



Islamic Monetary Economics

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Course Description

This course will cover the core principles of Islamic monetary economics and finance and their application in the contemporary financial system. It will enable the students to gain an understanding of the workings of Islamic economic principles in the financial and monetary system and get exposure to the current challenges and impediments in the transformation of current financial and monetary system into an exclusively Islamic financial and monetary system.

Course Objectives

The course sets forth the following objectives:

- ❖ To learn the core principles of Islamic monetary economics and finance and see their application in the contemporary financial system.
- ❖ To study the role of money, financial intermediaries and financial transactions and contracts in Islamic monetary system and contrast it with contemporary monetary system.
- ❖ To understand the function of central bank in Islamic financial system and the tools and policy instruments available to the central bank in the Islamic monetary and financial system.
- ❖ To acquire understanding of how to conduct monetary policy and function of monetary management within Islamic principles, contracts, instruments and institutions.
- ❖ To explore and evaluate evidence of monetary policy transmission in dual monetary system.

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.

Reference Texts

1. Monetary and Fiscal Economics of Islam: An Outline of Some Major Subjects for Research by King Abdul Aziz University, 1st Edition, Islamic Foundation UK.
2. Central Banking and Monetary Policy in Muslim-Majority Countries by Akhand Akhtar Hossain, 1st Edition, Edward Elgar.
3. Towards a Just Monetary System by Muhammad Umer Chapra, 1st Edition, Islamic Foundation UK.
4. Introduction to Islamic Banking and Finance by Muhammad Kabir Hassan, Salman Ahmed Shaikh and Selim Kahyan, 1st Edition, World Scientific Press.

Assessment / Grading

Marks Distribution	Marks Allocation
Quizzes / Assignments	15
Research Project / Presentation	15
Midterm Exam	30
Final Exam	40

Weekly Course Plan

#	Content Covered	Sub-Topics
1	<ul style="list-style-type: none">• Introduction to Islamic Economics and Finance	<ul style="list-style-type: none">• Distinctive Principles• Contrast with Mainstream Economics• Distinctive Institutions• History of Muslim Economic Thought
2	<ul style="list-style-type: none">• Ethical and Institutional Foundations of Islamic Monetary System	<ul style="list-style-type: none">• Things to Avoid in Islamic Monetary System• Economic and Social Objectives Underpinning Islamic Monetary System• Governing Framework for Product Development and Practices
3	<ul style="list-style-type: none">• Building Blocks of Contemporary Monetary System	<ul style="list-style-type: none">• Foundations of Contemporary Monetary System• Conducting Monetary Policy Under Different Regimes• Fractional Reserve Banking and Tools to Regulate
4	<ul style="list-style-type: none">• Role of Money in Islamic Monetary System	<ul style="list-style-type: none">• Definition and Functions of Money• Islamic Perspective on Commodity, Fiat and Cryptocurrency• Money Creation Process and Islamic Monetary System
5	<ul style="list-style-type: none">• Islamic Commercial Banking in Islamic Monetary System	<ul style="list-style-type: none">• Islamic Modes of Financing to Perform Asset Side Operations• Islamic Modes of Deposit Mobilization• Interaction of Islamic Banks in Interbank Market and with Central Bank
6	<ul style="list-style-type: none">• Islamic Money Market Instruments	<ul style="list-style-type: none">• Critical Review of Conventional Money Market Instruments

		<ul style="list-style-type: none"> • Islamic Alternatives for Conventional Money Market Instruments • Existing Gaps in Money Market Instruments with no Islamic Alternates
7	<ul style="list-style-type: none"> • Islamic Capital Market Instruments 	<ul style="list-style-type: none"> • Critical Review of Conventional Capital Market Instruments • Islamic Alternatives for Conventional Sovereign Financing Instruments • Enhanced Role of Islamic Capital Market to Fill Gap of Limited Money Market Instruments
8	Midterm Exam	
9	<ul style="list-style-type: none"> • Functions of Central Bank in Islamic Monetary System 	<ul style="list-style-type: none"> • Review of Theoretical Edifice of Mainstream Monetary Economics • Role and Functions of Central Bank in Islamic Monetary System • Monetary Policy Regimes and Islamic Monetary System • Shari'ah Regulations to Govern Islamic Monetary System
10	<ul style="list-style-type: none"> • Monetary Policy Instruments in Islamic Monetary System 	<ul style="list-style-type: none"> • Instruments to Regulate Reserve Requirements • Instruments to Allow Provision of Finance to Banks • Instruments to Regulate Control of Money Supply
11	<ul style="list-style-type: none"> • Monetary Transmission in Islamic Monetary System 	<ul style="list-style-type: none"> • Monetary Policy Transmission through Savings and Investment Channel • Monetary Policy Transmission through Credit Channel • Monetary Policy Transmission through the Exchange Rate Channel • Monetary Policy Transmission through Expectations Channel • Monetary Policy Transmission through Wealth Channel • Empirical Evidence of Monetary Policy Transmission in the Dual Banking System
12	<ul style="list-style-type: none"> • Alternative to Fractional Reserve System 	<ul style="list-style-type: none"> • Critical Review of the Fractional Reserve System • Comparative Analysis of Alternatives for Fractional Reserve System • Synthesis Towards an Islamic Alternative to Fractional Reserve System
13	<ul style="list-style-type: none"> • Frictions in Liquidity Management 	<ul style="list-style-type: none"> • Obstacles in Short Term Liquidity Management in Islamic Finance • Available Islamic Alternatives for Liquidity Management • Different Perspectives on Contemporary Liquidity Management Products

14	<ul style="list-style-type: none"> • Islamic Interbank Market and Distinct Benchmark 	<ul style="list-style-type: none"> • Difficulties in Using a Distinct Islamic Benchmark for Pricing • Review of Suggested Alternatives for an Islamic Benchmark • Synthesis Towards an Islamic Alternative to Pricing Financial Contracts
15	Project Presentations	
16	Final Exam	

