The case study of Kelantan Gold dinar

The Kelantan Gold Dinar and Shaykh Umar Vadillo's Pioneering Legacy

I Executive Summary

The Kelantan Gold Dinar initiative, launched in August 2010 by the Malaysian state of Kelantan, marked a significant attempt to reintroduce the Islamic gold dinar and silver dirham as an alternative medium of exchange. This pioneering move was primarily a result of the extensive advocacy and groundwork laid by **Shaykh Umar Ibrahim Vadillo**, a fervent proponent for **Muamalat** principles. He played an instrumental role in convincing the Kelantan government and relevant stakeholders to embark on this project. As the Chief Executive Officer of Kelantan Golden Trade, he then oversaw the conceptualization, minting, and initial circulation of these precious metal coins. While not granted legal tender status, the dinars and dirhams saw initial uptake among local businesses and civil servants, drawing international attention. This event holds immense significance as a **precedent for the Islamic world**, symbolizing a practical step towards challenging conventional, **Riba-based** financial systems and reigniting the discourse on real-value currency rooted in Islamic tradition. It provided a tangible case study for the viability and challenges of implementing an alternative monetary system within a modern economy, inspiring ongoing discussions and efforts across Muslim-majority nations.

II. Introduction

The concept of the Islamic Gold Dinar and Silver Dirham holds a profound historical and religious significance within the Muslim world. Historically, gold dinars and silver dirhams served as the primary currencies in Islamic polities for centuries, valued for their intrinsic worth and stability. This system, rooted in the Quran and Sunnah, is seen by many Islamic economists as a just and equitable alternative to fiat money, which is susceptible to inflation and manipulations inherent in **Riba-based** systems.

In the late 20th and early 21st centuries, amidst growing global financial instability, recurring economic crises, and concerns over the ethical implications of conventional banking, there has been a resurgence of interest in these traditional Islamic currencies. Scholars and activists have increasingly advocated for their reintroduction as a means to foster economic justice, stabilize trade, and reduce dependence on volatile global financial markets.

It was against this backdrop that the Malaysian state of Kelantan emerged as a unique pioneer. Governed by the Pan-Malaysian Islamic Party (PAS), Kelantan has historically been keen to implement policies aligned with Islamic principles. This ideological inclination, combined with the broader global discourse on alternative monetary systems, created fertile ground for an ambitious economic experiment: the Kelantan Gold Dinar initiative. This move was not merely symbolic; it aimed to provide a tangible, practical alternative to the Malaysian Ringgit for local transactions, thereby offering a real-world test case for the viability of Islamic gold and silver currency in a contemporary economy.

Definition of Muamalat: In Islamic jurisprudence, **Muamalat** refers to the branch of Fiqh (Islamic law) that deals with civil transactions and interactions between people. It encompasses all aspects of economic, financial, social, and commercial dealings, emphasizing justice, fairness, and ethical conduct. Unlike Ibadaat (acts of worship), Muamalat is generally permissible unless specifically prohibited by Islamic texts, and its principles guide lawful business, trade, contracts, property rights, and financial transactions, explicitly excluding **Riba** (interest/usury) and other exploitative practices.

III. The Kelantan Gold Dinar Initiative (2010)

A. Genesis and Motivation:

The decision by the Kelantan state government to launch the gold dinar and silver dirham in August 2010 was primarily rooted in a deep commitment to **Muamalat** principles. This ambitious project, however, was not an overnight decision by the government but the culmination of several years of dedicated effort and strategic advocacy by **Shaykh Umar Ibrahim Vadillo**. He meticulously presented the merits of the gold dinar and dirham system to the Kelantan government, actively engaging and

convincing key political parties, the local intelligentsia, and academicians. His persistent advocacy aimed to create a conducive environment of acceptance and awareness within the state, highlighting the system's potential to offer citizens an alternative to the prevailing fiat money system, which was perceived as inherently unstable and prone to inflation and **Riba**. Proponents argued that a currency based on intrinsically valuable metals like gold and silver would offer a stable store of wealth, protect purchasing power, and foster a more just economic environment free from **Riba** and excessive speculation. This extensive groundwork and conviction-building by Shaykh Umar Vadillo ultimately led the Kelantan government to take the bold step of adopting the initiative, seeing it as a pivotal move towards realizing an economic system where real assets, rather than debt, underpin value. It also aimed to encourage local trade and reduce reliance on the fluctuating value of the national currency.

B. Implementation and Features:

The Kelantan Gold Dinar and Silver Dirham were minted through Kelantan Golden Trade (KGT), a subsidiary of Kelantan Menteri Besar Inc. The coins were produced in various denominations, with the gold dinar typically weighing 4.25 grams of 22-carat gold and the silver dirham weighing 2.975 grams of pure silver, conforming to historical Islamic standards.

Upon their launch, these coins were **not declared legal tender** under Malaysian federal law. Instead, they were introduced as an **alternative medium of exchange** for voluntary transactions. The Kelantan state government actively encouraged their use, offering civil servants the option to receive a portion (up to 25%) of their salaries in dinars and dirhams. Local businesses, including restaurants, taxi services, and retail shops, were also encouraged to accept the coins, with some displaying signs indicating their acceptance. The aim was to create a parallel payment system that could offer stability and real value to the local economy.

C. Explosive Momentum and Structural Hurdles

While the project faced significant institutional pushback, the ground-level reality was nothing short of a "gold rush." The initial launch didn't just meet expectations—it shattered them. Shaykh Umar Vadillo’s years of groundwork paid off as the public

demonstrated a staggering level of adaptability and openness to the return of real-value money.

- **Outpacing the Central Bank:** In a stunning display of public confidence, Kelantan Golden Trade (KGT) reported that sales of the Gold Dinar and Silver Dirham were actually **surpassing the coin sales of the Malaysian Central Bank (Bank Negara)** during peak periods. This was a clear indicator that the citizenry was hungry for an alternative to the depreciating fiat Ringgit.
- **Grassroots Adaptability:** Awareness didn't just grow; it localized. Over **1,000 businesses** in Kelantan—from high-end retailers to local morning market traders—voluntarily began accepting the Dinar and Dirham. This rapid adoption proved that the "Muamalat" model was not just a theoretical dream but a practical, functional system that the public was ready to embrace.
- **Popularity vs. Political Ambiguity:** A unique paradox emerged. While the Kelantan government remained somewhat ambiguous and cautious in its official legal posturing to avoid a direct constitutional showdown with the Federal government, the **public momentum was unstoppable**. The Dinar became a symbol of cultural pride and economic resistance, gaining massive popularity that far outpaced the formal legislative progress.

D. The Resilience Against Inherent Challenges

Despite this tidal wave of public support, the project operated within a "hostile" regulatory ecosystem designed to protect the fiat status quo. These challenges were the primary friction points Shaykh Umar had to navigate:

- **The Legal Tender "Glass Ceiling":** The Federal government maintained a firm stance that only the Malaysian Ringgit was legal tender. While this didn't stop people from trading in gold privately, it meant the Dinar could not be used to settle court-mandated debts or official federal taxes, creating a dual-system friction.
- **Engineered Volatility:** Because the Dinar was priced against the global gold market, its value fluctuated against the Ringgit daily. While Dinarists saw this as the "true" value of gold, critics used this volatility to scare off the less

adventurous, claiming it was "inconvenient" compared to the artificially stable (but inflationary) fiat currency.

- **The Political Will Gap:** While the public was ready, the political class was divided. The massive support from the streets was not always matched by the state's administrative machinery. As the "Banking Ulemas" began to exert influence, the political will to push for the radical Zakat legislation—which would have given the coins official religious legal status—began to waver.

Despite these systemic anchors, the Kelantan Gold Dinar project remains a historic proof-of-concept. It proved that when presented with a choice between **Riba-based** paper and **Muamalat-based** gold, the public's instinct was to choose the gold.

IV. Shaykh Umar Vadillo's Pivotal Role

A. Background and Vision: Shaykh Umar Ibrahim Vadillo stands as a towering figure in the modern movement to reintroduce the Islamic gold dinar and silver dirham. A deep scholar of **Muamalat** and Islamic economics, Vadillo has spent decades tirelessly advocating for a financial system rooted in real assets rather than fiat currency. His intellectual contributions include a rigorous critique of the conventional global financial order, which he argues is fundamentally flawed due to its reliance on **Riba** (interest/usury) and its inherent instability, leading to recurring crises, inflation, and wealth disparities. He posits that the only true and ethical alternative, aligned with the Quran and Sunnah, is a return to a gold- and silver-backed monetary system, which offers inherent stability, justice, and protection of value. His influential works, such as "The Return of the Gold Dinar" and "The End of Economics," lay the theoretical groundwork for this vision and have inspired numerous movements and individuals worldwide.

B. Strategic Involvement in Kelantan: Shaykh Umar Vadillo's connection to the Kelantan Gold Dinar initiative goes far beyond a mere advisory role; he was the **catalyst and driving force** behind its very inception. Recognizing Kelantan's unique political and ideological alignment, Vadillo systematically approached the state government, particularly engaging with its leadership, including the revered Menteri Besar Nik Abdul Aziz Nik Mat. Over several years, he embarked on an extensive campaign to educate and convince political parties, key members of the intelligentsia, and academicians within Kelantan about the profound economic and ethical

advantages of reintroducing the dinar and dirham. His persistent advocacy involved presenting detailed arguments, dispelling misconceptions, and building a strong foundation of awareness and acceptance for the project. This arduous work of convincing and advocating was crucial in creating the **conducive environment** and garnering the necessary political will for the Kelantan government to take such a pioneering step.

Upon the formal launch of the Kelantan Gold Dinar in 2010, Shaykh Umar Vadillo was appointed as the **Chief Executive Officer (CEO) of Kelantan Golden Trade (KGT)**. In this executive capacity, he was directly responsible for overseeing the practical implementation of the initiative. His responsibilities included:

- **Minting and Quality Control:** Ensuring that the minted dinars and dirhams adhered to the precise Islamic standards for weight and purity.
- **Circulation Strategy:** Developing and executing plans for the distribution and acceptance of the coins among businesses and the public.
- **Public Relations and Education:** Continuously promoting the initiative and educating the public on the benefits and mechanics of using the gold dinar and silver dirham.
- **Troubleshooting:** Addressing logistical and practical challenges that arose during the initial phases of adoption.

His dual role as the project's intellectual architect and its operational head was instrumental in transforming the concept into a tangible reality in Kelantan.

Discontinuation of the Project

This section details the critical turning point where the Kelantan Gold Dinar project—a labor of years by **Shaykh Umar Vadillo**—met its most significant obstacle: not from external secular forces, but from an internal theological and political schism within the Islamic scholarly community.

V The Tragic Subversion: Shaykh Umar's Vision vs. the Ulema's Resistance

The Kelantan Gold Dinar was not merely a "coin project"; it was a revolutionary attempt to dismantle the **Riba-matrix** that dominates the modern world. For years, **Shaykh Umar Ibrahim Vadillo** acted as the Promethean figure of this movement. He moved through the corridors of power in Kelantan, engaging in tireless "intellectual jihad" to convince the political leadership, the intelligentsia, and the religious elite that **Muamalat** (authentic Islamic trade) could not exist within a fiat money system.

His immense effort culminated in the 2010 launch, but the project's long-term success was ultimately marred by a deep-seated resistance from a faction of Ulemas who had become the primary stakeholders and promoters of the **Islamic Banking** industry.

The Theological Battleground: Zakat in Gold vs. Fiat

The most contentious theological debate centered on the **payment of Zakat**. Shaykh Umar and the "Dinarists" (supported by **Dato' Husam Musa** and initially blessed by **Tuan Guru Nik Aziz**) argued a fundamentalist position:

- **The Dinarist View:** They maintained that Zakat—one of the five pillars of Islam—must be paid in *Mal* (tangible wealth) with intrinsic value, specifically the Gold Dinar and Silver Dirham, as established by the Prophet (PBUH). They argued that paying Zakat in fiat currency, which loses value through inflation, effectively diminishes the wealth of the poor and violates the sanctity of the pillar.
- **The Ulema Resistance:** A powerful faction of Ulemas within the **PAS Dewan Ulema** and the religious bureaucracy resisted this. They relied on a modern *ijtihad* that equates paper money with gold. This group was heavily invested—both ideologically and professionally—in the success of "Islamic Banking" institutions like Bank Islam. To them, Shaykh Umar's insistence on gold was a "radical" disruption that threatened the stability of the Islamic financial sector they had spent decades building.

1. The Legislation That Never Was: The Zakat Blockade

Shaykh Umar's strategic masterstroke was to seek **Zakat legislation**. He understood that if the Kelantan government officially collected Zakat in Gold Dinars, the coins would gain immediate de facto **legal status** and widespread circulation. This would have bypassed the federal "legal tender" restrictions by using a religious mandate.

However, this move was stymied from within. The "Banking Ulemas"—including figures who would later rise to prominence like **Ustaz Ahmad Yakob**—remained hesitant. They resisted the specific legislation that would have formalized the Dinar as the sole medium for Zakat. By refusing to decouple Zakat from the fiat-based banking system, these scholars effectively denied the Dinar the oxygen it needed to survive as a functional currency. They preferred the "pragmatism" of Islamic Banking, which allowed them to operate within the global financial system without the "inconvenience" of physical gold.

2. A Precedent Marred by Internal Split

The tragedy of the Kelantan experiment lies in this internal betrayal. While Shaykh Umar Vadillo provided the intellectual and operational blueprint for a **Riba-free** society, the very scholars expected to be the guardians of the Sunnah became the defenders of the status quo.

The split between the **Muamalat** advocates (who saw the Dinar as a spiritual necessity) and the **Islamic Banking** promoters (who saw it as a logistical burden) created a house divided. When **Tuan Guru Nik Aziz** passed away in 2015, the protective shield over the Dinar project vanished. The "Banking Ulemas" took full control of the party's direction, sidelining Husam Musa and effectively burying the Dinar project under the guise of "political realism."

3. The Significance of the Failure

This internal resistance serves as a sobering precedent for the Islamic world. It highlights a recurring theme: the primary obstacle to the re-establishment of the Gold Dinar is often the entrenchment of the **Islamic Banking** industry, which—despite its name—remains tethered to the fiat system. The Kelantan story is a testament to Shaykh Umar Vadillo's vision, but also a cautionary tale of how the "Muamalat" of the Sunnah was sacrificed at the altar of modern banking pragmatism.

VI. Chronology of Key Events

This timeline highlights significant milestones related to Shaykh Umar Vadillo's advocacy and the Kelantan Gold Dinar initiative:

- **Late 1990s - Early 2000s:** Shaykh Umar Vadillo intensifies his scholarly work and advocacy for the reintroduction of the gold dinar and silver dirham, publishing key texts and lecturing globally. He begins engaging with various Muslim leaders and governments on the concept.
- **Mid-2000s:** Shaykh Umar Vadillo actively engages the Kelantan state government and its political leadership, including Menteri Besar Nik Abdul Aziz Nik Mat, presenting the case for the gold dinar. He undertakes extensive efforts to build awareness and acceptance among political parties, academicians, and the intelligentsia in Kelantan.
- **2006-2008 (Approximate):** Reports emerge of initial discussions and preparations within Kelantan regarding the dinar, often citing a "working paper" for the project. Shaykh Umar Vadillo is actively involved in these preparatory phases.
- **August 12, 2010:** The Kelantan Gold Dinar and Silver Dirham are officially launched by the Kelantan state government, with Shaykh Umar Vadillo appointed as the Chief Executive Officer of Kelantan Golden Trade (KGT).
- **August - September 2010:** Initial reports indicate a strong positive response and high demand, with the first batches of coins quickly selling out.
- **Following Months/Years:** The initiative continues with varying degrees of success, facing ongoing challenges related to legal tender status, infrastructure, and widespread adoption. Shaykh Umar Vadillo continues to promote the project and its broader implications for **Muamalat**.
- **Ongoing:** Despite the practical limitations faced by the Kelantan initiative, it remains a frequently cited example and a source of inspiration for other proponents of gold- and silver-backed currencies in the Islamic world. Shaykh Umar Vadillo continues his global advocacy for the gold dinar.

VII. Significance as a Precedent for the Islamic World

The Kelantan Gold Dinar initiative, strategically architected by **Shaykh Umar Vadillo**, stands as a historic milestone that transcends its local borders. It serves as a profound case study in the practical application of **Muamalat**, demonstrating both the immense hunger for **Riba-free** alternatives and the internal political complexities that accompany such a radical shift.

A. Practical Revival of the Sunnah Currency

For the first time in the modern era, a state government moved beyond academic theory to breathe life into the prophetic currency model. This was not merely a symbolic nod to the past; it was a practical assertion of Islamic economic identity. By reintroducing the Gold Dinar and Silver Dirham, the initiative proved that the historical pillars of Islamic trade could function within a modern administrative framework. It served as a global beacon, showing that **Muamalat** principles are not relics of history but are adaptable, functional, and superior alternatives to the debt-based fiat system.

B. Empirical Proof of Public Appetite

One of the most significant precedents set by Kelantan was the **massive public validation** of the Dinar. The fact that KGT's coin sales frequently outpaced those of the Central Bank shattered the myth that the general public is "too dependent" on fiat money to switch. The rapid adoption by over a thousand local businesses provided empirical proof that the global Ummah is ready and willing to migrate to a real-value system. This "market vote" remains a powerful argument for other Muslim-majority nations, proving that the obstacle to monetary reform is not a lack of public interest, but a lack of political and scholarly courage.

C. Challenging the Hegemony of "Islamic" Banking

The Kelantan experiment forced a necessary, albeit painful, conversation about the nature of modern Islamic Finance. By offering a commodity-backed alternative, Shaykh Umar Vadillo directly challenged the status quo of **Islamic Banking**, which remains tethered to the fiat-and-fractional-reserve model. The initiative highlighted the tension between authentic **Muamalat** (trade in real assets) and the "Shariah-compliant" versions of conventional banking. It forced scholars and policymakers to address whether they are merely "Islamizing" Riba or truly seeking a prophetic alternative.

D. Lessons Learned: The Internal Theological Hurdle

The project provided a sobering lesson regarding the "enemy within." While federal legal status was a hurdle, the true precedent for future movements is the **internal resistance from the scholarly class**. The failure to pass Zakat legislation—blocked by Ulemas invested in the Islamic Banking sector—serves as a cautionary tale. It underscores that for a Dinar system to succeed, it must first overcome the "banking pragmatism" that exists within the religious bureaucracy itself.

E. A Blueprint for Future Sovereignty

Ultimately, the Kelantan Gold Dinar serves as a "Proof of Concept" that will inspire generations. It has shifted the global discourse from *"Can we do this?"* to *"How do we protect it from internal and external pushback?"* Shaykh Umar Vadillo's vision has created an indelible benchmark for digital gold-backed tokens, community currencies, and sovereign wealth experiments throughout the Islamic world. It remains a long-term aspiration, proving that while a project can be stalled by a split in leadership, the intellectual and spiritual desire for a **Riba-free** future is now part of the global consciousness.

VIII. Conclusion: A Legacy of Vision, Support, and Internal Conflict

The Kelantan Gold Dinar initiative of 2010 remains a watershed moment in the modern history of Islamic economics. It was never merely a symbolic experiment; it was a gritty, real-world attempt to decapitate the Riba-based financial order and replace it with a Muamalat system of tangible value.

Central to this achievement was the sheer force of will exerted by Shaykh Umar Ibrahim Vadillo. His years of intellectual groundwork and persuasive advocacy transformed a radical concept into a functioning reality. By successfully navigating political and academic spheres, he provided the "Muamalat" movement with its first modern laboratory, proving that the Sunnah currency was not just a historical relic, but a viable future.

Perhaps the most revealing outcome of this project was the staggering public openness and adaptability. The rapid increase in awareness and the fact that gold sales frequently

outpaced those of the Central Bank demonstrated a profound, grassroots yearning for financial justice. The public did not need to be coerced; they intuitively recognized the value of the Dinar, with over a thousand businesses voluntarily adopting the system. This massive popularity proved that the "market" for a Shariah-compliant, inflation-proof currency was not only ready but eager.

However, the tragedy of the Kelantan experiment lies in the paradox of its ending. While the people were ready, the religious establishment was divided. The project's momentum was ultimately checked not by external enemies, but by a tragic internal split among the Ulemas. The resistance from the "Banking Pragmatists"—who chose to protect the interests of the fiat-based Islamic Banking sector over the radical restoration of Zakat in gold—stifled the legislation necessary for the Dinar to reach its full potential.

Ultimately, the Kelantan experiment stands as a powerful, if cautionary, precedent for the wider Islamic world. It shattered the myth that fiat currency is the only option and highlighted the deep-seated desire within the Ummah for an ethical economic paradigm. While the path toward a global Muamalat-based system remains fraught with institutional hurdles, the legacy of the Kelantan Gold Dinar and Shaykh Umar Vadillo’s unwavering commitment continues to provide the blueprint. It remains a testament to the fact that while policies can be blocked by bureaucracy, the vision of a just, gold-backed future remains an indelible part of the modern Islamic consciousness.