



Universitas Islam Indonesia

Faculty of Economics

INTERNATIONAL PROGRAM

Syllabus Islamic Economics (3 cps)

Subject Overview

This module will introduce students to the newly emerged discipline of Islamic economics and explain how Islam, as a religion, can provide solutions to economic problems faced by human beings. It will be seen how Islam has contributed several alternative values and concept to business and economic activities, especially in micro perspective. Students will gain an insight into how Islamic values guide consumption behaviour, production behaviour, factors of production and its pricing policy, and market and public activities. To have practical sense, several practices of Islamic economic institution and behaviour will be explored. Ultimately students will gain a unique perspective into how Islamic economics can provide a significant contribution to many international economic problems.

Subject Objectives

On successful completion of this module students will:

1. Understand the fundamental features of Islamic economics.
2. Have gained comprehensive knowledge and skills regarding the methodologies associated with Islamic economics.
3. Posses a clear understanding of Islamic economics principles and theories including the key divine revelations on Islamic economics such as the prohibition of *usury*, *gambling* and *gharar* (dubious transactions).
4. Demonstrate an ability to practically understand and apply Islamic values to the current economic and business practices.

Materials and References:

Lectures will be organized into fourteen weekly meetings, excluding mid and final exam

Course outline

Lecture No.	Topic	Description
1.	Definition and scope of Islamic Economics	The vision, mechanism, methods and nature of economic problems and the methodology of Islamic economics.
2.	History and development of Islamic Economics	History of economics and economy during classic era, economic thought

		during post classic era, development of Islamic economic thought in the contemporary stage.
3.	Islamic Law and Rationality	Islamic law and economics, principles of Islamic economics, theorising in Islamic economics, Islamic view of rationality, salient features of the Islamic rationality
4.	<i>Riba, Gharar</i> and Speculation	Islamic view on interest, <i>riba</i> , <i>gharar</i> and speculation, the rationale of <i>riba</i> , <i>gharar</i> , and speculation prohibition, time value of money
5.	Optimisation in Islamic Economics	Concept of efficiency in Islamic perspectives. some selected Islamic contracts.
6.	Theory of Consumer Behaviour	Islamic concept of preference, self-interest and social interest, property rights and obligation, <i>maslahah</i> maximisation.
7.	Theory of Production	Islamic concept of production, business, profit and competition, and business ethics.
8.	Demand and supply Analysis	Factors affecting demand & supply, elasticity concept, basics for market mechanism, just pricing
9.	Input market and its pricing	Classification of input, input market & pricing, Islamic view on natural resources and labour.
10.	Economics of Profit-loss Sharing	The concept & application of profit-loss sharing contracts, the impacts of profit-loss sharing system on the economy and the business environment.
11.	Market Mechanisms from the Islamic Perspective	The concept of market in Islam, early Islamic thought on market mechanism.
12.	Distributive Justice from the Islamic Perspective	Islamic concept of economic resource distribution including <i>zakah</i> as the system for individuals and businesses and the distributive function of <i>zakah</i>
13.	Class presentation	
14.	Class presentation	

References

- Textbooks
 - Hasan, Zubair, 2007, *Islamic Economics*, Kuala Lumpur: McGrawhill, [library]

- Additional Reading Material
 - 1. Ahmed, Habeeb, *Theoretical Foundation of Islamic Economics*, Jeddah: IRTI, 2002, [library]
 - 2. Ahmad Ausaf & Kazim R Awan, *Lectures on Islamic Economics*, Jeddah: Islamic Research and Training Institute IRTI, 1992 [library]
 - 3. Ahmed Khursyid, *Studies in Islamic Economics*, Leicester: Islamic Foundation, 1990 [library]
 - 4. Chapra M Umar, *The Future of Economics: An Islamic Perspective*, Leicester: The Islamic Foundation, 2001. [library]
 - 5. Kahf Monzer, *Lesson in Islamic Economics*, Vol. (1), IRTI - Islamic Development Bank, Jeddah, Saudi Arabia, 1998.[library]
 - 6. Tahir S., Aidit Ghazaly and Syed Omar Syed Agil, *Readings in Microeconomics: An Islamic Perspective*, Longman Malaysia, 1992. [library]
 - 7. See references attached to lecture notes for complete supplementary materials

- Journals
 - 1. IQTISAD, journal of Islamic economics [library]
 - 2. Review of Islamic Economics [library]
 - 3. Islamic Economics Studies [library]

- Websites
 - 1. Electronic journal: *Proquest* [on-line library]
 - 2. www.islamic-finance.net
 - 3. www.ruf.rice.edu

Assessment

.Assignments/Quizzes

Students will be required to complete several assignments/quizzes. These assignments will constitute an integral part of building their knowledge and understanding in regarding information pertaining to this module.

Essays

Two essays will be assigned during the semester. The first one, an individual essay, will be either a theoretical comparative study regarding Islamic concepts and conventional theories, or, an in- depth study on a specific topic of Islamic microeconomics. The second essay involves the same topic with the first one but much more comprehensive. This second essay will be completed as a group assignment, with groups presenting to the class during the 13th and 14th week. Precise questions and topic areas will be allocated to groups by the 7th meeting.

Individual essay comprises of 1000 to 1,500 words (should be handed in by the 5th week). Meanwhile, group essay comprises of 1500 to 3,000 words and should be handed in by the 11th week. All essays should be typed on A-4 size paper with 1, 5 line spacing. The essay content should include:

- Title (cover sheet)
- Introduction (background, main issues and selected topics)
- Main Body
- Conclusion and Implementation
- References and Appendices.

Examinations

There will be a mid semester examination and final examination that will include multiple choice, short answer, case studies and/or essay type questions. Lecturers will provide further information to students before the examination.

Marking

The final grade will be determined by a composite evaluation of the student's performance based on the following assessment areas:

Midterm Exam	35%
Final Exam	35%
Assignments, quizzes	30%
Total	100%

In order to pass this subject, students must satisfy the following requirements:

- 1) A total assessment score of 50%
- 2) Class attendance of at least 75%
- 3) Completion of the course without academic cheating and/or unethical behaviours. These guidelines will be outlined in a learning contract in the first lecture.

Policy on assessment

Essays and assignments will not be accepted after the due date unless arrangements for an extension of time have been made prior to the due date. If you do not agree with the result that you achieve for any piece of assessment for this subject please contact the lecturer immediately. You have a right to know the reasons why your work has received a certain grade and to request a better grade if you believe your work has been unfairly assessed.

Warning Concerning Academic Misconduct:

The International Program expects all students and staff to act with honesty and integrity in all matters. That means being truthful and recognising the intellectual ownership of other people's words, ideas, research findings and information. To not do so academically dishonest and may incur a range of penalties. Academic misconduct includes plagiarism, collusion, cheating in examinations, misappropriating the research of others and misrepresenting research findings.

What is plagiarism?

Plagiarism is the using of another person's ideas or expressions without appropriate acknowledgment and presenting these ideas or forms of expression as your own. It includes not only written works such as books or journals, but data or images that may be presented in tables, diagrams, designs, plans, photographs, film, music, formulae, web sites and computer programs. Plagiarism includes the use of the work of lecturers or other students as your own without acknowledgment. Self-plagiarism is the reuse of your own work without indicating that you have reused it.

Quoting and Paraphrasing:

A quote occurs when you use 5 or more words from another source exactly as the words appear in the original. You are allowed to incorporate quotes from the work of others into your work. However, only up to 10% of your work can be quoted. A paraphrase is restating what someone else has said or written *using your own words*. A paraphrase is not achieved by simply altering the words from another source slightly. A slight rewording is still effectively a quote. You must either:

- Provide an *exact* quote (and indicate that it is a quote)
- Provide an appropriate paraphrase of the ideas in your words.

An appropriate paraphrase is normally achieved by reading and taking notes, then *closing the book and writing your own words*.

What is collusion?

Collusion involves working with others with the intention of deceiving examiners about who actually completed the work. For example, if a student employs someone else to do their work for them, that would constitute collusion. Or if one student willingly allows another student to copy their work for an individual assessment task, that would constitute collusion. In that case both students may have committed an academic offence. Collusion is not the same as collaboration. Collaboration is working together on a task; collusion is doing so in an unauthorised manner. What is authorised varies from task-to-task. For example, collaboration is allowed or expected on many assignments, but for other tasks such as exams and some in-class or online tests no collaboration is allowed. If you have any doubt about what constitutes authorised and unauthorised collaboration on a particular task you should consult IP management.

Avoiding plagiarism:

Plagiarism is avoided by appropriately acknowledging sources of your ideas or expressions. In this unit this entails:

1. Providing an in-text citation using the APA referencing system at the place where any idea or expression from another source is used, whether directly quoted or paraphrased; and
2. Clearly indicating where material is directly quoted (a direct quote occurs if 5 or more words from another source are used exactly as they are used in the original) by using quotation marks for short quotes or indenting for longer quotes; and

3. Providing a full reference to the source in a list of references at the end of the work, again using the APA referencing system.

Important Note: the *APA Referencing Guide* can be obtained from IP management

Course Outline

Lecture Note 1

Definition and scope of Islamic Economics

Overview

Learning objectives

This lecture aims to introduce students to the newly emerged discipline of Islamic economics and explain how Islam, as a religion, can provide solutions to basic economic problems faced by human beings.

Desired learning outcome:

This introductory lecture aims to enable students to appreciate how religion can play an important role in the determination of economic problems.

References

1. Ahmad, K. [ed.] 1981 *Studies in Islamic Economics*. The Islamic Foundation, Leicester, UK [Introduction and Chapter 1]. *[library]*
2. Ahmad, A. and Awan, K. R. [eds.] 1992 *Lectures on Islamic Economics*. IRTI, Islamic Development Bank, Jeddah, Saudi Arabia [Chapter 2] *[library]*
3. Kahf, M. [ed.] *Lessons in Islamic Economics*. IRTI, Islamic Development Bank, Jeddah, Saudi Arabia [Chapters 1, 2, 5 and 6]. *[library]*
4. Chapra, M. U. 2000 *The Future of Economics: An Islamic Perspective*. The Islamic Foundation, Leicester, UK [Introduction, Chapters 1 – 4]. *[library]*
5. On-line resources: www.islamic-finance.net/islamic.economics/chap/chapindex.html

Lecture Note 2

History and Development of Islamic Economics

Overview

Learning objective

To provide an introductory overview to the development of Islamic economics, from the era of the Prophet Muhammad to the most contemporary Islamic economic thinking.

Desired learning outcome

This lecture aims to enable students to clearly understand the roots of and main frameworks behind both classic and contemporary Islamic economic thought.

References

1. Ahmad, K. [ed.] 1981 *Studies in Islamic Economics*. The Islamic Foundation, Leicester, UK. *[library]*
2. Haneef, Aslam *Contemporary Islamic Economic Thought: A Selective Comparative Analysis*, Kuala Lumpur: Iqraq/S.A Majeed Publishers, 1995
3. Chapra, M. U. 2000 *The Future of Economics: An Islamic Perspective*. The Islamic Foundation, Leicester, UK. *[library]*

Lecture Note 3

Islamic Law and Rationality

Overview

Learning objective

To introduce the concept of Islamic law and the role this law plays in building Islamic economics. Decision making and theorising within Islamic economics will also be analysed in relation to the role of Islamic law.

To compare the notions of rationality in Islamic and conventional economics, with a view to understanding the implications for consumer behaviour and resource allocation within firms and in society as a whole.

Desired learning outcome

To enable students to understand the role Islamic Law plays in the theory of Islamic economics. By the end of the lecture, students are expected to be able to clearly identify Islamic economic premises.

This lecture should enable students to appreciate the importance of Islamic rationality in understanding Islamic economic behaviour

References

1. Zarqa M Anas (1992), "Islamic Jurisprudence (*Fiqh*) and Economics of Exchange", in Ahmad Ausaf (1992), *Lectures on Islamic Economics*, IRTI, Islamic Development Bank, Jeddah, Saudi Arabia [Chapter 4]. *[library]*
2. Hassan Hussain Hamid, "The Jurisprudence of Financial Transaction", in Ahmad Ausaf (1992), *Lectures on Islamic Economics*, IRTI, Islamic Development Bank, Jeddah, Saudi Arabia [Chapter 5]. *[library]*
3. Al Sid M Ata (1998), "Some *Fiqh* Concepts Related to Economics", in Kahf Monzer, *Lessons in Islamic Economics Vol 1*, IRTI, Islamic Development Bank, Jeddah, Saudi Arabia [Chapter 2]. *[library]*
4. Mannan Abdul (1993), *Islamic Economics: Theory and Practice*, Houdar & Stoughton Ltd.[Chapter 3] *[library]*

Lecture Note 4

Optimisation in Islamic Economics

Overview

The learning objective of this lecture is to investigate and compare the notions of efficiency in Islamic and conventional economics, with a view to understanding the implications for consumer behaviour and resource allocation within firms and in society as a whole.

Desired learning outcome

This lecture should enable students to appreciate the importance of Islamic optimisation in understanding Islamic economic behaviour.

References

1. Chapra, M. U. 2000 *The Future of Economics: An Islamic Perspective*. The Islamic Foundation, Leicester, UK [Chapters 2]. *[library]*
2. Naqvi, SNH (1993), *Islam, Economics and Society*, Kegan Paul International, London, UK [Chapter 3 and 5] *[lecturer]*

Lecture Note 5

Gharar, Riba and Speculation

Overview

The learning objective of this lecture is to introduce and clarify the three vital concepts of *gharar*, *riba* and speculation. These three concepts form the base of a major part of theorising in Islamic economics. This lecture attempts to show the importance of classification in the development of a new discipline like Islamic economics.

Desired learning outcome

Students should be able to apply these Islamic concepts to both the theory of exchange as well as to real world situations.

References

1. El-Gamal, M. E. 2000 "An Islamic Explication of the Prohibition of Gharar in Classical Islamic Jurisprudence". A paper presented at the *4th International Conference on Islamic Economics and Banking* held in Loughborough, August 13-15, 2000. [lecturer] On-line resource available: <http://www.ruf.rice.edu/~elgamal/files/gharar.pdf>
2. El-Gamal, M. E. 2001 "An Islamic Explication of the Prohibition of Riba", in *Classical Islamic Jurisprudence* [lecturer]. On-line resource available: <http://www.ruf.rice.edu/~elgamal/files/riba.pdf>

Lecture Note 6

The Theory of Consumer Behaviour from an Islamic Perspective

The Learning Objective

The learning objective of this lecture is to introduce students to literature that has been developed in Islamic economics, which can be applied to the theory of consumer behaviour.

Desired Learning Outcome

Following attendance at the lecture, as well as studying the associated lecture notes and readings for this section, each student should be able to explain the consumer behaviour of a representative Muslim living in a Muslim environment.

References

1. Khan, M. F. 1995 *Essays in Islamic Economics*, The Islamic Foundation, UK. [Chapter 2] *[library]*
2. Khan, M. F. 1992 "Theory of Consumer Behaviour in Islamic Perspective", In Ahmad, A. and Awan, K. R. (eds.) *Lectures on Islamic Economics*, [Chapter 9], IRTI, The Islamic Development Bank, Saudi Arabia. *[library]*
3. Kahf, M. 1980 "A Contribution to the Theory of Consumer Behaviour in an Islamic Economy", In Ahmad, K. (ed.) *Studies in Islamic Economics*, Ch 2, The Islamic Foundation, UK [chapter 3] *[library]*
4. Zarqa M Anas, "Consumer Behaviour in an Islamic Economy", in Ahmaed ausaf, *Lessons in Islamic Economics Vol 1*, IRTI[Chapter 14] *[library]*
5. Tahir Sayyid et. al. 1992, *Reading in Microeconomics: an Islamic Perspective*, Longman, Malaysia. [Chapter 2, 6 and 7] *[library]*

Lecture Note 7

Theory of production and the Islamic Firm

Learning Objectives

1. To introduce students to the salient features behind the theory of the Islamic firm.
2. To illustrate that the development of the theory of the Islamic firm has parallels with mainstream theories of the firm.

Desired Learning Outcomes

Students are expected to:

1. Develop an understanding of the social behaviour of the Islamic firm and compare it with models of the social firm.
2. Identify some shifts in mainstream thought and the relation of these shifts to the theories behind Islamic economics.

References

1. Khan, M. F. 1995 *Essays in Islamic Economics*. Chs. 7 and 8, The Islamic Foundation, UK. *[library]*
2. Dar, H. A., Harvey, D. and Presley, J. R. 1999 "Size, Profitability and Agency Problems in Profit Loss Sharing in Islamic Finance" from *Proceedings of the Second Annual Harvard University Forum on Islamic Finance*, Cambridge, USA. *[lecturer]*
3. Dar, H. A. and Presley, J. R. 2000 *Lack of Profit Loss Sharing in Islamic Banking: Management and Control Imbalances*. Iqtishad, Journal of Islamic Economics, Vol. 2, No. 2, March 2001. *[library]*
4. Tahir Sayyid et. al. 1992, *Reading in Microeconomics: an Islamic Perspective*, Longman, Malaysia. [Chapter 9, 10, 11, and 12] *[library]*
5. Ahmad, A. and Awan, K. R. (eds.) *Lectures on Islamic Economics*, [Chapter 9, 10, 11], IRTI, The Islamic Development Bank, Saudi Arabia. *[library]*

Lecture Note 10

The Economics of Profit Loss Sharing

Learning Objectives

- To explain the nature of the profit-loss sharing (PLS) contract
- To explain the implementation of the PLS to business and financial contracts

Desired Learning Outcomes

- Students will be able to understand the concept of PLS and identify its advantages and shortcomings.
- The students should also be able to analyse the application of the PLS contract to modern business and financial contracts.

References

1. Uthman Usamah A, *Debt and Equity Contract in the Theory of Social Economy*, Review of Islamic Economics, 1994, p. 19. [lecturer]
2. Siddiqi M Nejatullah, *Partnership and Profit-Sharing in Islamic Law*, The Islamic Foundation, UK, 1985. [library]
3. _____, *Some Economic Aspects of Mudharabah*, Review of Islamic Economics, 1991, p. 21 [lecturer]
4. Siddiqui Shamim Ahmad & Mohsen Fardmanesh, *Saving and Investment under Mudarabah Finance*, Review of Islamic Economics, 1992, p. 31. [lecturer]

Lecture Note 11

Market Mechanism in Islamic Perspective

Learning Objectives

- To explain the concept of market and business interactions in Islamic perspectives
- To explain the development of Muslim thoughts on market mechanisms and the role of the state.

Desired Learning Outcomes

- This lecture and accompanying material should enable the students to understand the implication of Islamic value to competition and business interaction
- The students should be able to demonstrate the application of business interaction according to Islamic perspective.

References

1. Islahi AA, *Economic Concept of Ibn Taimiyah*, the Islamic Foundation, Leicester, UK, 1997. [lecturer]
2. Ahmad Mustaq, *Business Ethics in Islam*, Kitab Bhawan, New Delhi, 1999 [library].
3. Maududi Abul A'la, *Economic System of Islam*, Lahore Pakistan Publication (PVT), 1984 [library]

Lecture Note 12

Distributive Justice in Islamic Perspective

Learning Objectives

- To explain the resource distribution problem from the Islamic perspective.
- To explain the impact of the application of Islamic values into distribution policies and the business environment.
- To explain the distributive function of Zakah in an Islamic economy

Desired Learning Outcomes

- This lecture should enable the students to clearly understand the problem of distribution in Islamic perspective and its solutions.
- The students should also be able to understand distributive function of Zakah in an Islamic economy

References

1. Faridi, F.R. 1980 "Zakat and Fiscal Policy", in K. Ahmad [ed] *Studies in Islamic Economics*. Ch 6, The Islamic Foundation, UK. [library]
2. Zarqa, M. A. 1992 "Distributive Justice in Islam", in A. Ahmad and K. R. Awan [eds] *Lectures on Islamic Economics*. Ch 8, IRTI, IDB. [library]
3. Iqbal Munawar, *Distributive Justice and Need Fulfilment in an Islamic Economy*, The Islamic Foundation, Leicester, UK, 1986. [library]
4. Iqbal Munawar, "Zakah, Moderation, and Aggregate Consumption in Islamic Economy", in Ahmaed Ausaf, *Lessons in Islamic Economics Vol 1*, IRTI[Chapter 10] [library]
5. Website: <http://www.amanafunds.com/>