

## Thoughts on the Curriculum for Islamic Economics and Finance Program

Ahmet TIKTIK

### Abstract

Making the teaching of Islamic economics relevant to the challenges faced by the Islamic countries is becoming crucial if the Islamic economics will take its place as a credible area of study field. I provide some suggestions in this regard. The first one is to adopt the newly emerged method of teaching the economy rather than economics as having been done by the CORE Econ group. Relatedly, preparing the students for the job market, the paper also draws the attention to some major tools and concepts. The second one is to orient the Islamic economics and finance program around the Maqasid and thus infusing development perspective into the program. Thirdly, I suggest to expose the students to an historical perspective of "Rise and Fall of Muslim Civilization" that would link the past to the current economic situation of Muslim countries. Lastly, it would be more effective to involve business players from the very beginning to help students in understanding the prevailing concepts in economy.

### ملخص

إن ربط تدريس الاقتصاد الإسلامي بالتحديات التي تواجهها البلدان الإسلامية أصبح أمرا بالغ الأهمية إذا كان الاقتصاد الإسلامي سيأخذ مكانه كمجال دراسة موثوق به. وأنا أقدم بعض الاقتراحات في هذا الصدد. أولاً، تبني الطريقة الناشئة حديثاً لتدريس الاقتصاد بدلاً من علوم الاقتصاد كما فعلت مجموعة كور إيكون. وفيما يتعلق بإعداد الطلاب لسوق العمل، تلقت الورقة الانتباه أيضاً إلى بعض الأدوات والمفاهيم الرئيسية. ثانياً، توجيه برنامج الاقتصاد والتمويل الإسلامي حول المقاصد وبالتالي إدخال منظور التنمية في البرنامج. ثالثاً، أقترح تعريف الطلاب

بمنظور تاريخي لمسألة "صعود وسقوط الحضارة الإسلامية" الذي من شأنه أن يربط الماضي بالوضع الاقتصادي الحالي للدول الإسلامية. وأخيراً، سيكون إشراك الجهات الفاعلة التجارية من البداية أمراً ذا فعالية أكثر لمساعدة الطلاب فيما يتعلق باستيعاب المفاهيم السائدة في الاقتصاد.

### ABSTRAITE

Il devient crucial de rendre l'enseignement de l'économie islamique pertinent par rapport aux défis auxquels sont confrontés les pays islamiques si l'on veut que l'économie islamique prenne sa place en tant que domaine d'étude crédible. Je présente quelques suggestions à cet égard. La première est d'adopter la nouvelle méthode d'enseignement de l'économie plutôt que de l'économie, comme l'a fait le groupe CORE Econ. Dans le cadre de la préparation des étudiants au marché du travail, le document attire également l'attention sur certains outils et concepts majeurs. Le deuxième est d'orienter le programme d'économie et de finance islamiques autour du Maqasid et d'y intégrer ainsi la perspective du développement. Troisièmement, je suggère d'exposer les étudiants à une perspective historique de "Rise and Fall of Muslim Civilization" qui ferait le lien entre le passé et la situation économique actuelle des pays musulmans. Enfin, il serait plus efficace d'impliquer des acteurs du monde des affaires dès le début pour aider les étudiants à comprendre les concepts dominants en économie.

**Keywords:** Bank; Islamic bank; Net interest margin; Dealership model

**JEL Classification:** G21; L10

This paper aims to provide some suggestions on the curriculum of Islamic economics and finance (IEF) programs. In doing this, we emphasize two points at the outset. First, our focus will be on the Islamic economics with a view of economic development perspective. There are basically two reasons behind this point. The first reason is stemming from the need to make the IEF curriculum more relevant to job market needs.<sup>1</sup> The second reason pertains to the recent developments taking place in teaching the conventional economics. Though the latter reason has a secondary

---

<sup>1</sup> Also, INCEIF (2020) refers to the challenge of disconnect between industry and academia, leaving most graduates ill equipped for jobs in the real world of Islamic financial institutions. Hidayat et al. (2020) reports on the studies which found in several countries mismatch between skills needed by the industry and skills of IEF graduates obtained during their studies. As a corollary to this finding, Huda et al. (2016) reports that the absorption rate of IEF program graduates in Indonesia stands below 40 %.

importance to the IEF curriculum development, it is considered as crucial in shaping the curriculum.

Secondly, the points and observations raised in this paper, are thought to be applicable across the IEF education providers globally. A further study which will review the curricula of the current IEF programs would be relevant and complementary to this paper. Not to lose the main focus of the paper, the curricula review is left to a later stage.

### **The need to make the IEF curriculum relevant to market needs**

Students of IEF program, when they graduate, are expected to start working at the following professions:

- Foreign trade companies,
- Finance institutions,
- International institutions,
- NGOs, and
- Governmental agencies, among others.<sup>2</sup>

In these organizations, the following major functions are performed:

- Country reports/briefs/analyses
- Trade (exports and imports) operations
- Credits (evaluation, allocation, management etc.)
- Foreign investment (portfolio or direct investment)
- Asset management
- Sector policy analysis
- Social policy analysis
- Project preparation/evaluation/execution (management)
- Financial management

The primary objective of the IEF program should be to help students prepare for capabilities to perform these functions depending on the specific career they pursue. Hence one can ask how we should design the IEF program so as to realize the above objective. We suggest that IEF program should have three major components: a) The conventional

---

<sup>2</sup> Certainly, this list is not exhaustive: we can include other professions like academia, entrepreneurial ventures etc. As various studies emphasized (Numan and Ali (2016), Hafsa (2017), and INCEIF (2020) among others), from the supply side perspective, there is also a need to increase qualified academicians in the field of IEF.

economics, b) The Islamic economics and finance, c) Orientation and skills formation component.

### **Conventional Economics**

We present two proposals regarding the first component, i.e. the conventional economics. Firstly, conventional economics should be an important component of IEF program: it offers a set of tools and concepts which can be helpful in explaining economic and social developments at country or global level. Therefore, students of IEF program should develop a sound basis of understanding of the conventional economics. Major courses like microeconomics and macroeconomics or specific courses under the first component are expected to strengthen some basic economic concepts and tools in conducting economic and social analyses. We would like to point out that these tools and concepts are crucial in understanding and analyzing economic and social developments in general and delivering the tasks the students will perform in their professional careers. Some of these tools and concepts are the following<sup>3</sup>

---

<sup>3</sup> This list can be further refined depending on the orientation of a particular IEF program and consultation with the business players in that industry. Moreover, since the paper focuses on the Islamic economics, financial tools and concepts are excluded from the scope.

Tools and concepts	Explanation
Input-output analysis	<ul style="list-style-type: none"> <li>• Helps connecting expenditures side to value-added and income sides of GDP.</li> <li>• Gives the notion of material balance for every sector</li> <li>• Shows forward and backward linkages among sectors</li> </ul>
General equilibrium analysis	<ul style="list-style-type: none"> <li>• Provides a system-wide view of economy with multisector interdependencies</li> <li>• Gives the notion of resource and budget constraint</li> <li>• Emphasizes the importance of relative prices in determining the resource allocation in an economy</li> </ul>
Cost-benefit analysis (project preparation/project evaluation)	<ul style="list-style-type: none"> <li>• Enables students to gauge the technical feasibility (profitability) of individual investment projects as well to compare alternative investments</li> </ul>
Accounting (macro, public sector and corporate)	<ul style="list-style-type: none"> <li>• Especially national accounting provides a complete and consistent picture of a circular flow in an economy where GDP, current account, budget deficit, and balance sheet of central bank are consistently related</li> </ul>
Market/Sector analysis (industrial organization)	<ul style="list-style-type: none"> <li>• Market assessment tools enables students to analyze and understand the competitive dynamics of an industry (demand and supply, degree of competition, future prospects, emerging technologies, etc.)</li> </ul>
Randomized Control Trial analysis	<ul style="list-style-type: none"> <li>• This is an emerging research tool being used especially in development economics for testing effectiveness of policy implementation on health, education, micro-finance etc. (Muller et al.(2019)</li> </ul>

Secondly, nowadays there is a new thinking in teaching the conventional economics. This new approach is heavily influenced by the global financial crisis in 2008, which the prevailing economic theory could not predict, as reflected in a famous question posed by the Queen of England “Why did nobody see this coming?”<sup>4</sup> To respond to the dissatisfaction with the current teaching, a new approach has been adopted by the CORE-ECON group, which produces open-access teaching material on economics and presently taught at more than 300 universities around the world.<sup>5</sup>

Just to show the difference with the standard textbook we would like to give two excerpts from the textbook “The Economy: Economics for a Changing World” (2017) (<https://core-econ.org/the-economy/>):

“Because CORE starts with big problems and questions from history and current affairs, the models and explanations we use need to take account of real-world phenomena. For example, actors never have complete information about everything relevant to the decisions they are making, motives other than self-interest are also important, and the exercise of power in strategic behaviour often has to be part of the explanation for the outcome we see.” (Preface, p. xv)

“The text focuses throughout on evidence on the economy, from around the world, and from history. It is motivated by questions—how can we explain what we see? The method is to ask interesting questions first and then to introduce models that help to answer them. Standard tools such as constrained optimization are taught by showing how they give insight into real-world problems. Economics as a discipline is set in a social, political, and ethical context in which institutions matter.” (A note to instructors, p. xvii)

Unlike the standard textbook of introductory economics, the newly developed approach (as it is continuously being developed in an open-source material) provides a new way of understanding how the economy works and a new way of explaining the economy to the students.

---

<sup>4</sup> Giles (2008)

<sup>5</sup> The CORE Project stands for “The Curriculum Open-Access Resources in Economics Project”. See The CORE Project: Economics for a Changing World, <https://www.core-econ.org/>

Moreover, concepts, tools and models are introduced from a historical perspective.

Additionally, The Economist (2017) summarizes the new textbook, The Economy, as follows: “It (The Economy) begins with the biggest of big pictures, explaining how capitalism and industrialisation transformed the world, inviting students to contemplate how it arrived at where it is today. Messy complications, from environmental damage to inequality, are placed firmly in the foreground. It explains cost curves, as other introductory texts do, but in the context of the Industrial Revolution, thus exposing students to debates about why industrialisation kicked off when and where it did. Thomas Malthus’s ideas are used to teach students the uses and limitations of economic models, combining technical instruction with a valuable lesson from the history of economic thought.”<sup>6</sup>

In the light of foregoing, we would like to propose to adopt this approach in teaching the conventional economics and collaborate with the CORE Team (The CORE Project, Economics Department University College London).<sup>7</sup>

### **Islamic Economics**

With regard to the Islamic economics component, first we would like to suggest a methodology in line with the one adopted by the CORE group mentioned above. That is studying the economy rather than economics. The economy is the outcomes of economic activities, resulting in economic challenges in the real world. In contrast, economics is a way of analysis to understand the economy (i.e. real-world problems) by using facts, concepts, tools, and models. Accordingly, we should first pose prevailing socio-economic, moral, and political (related to institutions and governance) challenges faced by Islamic countries and then teach the current concepts and tools of both conventional and Islamic economics to arrive at solutions or answers. Pedagogically this flipped way can be more engaging for students in connecting them with real life issues.

Such an approach has also been propounded by Wilson (2014), Chapra (2000), Chapra (2001), and Chapra (2014). Wilson (2014) referring to Tag el-Din (2013) says “...the emphasis for the next generation of Islamic

---

<sup>6</sup> See The Economist (2017)

<sup>7</sup> As of July 2020, the departments of economics in seven universities in Turkey are using the CORE.

economists should not be to try to develop more theory, but rather to focus on economic policy issues (Tag el-Din, 2013). At present there are no countries implementing economic policies that have been based on *maqāsid*, which remains an ideal rather than a reality. The fault does not rest with governments however, but rather with the failure of academic researchers in Islamic economics to study the policy options

confronting modern states. Academics cannot and should not dictate policy, but by examining the merits and drawbacks of different economic choices they can provide valuable advice. Unfortunately, at present the Islamic economics literature does not provide any guidance in this respect.”<sup>8</sup>

The second issue we would like to raise is how best we can incorporate the *Maqasid*, i.e. the aspiration of Islam within the curriculum of Islamic economics. The aspiration (vision) of Islam is to realize the well-being of mankind (human development) by ensuring the enrichment of the following five components of human well-being: *human self (life), faith, intellect, posterity, and wealth*.

In realization of the *Maqasid* (the primary objective), there are corollary ingredients which play a crucial role in the enrichment of these five components of human well-being. These are high quality education, family integrity, equity, employment opportunities, good governance, youth development, social solidarity, poverty alleviation, and justice among others (the secondary objectives).<sup>9</sup> Hence, the following subjects are considered as crucial to be taught: Family studies, income distribution, employment, youth, education, health, community development and cohesion, good governance, and building social character traits<sup>10</sup> in

---

<sup>8</sup> Similarly, Chapra (2000, 2001, and 2014) hold the view that the Islamic economics should have the task of analyzing the problems faced by Muslim countries. Thus, Islamic economics will be able to suggest a balanced package of policy proposals in the light of Islamic teachings to enable Muslim countries to perform the difficult task of actualizing their normative goals, the *Maqasid*, while simultaneously reducing their imbalances.

<sup>9</sup> See Chapra (2008a) for an extensive exposition on this issue.

<sup>10</sup> Moral values and rules of behaviour. Currently in the OIC countries there is a gap between Islamic norms and the actual behaviour of economic agents: corruption, living beyond means, conspicuous consumption, wastefulness of resources, lack of work ethics, lack of sense of fulfillment of contractual commitments, inter alia (see WB Governance indicators, and International Transparency Index among others). Chapra (2001) argues that Islamic economics should analyse factually the actual behaviour of economic agents and explain both why they behave the way they do and why they do not behave in an ideal way as cherished by divine moral values.



collaboration with other disciplines like sociology, psychology, political science, and institutional and behavioral economics.

As the current teaching of the conventional economics is trying to be more relevant to the challenges of society<sup>11</sup>, the IEF programs should endeavor to adopt a similar approach. Today Muslims have been facing various challenges in realization of the Maqasid. One major part of the challenges pertains to the sluggish performance in economic development. More than half of the OIC countries (34 out of 57) are low and lower-middle income countries. Those countries which are close to high-income status could not leap into the high-income category, and thus break the middle-income trap more than a decade (e.g. Malaysia and Turkey). And those countries which are classified as high-income countries have been continuing as solely resource-based economies, highly dependent to external price shocks, and striving to diversify desperately.

Furthermore, the OIC countries (the other developing countries as well) are currently facing the following major economic policy issues: Maintaining the macroeconomic fundamentals, correcting the misallocation of resources and reallocating them to more productive areas, making governments effective in public service delivery and pursuing more active industrial policy. Rigorous efforts are needed to spur growth and development<sup>12</sup> in the OIC countries and any progress to be made will serve the realization of the well-being of the people.

Equally demanding policy areas facing the OIC countries are family disintegration, youth unemployment, weakening community cohesion, poor governance, rising inequality of income and wealth distribution, poverty, low quality education and poor health performance, lack of observance of moral and social values (at almost every level, i.e., individuals, families, corporate sector and public sector). The Muslim societies have been failing in most of these areas and most indicators are pointing out in this direction. Any progress or lack thereof will have serious implications in realization of the Maqasid.

In order to address these issues, the IEF program may offer at least two additional courses: **social development** and **solutions for development**. The course on social development may deal with demographic and social

---

<sup>11</sup> In addition to the CORE Project, see Coyle (2012) and the Institute for New Economic Thinking (<https://www.ineteconomics.org>)

<sup>12</sup> See Banerjee and Duflo (2019) and (2020) and Cherif and Hasanov (2019)

trends affecting family institution, urbanization, and community cohesion. It may also elaborate on the emerging issues of youth, aging, income and wealth distribution, and poverty. As more and more studies point out the connection between high quality educational attainment and the level of development across the countries, the area of high quality education (material as well as moral) should deserve a special part either within the social development or separately.<sup>13</sup> The analysis can be confined to the individual country level with a comparative view of other Muslim societies and the advanced countries.

The **solutions for development** course can be complementary to the first one, where the IEF program can review the various already existing and potential solutions to the current challenges Muslim societies are facing. This way may lead to nurture promising practical solutions which may guide policy makers at various levels, central and local government and corporate sector. We should emphasize here it may be appropriate to benefit from the experience of other countries that have made important progress in dealing with these challenges as long as these solutions are not in conflict with the vision of Islam.<sup>14</sup>

Furthermore, it is considered relevant to introduce one more course to the IEF curriculum, that is *Rise and Fall of Muslim civilization* (economic, social, political and cultural aspects).<sup>15</sup> This course may bring an historical background to the current situation prevailing in the Muslim economies by reviewing the possible factors which have played major roles in their performance. It may also be more meaningful if the major elements of Islamic economic thought are infused into this course.

### **Orientation Component**

The last proposal for the curriculum is related to the first semester. The first-year students are fresh graduates from high schools, who are not generally equipped with conceptual thinking to be able to relate abstract concepts to the real-world economic phenomena. Exposing them to the abstract concepts of textbooks from the very beginning is not a motivating

---

<sup>13</sup> See Hanushek and Woessmann (2015), Pritchett (2013) and OECD (2010) among others.

<sup>14</sup> Hidayat et al. (2020) refers to a similar approach introduced recently in Indonesia as part of the new policy of higher education, where students are required to be involved in community development project in solving the communities' problems through the implementation of Islamic economic and financial tools.

<sup>15</sup> Chapra (2008b) is an important contribution in this respect. Also see Siddiqi (2014).

and effective teaching method. Hence, we can design a first-semester program where executives from business community can deliver a series of seminars and interactive discussions on the real-world economic and finance concepts such as markets, demand, supply, price, cost, etc. This way can bring the expertise of businessmen to the curriculum and provide opportunities for students and faculty for a better integration between theory and practice.<sup>16</sup>

A parallel practice has been introduced at International Center for Education in Islamic Finance (INCEIF) to ensure students are aware of Islamic finance practice. Two initiatives have been launched in this regard, namely Professor of Practice and Action Based Learning Schemes<sup>17</sup>. Under the first one, senior industry practitioners are appointed to co-teach a subject or to co-supervise a student's project with another faculty member. Under the Action Based Learning, students under the supervision of a faculty member and leading industry practitioner identify and propose solutions to real-world business issues faced by enterprises and Islamic financial institutions.

### **Conclusion**

Two major developments have led to write this paper, namely “new ways of teaching conventional economics in the wake of 2008 financial crisis” and greater interest in Islamic economics and finance programs in universities globally. The common factor here is how to make the teaching of these two areas relevant to the realities of economic activities so that both students and industry players would be more satisfied and equipped with the skills set which may match with the expectations of the industries.

The paper also raises the need to enrich the program of IEF with more emphasis on the maqasid (promotion of well-being of human beings) aspects with practical policy orientation in order to address current economic and social challenges the Muslim societies facing.

It may also be pertinent to expose the IEF students to an historical perspective of “Rise and Fall of Muslim Civilization”-cum-history of

---

<sup>16</sup> See Kent (2007)

<sup>17</sup> INCEIF (2020)

economic thought. This would facilitate the linking of the past to the current situation in Muslim countries.

Last but not the least it may also be relevant to bring the markets to the students from the very beginning. The first semester can be designed in a way that students may be exposed to a series of seminars and discussions with executives from business community. Thus, such a practice would serve two purposes: business players can be involved actively in being part of the curriculum and students can better grasp abstract concepts and connect with theoretical and practical issues.

**REFERENCES**

- Banerjee, Abhijit. V. and Esther Duflo (2019), *Good Economics for Hard Times*, Public Affairs, New York
- Banerjee, Abhijit. V. and Esther Duflo (2020), 'How Poverty Ends: The Many Paths to Progress—and Why They Might Not Continue,' Foreign Affairs, January/February 2020
- Chapra, M. Umer (2000), *The Future of Economics: An Islamic Perspective*, The Islamic Foundation, UK
- Chapra, M. Umer (2001), *What is Islamic Economics*, Islamic Research and Training Institute/IDB, Jeddah
- Chapra, M. Umer (2008a), *Muslim Civilization: The Causes of Decline and the Need for Reform*, The Islamic Foundation, UK
- Chapra, M. Umer (2008b), *The Islamic Vision of Development in the Light of Maqasid Al-Shari'ah*, Islamic Research and Training Institute/IDB, Jeddah
- Chapra, M. Umer (2014), Is it Necessary to Have Islamic Economics, in Chapra, *Morality and Justice in Islamic Economics and Finance*, Edward Elgar Publishing, Cheltenham UK.
- Cherif, Reda and Fuad Hasanov (2019), 'The Return of the Policy That Shall Not Be Named: Principles of Industrial Policy,' IMF Working Paper 19/74,
- Giles, Chris (2008), 'The Economic Forecasters' Failing Vision' The Financial Times, November 25
- Coyle Diana (ed.), (2012), *What's the Use of Economics?: Teaching the Dismal Science After the Crisis*, London Publishing Partnership, UK
- Hafsa, Zeynep, O. (2017), *Türkiye'de İslam İktisadı ve Finansı Lisansüstü Programları Müfredatı*, (Curricula of Graduate Programs in Islamic Economics and Finance in Turkey), IKAM (Islam İktisadı Araştırmalar Merkezi- Center for Research on Islamic Economics), Istanbul
- Hanushek E. A. and Woessmann L. (2015), *The Knowledge Capital of Nations: Education and Economics of Growth*, CESifo Book Series, MIT Press

Hidayat, Sutan E., Sudarmawan Samidi and Atiqoh Nasution, (2020) '*The Alignment of Islamic Economics Curriculum with the New Directive Policy of Indonesian Education Minister*', paper presented at the 12th International Conference on Islamic Economics and Finance, Istanbul

Huda, N., Rini, N., Anggraini, D., Hudori, K., Mardoni, Y. (2016). '*The Development of Human Resources in Islamic Financial Industries from Economic and Islamic Financial Graduates.*' *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* (Journal of Islamic Economics), Vol. 8 (1)

INCEIF (2020), Taking Islamic Finance Education to New Heights, INCEIF Refinitiv Islamic Finance Knowledge Outlook Report 2020

Kent, Muhtar (2007), Remarks to the 15<sup>th</sup> CEEMAN Annual Conference presented at the Conference, Istanbul, (The Central and East European Management Development Association (CEEMAN))

Muller, S., M., Chelwa, G., and Hoffman, N. (2019), '*How randomised trials became big in development economics,*' *The Conversation*, December 2019

Nu'man, R., ve Ali, S. N. (2016). '*Islamic Economics and Finance Education: Consensus on Reform,*' *Journal of Islamic Economics, Banking and Finance*, 12(3), 75-97.

OECD (2010), *The High Cost of Low Educational Performance: Long-Run Economic Impact of Improving PISA Outcomes*, OECD, Paris

Pritchett L. (2013), *The Rebirth of Education*, Center for Global Development, Washington

Siddiqi, M. Nejatullah (2014), '*Islamic Economics: Where From, Where To?*,' *Journal of King Abdulaziz University: Islamic Economics.*, Vol. 27 No. 2, pp: 73-78 (July 2014)

The Economist (2017), "*The Teaching of economics gets an overdue overhaul*", *Free Exchange*

Tag el-Din, Seif el-Din Ibrahim (2013) '*Maqāṣid Foundations of Market Economics*', Edinburgh: Edinburgh University Press, pp. 63-83

Wilson, R. (2014) *Comment on Islamic Economics: Where From, Where To?* (Muhammad Nejatullah Siddiqi), *Journal of King Abdulaziz University: Islamic Economics.*, Vol. 27 No. 2, pp: 73-78 (July 2014)