

Code: ECON-204

Title: Islamic Economics

Credit Hours: 03

Prerequisite: Principles of Microeconomics and Principles of Macroeconomics

Objectives:

The course is designed for senior students having gone through some basic courses in economic theory and development economics. The objective is to let them realize that Islam provides full guidance to its followers in all spheres of social life. The students have to understand the Islamic injunctions ordained for economic behaviour, both in the individual as well as collective capacity. They have to compare the prevailing system with that devised by Islam, to capture the socio- economic problems faced by the present day Muslim countries and to find ways and means to reconstruct the system in vogue according to Islamic guidelines so as to achieve greater stability, equity in distribution and reduction in poverty as

the primary goals of all developing nations.

Course Contents

Introduction

Islamic Economics: Definition, Nature, and Importance, Islamic Economics Versus Secular Economics, The foundations of Islamic Economics, Brief Introduction of the Basic Values of Islam; Piety (Taqva), The lawful and unlawful (Halal and Haram), Trusteeship, Accountability, Justice, Benevolence, Equality, Brotherhood and Cooperation, Determinants of Economic Behavior and Policies in Islam.

Islamic Economic Thought

Contribution of prominent scholars towards development of Islamic Economic Thought (Imam Abu Yousuf, Imam Abu Ubaid Al-Qasim Ibn- e-Khuldoon, Imam Ibn-e-Taimiyah, Shah Walliullah Dehlawi, Maulana Maududi, Baqar-al-Sadar etc).

Microeconomics in Islamic Framework

Consumer's Behaviour

Objectives, Success in this world and the life Hereafter, Moderation in consumption, restricted set of preferences, altruism and charitable donations (Zakah Consumer's equilibrium in an Islamic framework. And Sadaqat), Utility function.

Behaviour of the Firm

Business Ethics in production and marketing, Permissible and prohibited activities, Hoarding and gains, Forms of business organization: Proprietorship, Partnership (Muzara'h, Mudharbah, Musharakah), Joint Stock Company (Sharikah), Modes of investment and financing

Market Structure

The concept of fair trade, Resource allocation under Islamic environment, Emphasis on competition, The case of monopolies and cartels in an Islamic system, Behaviour of the retailers, stock holders and whole-sellers, types of transactions (Bai Fasid, Bai Slalm, Bai Muajjal, Murabaha), Principles of financial contracts, Determination of price and the rate of Normal profit, Meeting of losses, Price mechanism and role of the State in market regulation.

Macroeconomics in Islamic Framework

Some Basic Macroeconomic Concepts

Consumption, saving and investment functions, Determinants of consumption and Investment functions in Islamic environment, Concept of helping others, the parameters of Publics pending in Islamic framework, International trade relations, Inflation and unemployment, Stabilization policies in Islamic framework.

Money and Banking

Commodity money, Paper money and Credit money, The concept of Riba (interest): its interpretation and implications, Justification of interest in the conventional theory, Rationale for prohibition of interest-based transactions and gambling, Models of interest-free Commercial Banking, Modes of financing investment: leasing (Ijarah), partnership in capital (Musharka), principal-agent Murabaha, Bai-Salam, Bai Muajjal etc., Central Banking



and monetary policy in Islamic framework: Combating inflation, Design of capital markets and Insurance.

Public Finance and Fiscal Policy

Sources of revenue and heads of expenditure of an Islamic State, the scope for taxation, Objectives of fiscal policy: Social justice, Equity in distribution and elimination of poverty, Beneficiaries of Zakat, Exemption limits and rates of Zakah, Economic impacts of Zakah & Usher: the multiplier effect, Financing economic growth and development in Islamic perspective, The case of domestic and foreign borrowing.

Islamic Economic System

Salient features of an Islamic Economic System: Objectives, Economic Freedom, Equity and Efficiency, Social and distributive justice, The relative importance of Capital and Labour, Private ownership and property rights, Family system and the law of inheritance, The institution of Zakah and Bait-ul-Mal, Wider circulation of wealth, Fulfillment of basic needs, The institution of Interest and its inconsistency, Rationale for prohibition of interest, Role of the State in an Islamic system, Protection of faith and Islamic values, Economic and social welfare, Alleviation of poverty and reducing of inequalities, Comparison of Islamic economic system with Capitalism and Socialism.

Islamization Process in Pakistan

Islamization of the banking and financial system: Reports of the CII and implementation issues, the role of financial institutions in the private sector, Implementation of Zakah and Usher system: Prospects and Problems, a brief survey of changes that have taken place in economic and financial structure since 1980's, Islamic Banking practice and the role of the State Bank of Pakistan, The process of Islamization in other countries like Iran, Sudan, Malaysia.

Recommended Books:

- Ahmed, Khurshid. (1980). Studies in Islamic Economics-King Abdul Aziz University Jeddah and The Islamic Foundation UK
- Ziauddinetal. (1983). Money and Banking in Islam. King Abdul Aziz University Jeddah and Institute of Policy Studies Islamabad.
- Ziaud din (1983). Fiscal Policy and Revenue Allocationin Islam. King Abdul Aziz University Jeddah and Institute of Policy Studies Islamabad.
- Siddiqui, M. N. (1983). Issues in Islamic Banking - Leicester, The Islamic Foundation, UK.