Advanced Theory of Islamic Economics and Finance

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Course Description
This course will cover the core principles of Islamic economics and finance and their economic implications on the microeconomic choices, macroeconomic aggregates and markets. It will discuss the theory of Islamic economics and finance. It will enable the students to gain an understanding of the research areas, research issues and advancements in Islamic economics, Islamic banking, Islamic capital market investments and Islamic social finance institutions.

Course Objectives
The course sets forth the following objectives:

- To learn the core principles of Islamic economics, understand their contrast with mainstream economics and analyse their economic implications.
- To study the modelling of economic behaviour of economic agents, such as consumers and producers in the Islamic economic framework by learning the assimilative, distinctive and integrative approaches.
- To acquire understanding of advanced issues in Islamic banking, Islamic investments and Islamic social finance practices and applications.
- To learn monetary and fiscal policy tools and instruments in Islamic economic framework.
- To understand and examine the potential of Islamic social finance institutions in public policy, public finance and economic development.

Teaching Methodology
The course will be rigorous and introduce Islamic economic theory in contrast with mainstream economic theory. Powerpoint presentations will be used to bring focus and structure in lecture delivery and facilitate participants in keeping up with the flow of contents. For each lecture, concise handouts with lecture notes will be distributed to ensure reinforcement and sufficient reference material. Data, statistics and research papers shall be readily used during class discussions to bring substance to the discussions. During the course, there will also be guest speaker sessions and a seminar to help gain contemporary research trends, issues and methodologies in Islamic economics and finance.
### Assessment / Grading

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<th>Marks Distribution</th>
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<td>Quizzes and Assignments</td>
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<td>Term Paper and Presentation</td>
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<td>Midterm Exam</td>
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<td>Final Exam</td>
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### Weekly Course Plan

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<th>Content Covered</th>
<th>Learning Outcomes</th>
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<tr>
<td>1</td>
<td>Introduction to Islamic Economics and Finance</td>
<td>• To introduce the distinctive principles of Islamic economic framework in contrast with mainstream economics.</td>
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<tr>
<td></td>
<td>• Distinctive Principles</td>
<td>• To introduce the distinctive Islamic economic institutions in commercial finance, social finance and public finance.</td>
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<tr>
<td></td>
<td>• Contrast with Mainstream Economics</td>
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<td>• Distinctive Institutions</td>
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<td></td>
<td>• History of Muslim Economic Thought</td>
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<td>2</td>
<td>Ethics and Values-Based Economics</td>
<td>• To introduce social economics and how Islamic principles pave way for ethics and values-based economics.</td>
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<td>• Values in Consumer Behaviour</td>
<td>• To introduce the Islamic values governing consumer behaviour, producer behaviour, and attitude towards the environment, biodiversity and externalities.</td>
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<td>• Values in Productive Enterprise</td>
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<td>• Environmental Ethics</td>
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<td>• Values for Self-less Behaviour</td>
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<td>• Values for Pure Altruism</td>
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<td>• Values for Positive and Negative Externalities</td>
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<td>3</td>
<td>Comparative Economic Systems</td>
<td>• To understand the basic postulates, assumptions and philosophy of free market capitalism, communism and Islamic economics framework.</td>
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<td>• Free Market Capitalism</td>
<td>• To learn the theoretical works in comparative economic systems both in mainstream and Islamic economics literature.</td>
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<td>• Communism</td>
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<td>• Islamic Economics Framework</td>
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<td>• Review of Literature</td>
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<td>4</td>
<td>Methodology in Islamic Economics</td>
<td>• To review the three approaches and the arguments in favour and against of using them in building theoretical foundations of Islamic economics.</td>
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<td>• Positive versus Normative Economics</td>
<td>• To learn the problems and paradoxes with analysis of optimizing behaviour in neoclassical economics.</td>
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<td>• Assimilative Approach</td>
<td>• To study the approaches to bring values and externalities in objective functions of economic agents.</td>
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<td>• Distinctive Approach</td>
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<td>• Integrative Approach</td>
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<td>• Issues with Neoclassical Deductive Models</td>
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<td>• Incorporating Values and Externalities in Behaviour</td>
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<td>5</td>
<td>Intertemporal Consumption and Finance in the Islamic Framework</td>
<td>• To study how intertemporal consumption is different in Islamic framework with</td>
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<td>Course Title</td>
<td>Objectives</td>
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| Mainstream Models                                                           | To study the models which use the integrative approach in modelling behaviour in an Islamic framework.  
To study the choice of assets, payoffs and rules of exchange. |
| Microeconomic Behaviour in the Islamic Framework                            | To study the attempts in the literature to model consumer and producer behaviour in order to analyze the market outcomes.  
To appreciate the benefits and limits of mathematical modelling in analyzing value-led versus values-neutral behaviour. |
| Economic Development in Islamic Framework                                   | To understand the civilizational development determinants espoused by Ibn-e-Khuludun.  
To study the stimulants in Islamic economic framework to achieve economic development.  
To learn the application of development finance instruments. |
| Economics of Wealth Taxation: Zakat                                        | To understand the effect of Zakat on wealth redistribution through mathematical modelling and numerical simulation.  
To study the effect of Zakat on boosting aggregate demand through numerical simulation.  
To study the approaches to estimate nationwide potential Zakat collectible and measure its effects on poverty alleviation. |
| Economics of Endowments & Trusts: Waqf                                     | To understand the rules and mechanics of Waqf.  
To study the effects of the decentralized provision of public goods through Waqf.  
To study the effects of Waqf on human capital, physical capital and social capital development.  
To review the literature on the performance and efficiency of Waqf. |
| Advanced Issues in Islamic Banking                                         | To learn the advanced issues in Islamic commercial banking, such as price benchmarking, liquidity management and tax neutrality.  
To expound on the central banking. |
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<th>Management in Islamic framework in controlling monetary aggregates and macroeconomic objectives.</th>
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| 12   | Advanced Issues in Islamic Investments  
• Different Screening Criteria  
• Income Purification Methods  
• Short Term Trading Instruments  
• Performance, Pricing & Premiums of Islamic Stocks  
  • To enhance understanding about the various screening criteria used to adjudge the faith compliance of Halal stocks.  
  • To study the various methods of income purification.  
  • To learn the alternate trading instruments in Islamic investment rules for short term trading.  
  • To review the literature on the performance of Islamic investments, asset pricing in Islamic investments and identified premiums on Halal stocks. |
| 13   | Monetary and Fiscal Policy Framework  
• Monetary Operations in Dual Banking System  
• Alternate for Monetary Controls  
• Alternate for Sovereign Financing  
• Managing Inflation, Exchange Rate Stability, Unemployment and Growth  
  • To discuss the monetary policy tools and instruments in the Islamic framework.  
  • To study the fiscal policy tools in the Islamic framework including Zakat, Bait-ul-Maal and non-tax revenue generation from State-Owned Waqf.  
  • To analyze how the monetary and fiscal targets are met with monetary and fiscal policy tools of Islamic economics framework. |
| 14   | Frontiers of Research in Islamic Economics  
• Design of Equity Based Financial Instruments to Mitigate Moral Hazard  
• Alternate Pricing Benchmarks in Islamic Debt Based Financing  
• Derivatives and Liquidity Management Instruments  
  • To discuss contemporary issues, such as moral hazard in equity financing, alternate pricing benchmark, tax neutrality, liquidity management and regulatory standardization in Islamic finance. |

**Reference Texts**

Research Paper Readings


