FPE, AIC, SC and HQ values . So that model will used For do VAR model analysis and causality test is at lag 1 .

Vector Error Correction Model

Obtained equality from results Vector Error Correction Model (VECM) as following :

Ex.rate = 0.0194 (inf-1) + 0.0260 (inf-2) – 0.0076 (ex.rate-1) – 0.0041 (ex.rate-2)

As seen from results calculation regression analysis of the VECM model with the 1st lag and with observe t- statistics of each coefficient , relationship between variable in a way statistics No completely significant , the influence exerted inflation to mark swap by 0.02% to 0.03% each happen change inflation by 1%. Likewise in the past mark swap capable influence himself or own influence separately to mark swap the in a way significant with change every 1% weakening or strengthen it mark swap will weaken value of 0.007% or 0.004%.

Table 3 Impulse Response Function

Response to Cholesky One S.D. (d.f. adjusted) Innovations ± 2 S.E.
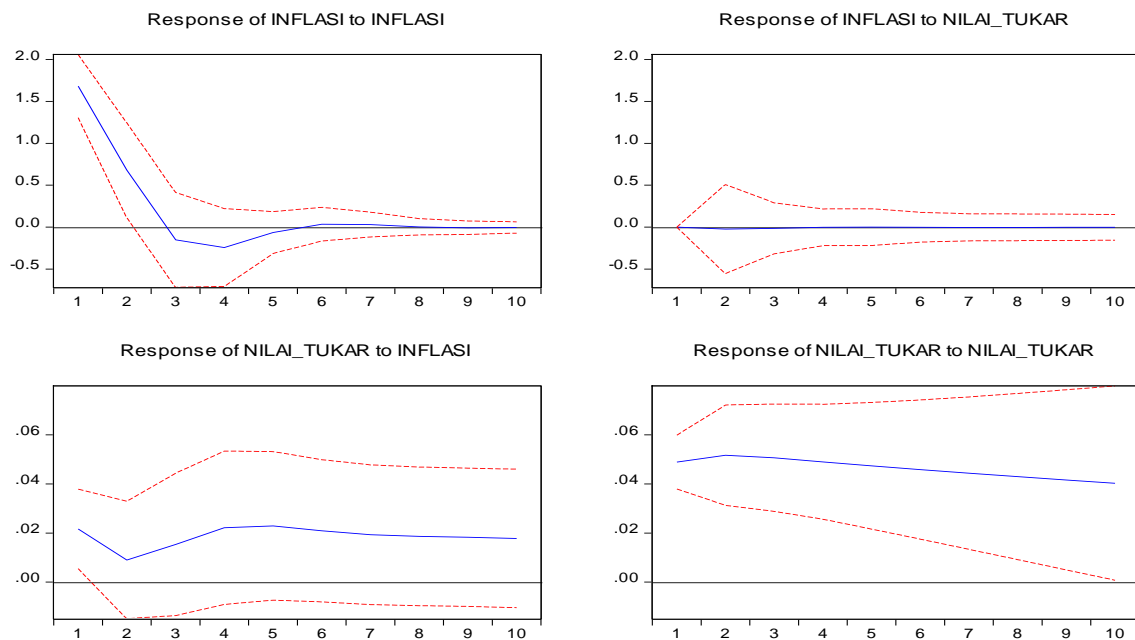
Visible impulse response for 10 periods forward explain that inflation will decrease up to 4 periods forward However will experience enhancement from period fifth up to 10th. Response inflation to mark swap seen that mark always exchange is on the equilibrium line from period 1 to 10 though happen inflation in the period secondly , meaning Dinar and Dirham currencies are not can influenced by inflation . However on the contrary impulse response on value swap to inflation from period 1 to period 10 shows positive response Because is at above the equilibrium line. Whereas mark swap Alone projected will reach point balance in the 10th period .

So you can is known that strength Dinar and Dirham currencies are not can with easy influence or affected by the shock of change inflation nor variable macro other Because mark of Dinar and Dirham currency with mark physical and value the same intrinsic , because based on gold and silver , different matter his with work currency whose value easy changed every moment or If affected by variable shock macro .
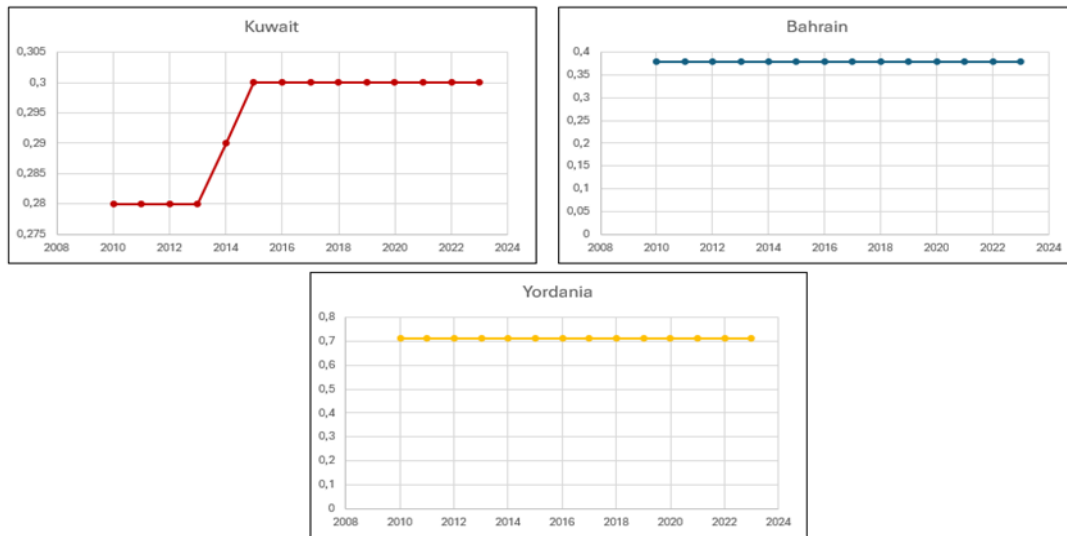
DISCUSSION

A country 's currency can more tall or more low compared to another country's currency . High and low mark A country's currency is influenced by that country's supply and demand . If supply exceed request , value swap a country will down . On the contrary If request more big from offer so mark swap a country will the more tall . A number of possible factors cause a country has mark low exchange rate , like deficit balance sheet trade , tribes flower low , and

condition economic and political shortcomings support . If a country has conflicting factors so mark exchange it will tall .

Country that has mark The highest currencies in the world are found in the countries that are members in the OIC or existing Islamic countries set eye the money with Dinar Dirham. Following is chart movement highest currency in the world.

Figure 1 Statistik

A country 's currency can more tall or more low compared to another country's currency . High and low mark A country's currency is influenced by that country's supply and demand . If supply exceed request , value swap a country will down . On the contrary If request more big from offer so mark swap a country will the more tall . A number of possible factors cause a country has mark low exchange rate , like deficit balance sheet trade , tribes flower low , and condition economic and political shortcomings support . If a country has conflicting factors so mark exchange it will tall .

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One of enough currency famous besides Dollars are Dinars and Dirhams, because both of them sticky with history as well as Islamic culture . Islamic countries (OIC) such as Kuwait are countries with highest currency in the world with Kuwaiti currency Dinar , if assessed with comparison mark exchange USD for 3.25 USD (1 KWD) and the rupiah value is IDR. 46,881.57 (1 KWD). Bahrain also has Bahraini Dinar (BHD) currency worth with 0.31 USD (1 BHD) and a rupiah value of Rp. 38,263.31 (1 BHD). Apart from that , Jordan also has Jordanian Dinar currency worth with 0.71 USD (1 JOD) and a rupiah value of Rp. 20,349 (1 JOD).

So you can is known that the country with The highest currency in the world is the country's money using the Dinar Dirham. A country 's currency can more tall or more low compared to another country's currency . High and low mark A country's currency is influenced by that country's supply and demand . If supply exceed request , value swap a country will down . On the contrary If request more big from offer so mark swap a country will the more tall

Dinar is currency with mark physical and value the same intrinsic , because based on gold . Dinar at the time That Lots used and available in a way wide For Arab lands and was used in the era of the Prophet Muhammad SAW, Khulafaur Rashidin and after until the Ottoman era. The word dinar is taken after The Roman denarius gold currency and the Arabs called it 'Dinar'. The first Islamic dinar and dirham introduced in the era of the caliph Abd al-Malik ibn Marwan, (Karim, 2016). Standardization of dinars and dirhams at that time stand to hadith Rasulullah

SAW, " The Scales is scales the inhabitants of Makkah, and the measure is dose residents of Medina " (HR. Abu Daud). During the time of the caliph Umar bin Khattab, namely in 642 AD, at the same time with first printing of dirhams in the caliphate , standard connection heavy between gold and silver money standardized become heavy 7 dinars The same with weighs 10 dirhams. Whereas 1 dinar weighs the same with or The same with weight 72 grains wheat size being cut second the tip , while 1 Dirham Kisra The same with 7/10 Mitsqal , or 2.975 grams silver . (Iqbal, 2009). Based on WITO (World Islamic Trade Organization) standards, the value equivalent with 4.25 grams of 22 carat gold , with a diameter of 23 mm. Dirhams and dinars have fixed value Because That No There is problem in exchange of money, if dinars are made as unit mark so the value of the dirham is multiplication of dirhams and if assumed the dinar as a monetary unit value is ten times dirhams (Agustiar & Djafar, 2017).

The form of the dinar around the world varies depending on the type of dinar the institution that issued it . Dinar issued by Baitulmaal Muamalat (B-Dinar) side his face pictorial Mosque Aqsa , writing Baitulmaal , light above Mosque Aqsa , da teeth wheel.Temporary side part in written two sentences creed . Form of course no too significant , basically all institution clear entitled issued original dinars fulfil WITO standard criteria ie must be 4.25 grams, 2 carats, 23 mm in diameter and dirham with standard 2.975gr. Type and weight gold in accordance with measurement standard syar'i agreed upon by experts current Islamic law That . Therefore , the gold dinar linked as related currency with Muslims and called as Sharia currency or Islamic currency up to moment This . Use the gold dinar ended in 1924 after fall Ottoman Turkish (Zain et al., 2014)empire .

Study (O'Byrne, 2014)about Gold Is A Save Haven Asset, states that gold can reduce risk and can increase economic performance with increase returns to gold prices . Gold is an unusual asset Because gold does not have a relationship in a way statistics between gold and economic data . E bro can do it too expedite portfolio especially in fluctuating periods (up and down).

CONCLUSION

Based on results VECM testing of relationships between variable in a way statistics No completely significant , the influence exerted inflation to mark swap by 0.02% to 0.03% each happen change inflation by 1%. Likewise in the past mark swap capable influence himself or own influence separately to mark swap the in a way significant with change every 1% weakening or strengthen it mark swap will weaken value of 0.007% or 0.004%. Impulse response is known that mark swap from countries that use it Dinar and Dirham currencies are not can influenced by inflation Because strength from the currency .

History proves it that dinars and dirhams are made tool swap own Lots superiority compared use of paper money . Superiority that 's because contained value in dinars and dirhams have the same value with mark intrinsic . With so , if dinars and dirhams are used as tool swap in trading international so value will stable For reduce possibility happen inflation . Eventually the use of dinars will reduce cost transaction trade and improve trading That Alone .

Therefore That for Islamic or affiliated countries in the OIC in order to be able to strengthen return Dinar and Dirham as world currency that can assessed will strengthen world economy and coping crisis economy with see the countries of Kuwait , Bahrain and Jordan already apply currency Dinar Dirham with level stable inflation and growth increasing economy .

SUGGESTION

Limitations study This is value data swap the ones that don't complete in year end from 1990 – 1997 so necessary data interpolation for complete the data, besides That still empirical Not yet Lots in writing theme This .

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QS. Al A'raf verse 85.

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