

Syllabus for the Course of:
Money and Banking from an
Islamic Perspective
(Bachelor's Level)

Prepared by:

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FOREWORD

Modern Economics, like other social sciences, evolved in isolation from morality and religion. No wonder its introduction into the world of Islam was also indifferent to Islamic thought, which, during the last few centuries was stagnant anyway. As a result what we not teach in our universities carries many alien ideas regarding man and society not to mention some trends openly in violation of Islamic teachings. Nevertheless social sciences in general and Economics in particular have valuable insights to offer which no one can afford to ignore. There is much that is acceptable and useful and deserves being communicated to our younger generations. However there is a need to introduce relevant Islamic concepts and precepts as well as to identify unacceptable trends, before these subjects are taught.

It has been the vocation of this Centre to redesign Courses in Economics with the above purpose in mind. I am glad to introduce an outline of a course in Money and Banking which also indicates appropriate reading material. Thanks are due the syllabus Committee of the Centre which prepared this outline. The Centre would welcome any suggestions in this regard from the scholars and teachers who may find the following pages useful for their work.

May Allah help us all in discharging our duties.

Dr. Mohamed A. Elgari
Director

SYLLABUS FOR THE COURSE OF MONEY AND BANKING FROM AN ISLAMIC PERSPECTIVE [BACHELOR' S LEVEL]

I. Objective

The main objective of this syllabus is to present to the student a dose of the conventional material in money and banking plus many relevant Islamic elements about which a good deal of literature have accumulated during the past two decades. The ultimate goal is to teach the student analytically the main aspects of similarity and differences between the contemporary monetary and banking system and that which is based on the Islamic *Shari'ah*. Various Islamic alternatives within a bank as well as throughout the whole banking system should be explained and the possible problems and obstacles facing their application have to be delineated.

II. Suggested Instructional Approach

It would be easier if the topics are presented according to the conventional approach followed by discussion of the *Shari'ah* approved and disapproved banking practices, and the Islamic alternatives. Obstacles and problems which are expected to hinder their applications are to be explained.

It is recommended that a brief review of the contemporary experiences of some Muslim countries with an Islamic banking system is presented whenever sufficient data is available.

If the students have already studied the conventional money and banking course, the instructor, instead of repetition, is advised to engage in the discussion of all or some of the following issues:

- a. Interest-based lending (*riba*), its unlawfulness and some of the contemporary questions about this issue.
- b. Some of the controversial contracts used in Islamic banking dealings e.g. *Murabaha*.
- c. Suggestions to restructure the banking system away from the partial reserve system prevalent nowadays, and the differing points of view towards such an issue.

III. Suggested Content

Chapter 1: Money

- 1.1 Definition of money and its role in the economy.
- 1.2 History of money.
- 1.3 Functions of money.
- 1.4 Types of money.
- 1.5 Creation of money by commercial banks.

Chapter 2: Money from an Islamic perspective

- 2.1 Contributions of Muslim scholars on money.
- 2.2 Critique of capitalist theories on interest.
- 2.3 Unlawfulness of interest on loans (*riba*) and its economic effects.
- 2.4 Contemporary Islamic monetary issues e.g. lawfulness of increment on deferred payment sale (*ba`i ajal*), profit/loss sharing, time value of money, government monopolization of money issue, signiorage, inflation and indexation.

Chapter 3: Financial markets, institutions and instruments

- 3.1 Financial markets: money markets, capital markets.
- 3.2 Financial institutions: commercial banks, other financial institutions.
- 3.3 Sources and uses of funds in commercial banks and conventional financial institutions.
- 3.4 Sources and uses of funds in Islamic banks and financial institutions.

Chapter 4: The Central Bank

- 4.1 Functions and instruments of conventional central bank.
- 4.2 Functions and instruments of a central bank in an Islamic economy.
- 4.3 The relations between the Islamic banks and the central bank.

Chapter 5: Monetary theory

- 5.1 Classical monetary theory.
- 5.2 Keynesian monetary theory.
- 5.3 The effects of abolishing interest on the monetary equilibrium in the economy.

Chapter 6: Monetary policy

- 6.1 Inflation and depression: definition, effects and relation to unemployment.
- 6.2 Suitable monetary policies for treatment of inflation and depression, with due emphasis on the Islamic approach.

Chapter 7: International monetary relations

- 7.1 The exchange rate.
- 7.2 The balance of payments.
- 7.3 International monetary transactions from an Islamic perspective.

Chapter 8: Islamic Banks: Review and evaluation.

IV. Suggested References (Arabic):

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