

Unit Title: Concepts and Principles of Islamic Economics	Unit Code: CPIE
Level: 5	Learning Hours: 160
Learning Outcomes and Indicative Content:	
Candidates will be able to	
<p>1. Explain the main features of the conventional economic system and the functions of money, the consequences of debts and interest charges on individuals, societies and countries</p> <p>1.1 Explain the main features of the conventional economic system and the functions of money in this system;</p> <p>1.2 Explain the problems generated from incurring debt simply by issuing debt instruments in an interest based framework;</p> <p>1.3 Discuss the ever-increasing size of debt and interest charges both in the developed and the developing countries with the debt-servicing claims on natural resources;</p> <p>1.4 Explain the impact of debt and interest charges on the present and future generations – islands of affluence in the oceans of poverty;</p> <p>1.5 Explain how debt affects the development and growth process and nullifies the efforts made by the States and the international financial/development institutions for poverty alleviation.</p> <p>2. Explain the basic principles of Islamic economics. Examine the sources that underpin these principles. Explain the nature and time value of money in Islamic economics and impact of inflation. Explain the concept of loans and debt in Islamic economics</p> <p>2.1 Understand and interpret the basic principles and essentials of Islamic economics, on which Islamic finance is based – growth and development free of exploitation of one another;</p> <p>2.2 Examine the sources that underpin the Islamic principles; the text of the Qur’an, the Hadith, Ijtihad, Ijma and Qais. Explain what is meant by the Shari’ah;</p> <p>2.3 Explain the nature of ownership in Islamic economics. Identify its fundamental advantages over other systems; Natural resources for the benefit of humanity as a whole – to behave as trustee to God; wealth as a means to life rather than an end in itself;</p> <p>2.4 Explain, with reference to conventional economics, the nature and functions of money in Islamic economics. Discuss the concept of loan and the creation of debt in Islamic economics;</p> <p>2.5 Explain, with reference to conventional economics, the time value of money and impact of inflation on financial liabilities in Islamic economics;</p> <p>2.6 Explain, with reference to conventional economics, the factors of production and their compensation in Islamic finance;</p> <p>2.7 Discuss the independent functioning of the market forces and the role of the State/Regulators in the just distribution of wealth among various factors of production in the Islamic economic system.</p>	

3. Explain the objectives of Islamic economics

- 3.1 Explain that happiness, and the well-being of human society, are the main objectives of Islamic economics – goals of Islamic economics in comparison with conventional economics;
- 3.2 Discuss individuals' welfare as a sub-set of social welfare – moderate Islamic welfare approach;
- 3.3 Explain the primary objectives: fulfilment of basic human needs with dignity – provision of basic food, education and health necessities with equal opportunities to all for work and employment;
- 3.4 Discuss the secondary objectives: optimum growth for a better standard of living of the members of a society with care for others and social justice – just distribution of resources and necessary transfer payments by the State and among individuals.

4. Explain the basic prohibitions that have to be observed in business and financial dealings in accordance with Shari'ah based economics

- 4.1 Explain the basic prohibitions that have to be observed in business and financial dealings in accordance with the Shari'ah. Explain the rule of general permissibility of business transactions if not otherwise prohibited by the clear texts of the Shari'ah;
- 4.2 Explain, with appropriate examples, the prohibition and connotation of Riba – disallowing 'interest' in modern commercial terminology but allowing profit;
- 4.3 Explain, with appropriate examples, the prohibition and connotation of Gharar – hazard or uncertainty about the subject matter and the price in transactions of sale or exchange;
- 4.4 Explain, with appropriate examples, the prohibition and connotation of Mayser and Qimar – games of chance and/or gambling;
- 4.5 Explain the other elements for determining the Shari'ah compliance of business and commercial transactions.

5. Discuss the business ethics cherished in Shari'ah based economics

- 5.1 Explain the crucial position of the norms and ethics in Shari'ah based economics. Explain the need to protect against inequitable gains and unfair dealings;
- 5.2 Illustrate the emphasis on honesty, gentleness, safeguarding others from harm and straightforwardness in business deals;
- 5.3 Explain the emphasis on transparency and disclosure and avoiding misleading marketing and false bidding;
- 5.4 Explain the emphasis on fulfilling the covenants and responsibilities by all parties to contracts;
- 5.5 Discuss the Shari'ah guidelines for debtors and creditors regarding loans and debts.

6. Explain the functions of the State and Regulators in developing an economy based on the Shari'ah principles

- 6.1 Evaluate the current conventional approach and procedures of business and finance;
- 6.2 Explain the need for facilitating the free market functioning with an effective vigilance role for the State/Regulators to avoid distortions arising due to unhindered 'profit maximisation';
- 6.3 Explain the need for changing the basis of debt and money creation – by way of genuine real economic sector credit transactions and avoiding the creation of fictitious monetary assets;
- 6.4 Explain the need for transforming the financial system from interest based to strict prohibition from charging interest; the profit and loss sharing and real asset based banking and non-banking financing system;
- 6.5 Discuss the need for transforming the nature of fiscal operations of governments from interest based to real asset based financing on the basis of equity participation, trading or lease based transactions;
- 6.6 Discuss the advantages for inculcating the business ethics cherished by Shari'ah.

Assessment Criteria:

- Assessment method: written examination
- Length of examination: three hours
- Candidates to attempt four questions; question one is compulsory; candidates may choose any three questions from a choice of seven, all questions carry equal marks

Recommended Reading:

Institute of Islamic Banking and Insurance, London; *Encyclopedia of Islamic Banking and Insurance*; 2003; Chapter 1.1 (Islamic Economics and Finance by Professor Muhammad Nejatullah Siddiqui)

Hasanuz Zaman, S.M; *Islam and Business Ethics*; Institute of Islamic Banking & Insurance; London, 2003

Chapra, M. Umer; *The Future of Economics: An Islamic Perspective*; The Islamic Foundation, Leicester, 2000

Ayub, Muhammad; *Understanding Islamic Finance*; Wiley Finance Series, John Wiley & Sons, Chichester, September, 2007; (Chapters 1, 2, 3 and 18)

Rosly, Saiful Azhar; *Critical Issues on Islamic Banking & Financial Markets*; Author House, Bloomington, Indiana, USA, 2005
ISBN: 1-4184-6930-0 (sc)

Khan, Zafar Ahmed; *Islamic Banking and its Operations*; Institute of Islamic Banking and Insurance, London

Iqbal, Zamir and Mirakhor, Abbas; *An Introduction to Islamic Finance: Theory and Practice*; John Wiley & Sons (Asia) Pte Ltd, Singapore, 2007