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## The Need for Islamic Money: Prof. Masood Alam Choudhry\*

The European Monetary Union on which is premised the Euro was greatly financed by Petro-dollars that were held as assets by the wealthy Muslim rulers in European Monetary Union (EMU). By the same token, when the capital surplus Arab countries bought assets in the International Monetary Fund, they in turn tightened the grips of the IMF over these assets by securing Arab capital in Western capital markets instead of in the Muslim Countries. Consequently, the double whamy fell on the Muslim World. On the one hand, the absence of any expectations for good financial support could not generate the investment climate in the Muslim World. On the other hand, there was never enough liquidity available to support investments in the Muslim World. Finally, when global capitalism in its oppressive attire of global governance over markets and institutions arose from the West, investment capital entered Muslim countries as speculative short-term capital. These were riddled and driven by interest rate instability and proved to be unsustainable both in terms of projects and in capital markets.

Thus the alienation of the Muslim World from its own fundamental roots of understanding and doing things and its enslavement to the alien culture drifted the Muslim World from its solidarity, which could otherwise have seen the rise of parallels like the Euro and the Dollar in terms of the Islamic Money, Islamic Currency, Integrated Islamic Capital Markets and a Globally Interlinked Islamic Common Market. Herein, would be solved the present days problems of economic instability, currency run-off, investment needs, political subservience, inequity and poverty, all of which plague the Muslim World today. Along with this reconstruction would arise the political stability and organization for the spread and practice of Islamic Transformation. Thus would arise the Muslim march toward the Ummah as the Islamic globalization process.

The Islamic globalization process of Ummah as the goal of the Muslim World would look at markets in ways contrary to the capitalist greed and human deprivation now being unleashed upon the Muslim World. The irony is abhorring that in the face of exorbitant wealth possessed by a few, wealth that lies in the hands of and are controlled by Western masters, there continues to be abject deprivation and impoverishment among the majority of Muslim populations..

Islamic Money would be based on the 100 per cent reserve requirement linking monetary valuation with real sectoral activities and not with speculation or promissory notes. The productive yield arising from such a real monetary mobilization would solve the problem of low productivity among factors of production. The participatory enterprises in the midst of these transformations and real monetary linkages would remove the relevance of interest rates. Such a system would replace interest transactions with resource mobilization into participatory enterprises. Consequently, economic efficiency, distributive equity, ownership, property rights and empowerment would increase across participatory enterprises. Poverty would be eradicated and alleviated through the force of such participatory entrepreneurial activity and by the direct linkages between money and real sectoral activity.

The Islamic Common Market and the Islamic Capital Market would be a global integration of various regional Islamic blocs on the basis of the coordinating mechanism of the Islamic Social Contract in terms of the money-real sectoral linkages, inter-communal trade and institutional guidance of these across the Muslim World. The effect of this interrelated monetary and real sectoral activity would be the formation of the Islamic currency revolving around the financial and economic instruments that establish the money-real sectoral linkage. Thereby, an increase of spending in the Islamically recommended good things of life would create the environment of abundance in life-fulfilling goods. This in turn would generate income and wealth from real returns.

(\*Islamic Money Against The Euro And Dollar, <http://islamic-finance.net/islamic-economy/chap31/chap31index.html>)

### **LATIEF® Award for Excellence in Teaching of Islamic Economics and Finance**

To recognise teaching efforts of individuals and institutions, a recently launched new web site for Learning and Teaching Islamic Economics and Finance (LATIEF) has announced LATIEF® Award for Excellence in Teaching of Islamic Economics and Finance. This is meant for promoting excellence in learning and teaching in Islamic economics and finance and aims to acknowledge individual and institutional achievements in developing and delivering courses and curricula. The winner will receive a **cash prize** and will be a guest of honour at the 1st Cambridge Workshop on Islamic Economics and Finance to be held in August 2004.

#### **Eligibility**

To qualify for LATIEF® award, an individual must fulfil the following three conditions:

- Be a full-time member of academic staff of an institution of higher learning [degree level and above].
- Have taught an undergraduate or postgraduate course in Islamic economics and finance for at least three years.
- Be able to provide evidence of excellence and innovation in teaching of Islamic economics and finance.
- An institution must fulfil the following two conditions:
  - It must have offered at least one-modular course in Islamic economics and finance as part of a degree programme.
  - The number of students enrolled for the module/course should be no less than 10 in a given term/semester.

#### **Rules and Regulations**

1. The award will be awarded to an individual or an institution that has demonstrated excellence across the five criteria of [a] course structure, [b] delivery, [c] student response, [d] student performance, and [e] peer recognition.
2. Achievements that have already won any other international prize will not be considered for the LATIEF® award.
3. Nominations, giving full justification for the award, should accompany [a] complete curriculum vitae of the nominee, [b] evidence of the excellence in teaching of Islamic economics and finance, and [c] peer evaluation.
4. Self-nominations are allowed and, in fact, encouraged.
5. LATIEF® reserves the right of not awarding an award if a suitable candidate is not found.

#### **Islamic Funds World 2003**

Islamic funds are often outperforming conventional funds. In the wake of the Enron and WorldCom scandals, fund managers are starting to follow Islamic investing principles with surprising results. In response to increasing interest in this area Terrapinn, organisers of the world's leading funds and hedge funds events, are pleased to announce Islamic Funds World 2003, taking place during 14-16 October 2003 at Royal Garden Hotel in London. For more information, please contact: [leon.kantor@terrapinn.com](mailto:leon.kantor@terrapinn.com)

### **South African Islamic Finance & Investment Conference**

Oasis Group Holdings (Pty) Ltd, Transnet and Standard Bank, are holding the very first South African Islamic Finance conference during 1 - 3 September 2003 in Cape Town, South Africa.

For the promotion of Islamic finance the organizers have also announced three awards; that will be represented on the first evening at a gala dinner ceremony.

The awards are:

Best Mutual Islamic Fund

Best Shari'ah compliant Retirement Fund

Most Progressive Islamic Institution

More details about the conference and nominations can be had from the website:<http://www.islamicconferences.com>

#### **CALL FOR PAPERS**

International Seminar on "Macroeconomics from an Islamic Perspective"

VENUE: Kuala Lumpur, Malaysia

DATE: 14 - 16 February 2004

SPONSORS: International Islamic University of Malaysia, KUALA LUMPUR and Islamic Research and Training Institute (IRTI) Islamic Development Bank, Jeddah

Important Dates:

Submission of Abstracts: June 30, 2003

Submission of papers: October 15, 2003

Notification of Acceptance: November 30, 2003

Please send your abstract to:

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### **Center for "Economics, Islam and Development" in Germany**

The University of Bochum, Germany has recently established a center for Economics, Islam and Development. The guiding theme of the initial phase shall be "Economic and Social Orders in Systemic Competition: The Challenge of the Islamic World". The center shall, in particular;

- Analyze the theoretical conception and developmental relevance of Islamic economic models, • develop a network of links with academic institutions and experts in Germany, Europe and North America as well as in the Muslim world.
- Invite outstanding proponents of Islamic concepts as visiting scholars who should, inter alia, deliver lectures, participate in research projects and contribute to the supervision of masters or doctoral theses during their stay in Bochum.
- Initiate joint research projects and programmes with external partners from Western and Muslim institutions.

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### New Books and Articles

#### Books:

1. HANNA, A. Nelly (ed.), *Money, Land and Trade: An Economic History of the Muslim Mediterranean*, London: I.B. Touris and European Science Foundation, 2002, 294pp.
2. IQBAL, Munawar (ed.), *Islamic Economic Institutions and the Elimination of Poverty*, Leicester, UK: The Islamic Foundation, 2002, 334pp.
3. NAQVI, S.N.H., *Perspective On Morality and Human Well-being: A Contribution to Islamic Economics*, Leicester, UK: The Islamic Foundation, 2003, 276pp.

#### Articles:

1. CHOUDHURY, M.A., AL-GHAMADI, Mubrak and UMAR, Yakubu, 'Ummatic Globalization Versus Neoclassical Capitalist Globalization: Formalism and Application', *Review of Islamic Economics* (Leicester, UK), No.12, 2002, pp.5-45.
2. CHOUDHURY, M.A. and HAFFAF, H.M., 'An Epistemological Approach to Evaluating a Financial Index of Profitability and Well-being: The Case of Islamic Instruments in national Commercial Bank, Saudi Arabia', in: *Conference Proceedings GCC Economics: 21<sup>st</sup> Century Opportunities*, College of Management Sciences and Planning, King Faisal University, February 13-14, 2001.
3. DAR, Humayon A., 'Islamic House Financing in the United Kingdom: Problems, Challenges and Prospects', *Review of Islamic Economics* (Leicester, UK), No.12, 2002, pp. 47-71.
4. DAVIES, Howard, 'Islamic Finance and the FSA', *Review of Islamic Economics* (Leicester, UK), No.12, 2002, pp. 101-108.
5. KIA, Amir, 'Speculative Activities, Efficiency and Normative Stock Exchange', *Journal Of King Abdul Aziz University: Islamic Economics* (Jeddah, Saudi Arabia), Vol.13, 2001, pp.31-51.
6. al-MASRI, R. Yunus, 'The Binding Unilateral Promise (wa'da) in Islamic Banking Operations: Is it Permissible for Unilateral Promise (wa'da) to be Binding as an Alternative to a Proscribed Contract? *Journal Of King Abdul Aziz University: Islamic Economics* (Jeddah, Saudi Arabia), Vol.15, 2003, pp. 29-33.
7. NISAR, Shariq, 'Islamic Finance: Western Misgivings', *Radiance Viewsweekly*, (New Delhi, India), Vol. XXXVIII, No. 1, March 23 -29, 2003, pp.17-18.
8. al-SAATI, A. Rahim, 'Shariah Compatible Futures', *Journal Of King Abdul Aziz University: Islamic Economics* (Jeddah, Saudi Arabia), Vol.15, 2003, pp.3-24.
10. SIDDIQUI, S. Ahmad, 'A Suggested Methodology for Political Economy of Islam', *Journal of King Abdul Aziz University: Islamic Economics* (Jeddah, Saudi Arabia), Vol.13, 2001, pp. 3-30.

*Contd. from page 4.*

***You are at reputed Western academic institutions and also offering one of the best available postgraduate programmes in Islamic finance. How would you compare the current levels of research in both forms of economics?***

The current research in Islamic economics is quite diverse. In most cases, it follows the research agenda of conventional economics at least in methods if not in methodology. Sometimes, I tend to think that Islamic economics is an "adopted child" – whatsoever is the level of care and affection given to this child by Islamic economists, critics would always portray it something not belonging to Muslims. This is one of the reasons that many critics term the research in Islamic economics as merely an adaptation of the research in mainstream economics. We, at Loughborough University, take a balanced approach to Islamic economics and believe that close co-operation between Islamic and conventional economics is mutually beneficial for the two disciplines. Islamic economics has to offer quite a lot in terms of its emphasis on morality and ethics, while methods of conventional economics are expected to enrich the discipline of Islamic economics.

***Please tell briefly about your M.Sc. programme in Islamic finance, its entry norms, costs involved and career prospects.***

We offer MSc in Islamic Economics, Banking and Finance, a 12-month qualification, as a part of our postgraduate programme. The course is divided into three terms: Fall, Spring and Summer. There are a total of 8 taught modules and a dissertation carrying weight of 4 modules. Two out of six modules are specifically Islamic [the Islamic Economics module in the Fall; and the Islamic Banking and Finance module in the Spring]. Other modules are on conventional banking and finance. The students are required to write a dissertation on a topic related to Islamic economics and finance. In this way, total Islamic content of the course is about 50 percent of the whole curriculum. Given that employment opportunities for graduates with exclusive training in Islamic banking and finance are thin, we train the students in both traditions. This is expected to help our graduates in getting a job with a conventional financial institution before switching to an exclusively Islamic organization. Most senior practitioners of Islamic finance endorse this approach.

Entry requirements for our MSc programme include a qualification equivalent to a British bachelors degree [with at least a B grade] in economics and related disciplines. The tuition fee for the course from the coming academic year will be about £8,500. The students are expected to arrange their own finances; although some nominal financial help is available from the university and some other external sources like the Islamic Development Bank. Most of our graduates have gone back to their previous employers. Some others have been working with Islamic banks, central banks, and other financial organisations in the Gulf. Quite a number of our graduates, especially from the Far East are currently working as university lecturers in their respective countries of origin.

#### **A New Website for Islamic Economics Teaching and Research**

Dr. Humayun Dar of the Loughborough University, UK, has launched a new web site especially devoted to teaching and research in Islamic economics and finance. The important feature of the new website includes online research and training materials, information about people in the field of Islamic economics and finance, discussion forum, and information about latest seminars, conferences and workshops. The website can be accessed at: <http://www.latief.org>

**Exclusive:****Islamic Banking is a Great Contribution of Islamic Economics: Dr. M.H. Dar**

Muhammad Humayon Abbas Dar is an economist with teaching and research interests in prediction of corporate failure, microeconomics, econometrics, foreign direct investment, and Islamic finance. A Ph.D. from Cambridge, Dr. Dar is presently a Lecturer at the Department of Economics, Loughborough University, UK. He has got several publications to his credit. In an interview with our Joint Editor, Shariq Nisar, Dr. Dar shares his thought and also informs about one of the most ambitious M.Sc. courses in Islamic Economics, Banking and Finance of the Loughborough University. (Editor)

***What is the current level of academics in Islamic economics? Don't you think it appears to have reached its saturation?***

Islamic economics is still in the process of emerging as a new academic discipline, with an ever-growing literature on different aspects of an Islamic economy. The quality of literature is mixed. With a few exceptions, most of the good literature is coming from the second generation of Islamic economists. By second generation of economists I mean those people who have some kind of formal training in Islamic economics, unlike the first generation of Islamic economists who were exclusively trained in conventional economics. Most of the first generation Islamic economists are either now retired [and hence academically inactive] or have switched to non-teaching professions. Consequently, their research is less appealing to an academically tuned mind. Only in this respect one can say that there are some visible signs of saturation. Otherwise, frontiers of Islamic economics have expanded quite significantly and there is a growing stock of good literature that may potentially be included in Islamic economics.

***Islamic banking has got more attention than it actually required. There are authors who are of the view that it has hampered the growth of other branches of Islamic economics? Please comment.***

Islamic banking and finance has certainly received more recognition as an alternative form of banking and finance than Islamic economics has as an academic discipline perhaps because the former has more resources available for its promotion. Many of those who were involved in promotion of Islamic economics as an academic discipline later joined Islamic banks and other financial organizations as professional economists. Just read curriculum vitae of most of the employees of Islamic Research and Training Institute at the Islamic Development Bank, and you will find that almost all the economists employed by IRTI were previously university lecturers/professor.

In a way, Islamic banking is a great contribution of Islamic economics. The two are inseparable as Islamic banking represents an Islamic sub-economy. I am not quite sure if it is true to say that more focus on Islamic banking has adversely affected the growth in Islamic economics elsewhere, but it is certainly a fact that Islamic economics has not focused much on poverty alleviation and other social issues as much as it has attended to banking and finance. I believe that there is a need for creating a balance in research agenda in Islamic economics.

***Where does the future of Islamic economics lie: the Islamic banking, mutual fund, venture capital or elsewhere and why?***

Progress in Islamic economics depends on developments in all of its components and in the system as a whole. Sustainable financial institutions like Islamic banks, mutual funds, venture capital firms and other forms of Islamic businesses are imperative for further progress in Islamic economics. In my opinion, however, development of sustainable Islamic economic institutions is only a necessary condition for survival of Islamic economics, as without creating a whole system based on Islamic principles, talking of Islamic economics as an academically well-established discipline will be too optimistic.

*Contd. On Page 3*

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