

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**IQRA UNIVERSITY**

**IU**

## **Essentials of Islamic Finance Course Study Guide**

**Class Days:** Wednesday and Saturday

### **Facilitator**

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Department of Business Administration  
**Iqra University Gulshan Campus**

## 1. INTRODUCTION:

- a) This course provides general understanding of the newly developed financial science – Islamic finance. The main objective of the course is to focus on principles and theories which serve as the basis for Islamic finances. Its aims are to:
  - explain existing micro and macro financial, function of financial markets, role of central banks and financial institutions;
  - develop a general understanding of key concepts about which Islamic finance revolves;
  - underpin the concept of Riba (interest), Modern banking practices and the alternatives developed by founders of this new system – Islamic finance;
- b) explore the following dimensions of the subject so as to develop an ability to understand and evaluate the existing practices and applied theories in Islamic financial like Islamic banks, Islamic mutual funds and other institutions;

## 2. COURSE TUTOR:

- a) I am Irshad Ahmad Aijaz, Shari'ah Adviser and Member Shari'ah Supervisory Board of BankIslami Pakistan and Al Barakah Solutions, Australia. I visit many educational institutions including NIBAF, CIE, SZIC, TGI and IU. I am member of many task forces and standing committees of State Bank of Pakistan for standardization of Islamic laws and rules for Islamic financial industry.
- b) My email contact is: <irshad786@gmail.com>

## 3. ASSESSMENT:

- a) The assessment will be done in following manners:
- b) Quizzes:**
  - Four quizzes will be taken during the semester. Two out of four will be taken before mid-term and remaining two will be taken after mid-term;
- c) Assignments:**
  - The assessment for the course is based on four individual or group assignments;
  - These assignments may be in the form of an article on a topic, or a report on a particular issue or an academic essay;
  - These assignments will be assigned to students in class which have to be submitted before deadline;
  - The deadline for each assignment will be communicated in class;
- d) Final presentation:**
  - A presentation on a topic is a must for every student without any exception;
  - “F” grade will be awarded to those who do not participate in final presentation;
  - This presentation will be taken in last class of the semester;
  - Topics will be communicated three weeks before final presentation;
- e) Mid-term Examination:**
  - Mid-term will be taken from all lecture delivered before mid-term;
- f) Final Examination:**

- Final exam will be taken from all lectures given during the semester;

#### 4. METHODOLOGY OF TEACHING:

- a) There will be a class assistant who will coordinate with students;
- b) Students are required to assemble in groups of not more than 5 and less than 4 students in each group. These group will continue till the end of class;
- c) All group affairs and tasks will be assigned to these groups;
- d) I appreciate if a group is made on Google like iu-eif-fall-01 and all students should join the group so that things may be managed in better ways;
- e) Attendance:
  - As per policy 80% of attendance is mandatory. Therefore a student can only avail three (3) leaves;
  - The attendance sheet once submitted to the office will not be changed anyway;
  - Please be careful about count of your attendance and do not create any problem for you;

#### 5. STUDYING PRINCIPLES:

- a) This course brings together a range of topics and ideas which will deal in general with the ideas and myths belongs to Islamic teachings about financial matter;
- b) There are many potentially relevant ideas, concepts and thoughts so you should expect to find that you receive a lot of information and that there is not time to go into all of it in depth;
- c) As a student of finance I expect you are aware of preliminary topics of finance like IRR, financial markets, interest rate and many more;
- d) You should endeavour to cover a range of topics and not focus simply on one area of personal interest;
- e) To get the most out of classes you will need to do preparatory reading. This may include a handout given in advance, and a journal article which you will find in the library;
- f) In addition other readings are suggested, but you are not expected to complete all of these. However it is strongly recommended that you do at least some reading around all or most of the topics covered.
- g) Classroom discussions:
  - In class you will be expected to take part in discussions, presentations and workshop tasks. You should be open minded and to have questions and comments about topics delivered;
- h) Both the students who are seeing their career in finance and those who are going into non financial sector should pay attention to the course as this is beneficial to all of them;

## Essentials of Islamic Banking and Finance

IQRA University Gulshan Campus. MBA,

IRSHAD AHMAD ALJAZ

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1. Course Introduction:
  - a) Introduction and purpose of the course;
  - b) Targets to be achieved;
  - c) Grading policy and general guidelines;
2. History of Islamic finance in Pakistan and round the glob:
  - a) History of Islamic banking and recent developments;
  - b) International developments;
  - c) Criticism and Future outlook;
3. Current economic and financial system and Islamic guidelines on economic affairs:
  - a) Current economic systems – issues and problems;
  - b) Currents financial system – financial techniques and complexities;
  - c) Myths and wrong understanding of issues and realities;
4. Introduction to Shari'ah:
  - a) Scope of Shari'ah rulings;
  - b) Sources of Shari'ah;
  - c) Role of Fiqh and Fuqahaa;
5. Overview of conventional financial and Banking System
  - a) Financial markets and its functions;
  - b) Financial intermediation;
  - c) Banking system and its Islamic alternatives;
  - d) Possibility of Islamization of banking system.
6. Problems and issues in existing financial system;
  - a) Basic prohibitions in Shari'ah;
7. Four basic prohibitions in financial system of Islam;
  - a) Riba (interest);
    - ▶ Introduction to Riba and its modern application;
    - ▶ Types of Riba;
    - ▶ Misconceptions about Riba;
  - b) Gharar (uncertainty);
    - ▶ Introduction to Gharar and its application;
    - ▶ Gambling and speculation;

- c) Violation of Islamic Law of contract;
  - ▶ Meaning of law of contract;
- d) General prohibitions;
  - ▶ Meaning and explanation;
- 8. Introduction to Islamic law of contract;
  - a) Types of contract in Islam;
  - b) Basic elements of a contract in Islam;
  - c) Law of contract and its scope;
- 9. Basic Islamic modes of financing:
  - a) Sale and purchase – trade-based modes of financing (Bai' – Tijaraat);
    - ▶ Types of Sale;
  - b) Lease and tenancy – rental-based modes of financing (Ijarah – Kirayah dari);
    - ▶ Types of lease;
  - c) Partnership (Shirak – shirkat dari);
    - ▶ Types of Shirkah – partnership;
- 10. Trade-based modes of financing:
  - a) Introduction to trade-based modes of financing;
  - b) Types of sale:
    - ▶ Murabahah;
      - Explanation, rules and regulations and application in banking;
    - ▶ Musawamah;
      - Explanation, rules and regulations and application in banking;
    - ▶ Salam;
      - Explanation, rules and regulations and application in banking;
    - ▶ Istisnaa'
      - Explanation, rules and regulations and application in banking;
- 11. Rental-based modes of financing:
  - a) Lease and its types and its Islamic alternative - Ijarah;
  - b) Ijarah and its explanation and application in banking sector;
- 12. Participatory modes of financing:
  - a) Participation and its explanation;
  - b) Shirkat (partnership) and its meaning;
  - c) Types of Shirkah (partnership);
  - d) Musharakah;
    - ▶ explanation, rules and regulations and application in banking sector;

- e) Mudarabah;
    - ▶ Explanation, rules and regulations and application in banking sector;
13. Advanced topics in Islamic banking:
- a) Islamic banks and concept of profit and loss sharing;
    - ▶ Some confusion and misconceptions;
      - Fixation or flexing of return;
      - Meaning of profit and loss sharing;
      - Credit sale and price differentiation – Time value of Money, does time has any value in Islamic finance?
  - b) Treasury operations in Islamic banks;
  - c) Deposit management in Islamic banks;
  - d) Currency trading and its rules and regulations;
  - e) Stock market in Islamic finance;
  - f) Central bank and its role – relation between state bank and Islamic banks;
  - g) International trade and finance and Islamic banking;
  - h) Interest rate benchmarking in Islamic banking;
  - i) Relationship between Islamic and conventional banks;
  - j) Sukuk – Islamic bonds;
    - ▶ Theory and application;
14. Takaful – Islamic insurance;
- a) Explanation, rules and regulations;
  - b) Difference between Takaful and conventional insurance;
  - c) Application;
15. Threats, opportunities, weaknesses and strengths of Islamic banks;
16. Criticism, Challenges and way forward;
17. PRESENTATION