



ISLAMIC BANKING AND FINANCE

INSTITUTE FOR PROFESSIONAL AND EXECUTIVE DEVELOPMENT

United Kingdom

UNIT SPECIFICATION

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Unit Title

Islamic Banking and Finance

Credit value

The credit value for this unit is 30

30 credits equivalent to 300 hours of teaching and learning
(10 hours is equivalent to 1 credit)

Guided learning hours (GLH) = 50 hours

GLH includes lectures, tutorials and supervised study. This may vary to suit the needs and requirements of the learner and/or the approved centre of study.

Directed learning = 50 hours: This includes advance reading and preparation, group study, and undertaking research tasks.

Self-managed learning = 200 hours: This includes completing assignments and working through the core and additional reading texts. It also includes personal research reading via other physical and/or electronic resources.

Learning outcome Learner will:	Assessment criteria Learner can:
1.0 Understand Islamic beliefs and their significance in Islamic banking	1.1 Critically examine the five pillars of faith: <ul style="list-style-type: none"> - Profession of faith (Shahada) - Five daily prayers (Salat) - Almsgiving (Zakat) - Fasting (Sawm) - Pilgrimage to Mecca (hajj) 1.2 Describe the six articles that form the Creed of Islam: <ul style="list-style-type: none"> - Existence and Attributes of Allah - Destiny (Qada'ar) - Angels - Prophets - Revealed Books - The Hereafter 1.3 Explain the meaning of Sharia'a and discuss its objectives in Islam 1.4 Critically analyse the framework of Islamic banking with respect to; Aqidah, Sharia'a (Ibadat and Muamalat) and Akhlaf 1.5 Explore the primary and secondary sources of Sharia'a 1.5.1 Examine the primary source: <ul style="list-style-type: none"> - Qur'an (1st primary source) - Sunnah (2nd primary source) 1.5.2 Examine the secondary source: <ul style="list-style-type: none"> - Ijma (1st secondary source) - Qiyas (2nd secondary source) - Ijtihad 1.6 Discuss the Sharia'a Principles of Islamic Investment such as the prohibition of Islamic institutions or investment funds to deal in goods such as alcoholic drinks, pork, ham, bacon and related by products,

<p>2.0 Understand the nature of Islamic banking</p>	<p>dead animals, gambling etc.</p> <p>1.7 Explore the conditions for investment in shares in Islamic banking</p> <p>2.1 Describe the characteristics of Islamic financial institutions:</p> <ul style="list-style-type: none"> - Those institutions whose objectives and operations are based on the principles of Qur'an - Those that provide commercial services that comply with religious injunctions of Islam - They provide services to customers free from interest <p>2.2 Critically analyse the six key Islamic banking principles:</p> <ul style="list-style-type: none"> - Predetermined loan repayments as interest (Riba) is prohibited - Profit and loss sharing is at the heart of the Islamic system - Making money out of money is unacceptable - Speculative behaviour is prohibited - Only Sharia'a approved contracts are acceptable - Contracts are sacred <p>2.3 Critically evaluate the implications of asymmetric information in Islamic banking</p> <p>2.3.1 Explain the meaning of asymmetric information</p> <p>2.3.2 Examine the effects of asymmetric information:</p> <ul style="list-style-type: none"> - Adverse selection - Moral hazard <p>2.4 Explore the nature of asymmetric risk in Islamic banking</p> <p>2.5 Discuss the issue of riba (interest) in Islamic banking</p> <p>2.5.1 Examine the 2 major kinds of riba:</p> <ul style="list-style-type: none"> - Riba Al-Nasihah - Riba Al-Fadl <p>2.5.2 Critically analyse the Islamic rationale for banning Riba</p>
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<p>3.0 Understand how Murabaha serves as a mode of Islamic finance</p>	<p>2.5.3 Critically explore the 5 reasons for the prohibition of riba:</p> <ul style="list-style-type: none"> - It is unjust - It corrupts society - It implies improper appropriation of other people’s property - Results in negative economic growth - Demeans and diminishes human personality <p>2.6 Critically evaluate the functions of the Sharia’a Supervisory Board in Islamic banking:</p> <ul style="list-style-type: none"> - Ensuring that the banking facilities and services offered are in accordance with Islam - Guaranteeing that the bank’s investments and involvement in projects are Sharia’a compliant - Ensuring that the bank is managed in concordance with Islamic values - Review and endorse relevant documents - Conduct research and development of new products - Provide training and education <p>3.1 Explain the meaning of Murabaha</p> <p>3.2 Examine the two types of Murabaha sale</p> <p>3.3 Differentiate between Murabaha and other kinds of sale (e.g. Musawamah)</p> <p>3.4 Critically examine the four elements to a “Murabaha to the purchase orderer” contract</p> <p>3.5 Discuss what makes Murabaha compliant with Sharia’a</p> <p>3.6 Critically analyse the Sharia’a rules concerning Murabaha:</p> <ul style="list-style-type: none"> - The subject of sale must exist at the time of sale - The subject of sale must be owed by the seller at the time of
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<p>4.0 Understand how Mudaraba serves as a mode of Islamic finance</p>	<p>sale</p> <ul style="list-style-type: none"> - The subject of sale must be in the physical or constructive possession of the seller when he sells it to another person <p>3.7 Explore the practical examples of the application of Murabaha</p> <p>3.8 Compare Murabaha with conventional interest based finance</p> <p>3.9 Compare Murabaha with other Islamic financing techniques</p> <p>4.1 Explain the meaning of Mudaraba</p> <p>4.1.1 Describe the roles of the Rab ul Mall (financier) and Mudarib (manager/entrepreneur) in Mudaraba</p> <p>4.1.2 Examine the main characteristics of Mudaraba:</p> <ul style="list-style-type: none"> - Arrangement of profit sharing - Loss bearing by owner of capital except for cases where loss is caused by negligence or violation of terms of contract by Mudarib <p>4.2 Describe the types of Mudaraba:</p> <ul style="list-style-type: none"> - Mudaraba Al Muqayyadah (Restricted Mudaraba) - Mudaraba Al Mutlaqah (Unrestricted Mudaraba) <p>4.3 Examine the nature of a two-tier Mudaraba</p> <p>4.3.1 Evaluate the main conditions associated with a two-tier Mudaraba contract</p> <p>4.4 Analyse what makes Mudaraba Sharia'a compliant</p> <p>4.5 Examine Sharia's rules concerning Mudaraba</p> <p>4.6 Examine practical examples of Mudaraba</p> <p>4.7 Compare conventional interest-based finance to Mudaraba</p> <p>4.8 Differentiate Mudaraba from other Islamic financing techniques</p>
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<p>5.0 Understand the nature and significance of Musharaka (mode of Islamic finance)</p>	<p>5.1 Explain the meaning of Musharaka</p> <p>5.1.1 Differentiate between Constant Musharaka and Diminishing Musharaka</p> <p>5.2 Discuss the basic principles of Musharaka :</p> <ul style="list-style-type: none"> - Financing through Musharaka never implies lending money; rather it means active participation in the business - The investor or financier must share profits and losses incurred by the business to the extent of their financing - Partners are at liberty to determine the ratio of profit allocated to each other - Losses suffered by each partner must be exactly in proportion to his capital contribution <p>5.3 Discuss what makes Musharaka Sharia'a compliant</p> <p>5.4 Examine Sharia'a rules concerning Musharaka</p> <p>5.5 Explore the practical examples of Musharaka</p> <p>5.6 Give an account on the problems associated with Musharaka including:</p> <ul style="list-style-type: none"> - Confidence of depositors - Asymmetric risk - Secrecy of business <p>5.7 Compare Musharaka with conventional interest-based finance</p> <p>5.8 Compare Musharaka with other Islamic financial techniques</p>
<p>6.0 Understand how Ijara serves as a mode of Islamic finance</p>	<p>6.1 Explain the meaning of Ijara</p> <p>6.2 Examine the 3 major elements of Ijara:</p> <ul style="list-style-type: none"> - A form - Two parties; a lessor and lessee - Object of the contract

<p>7.0 Understand how Istisna'a serves as a mode of Islamic finance</p>	<p>6.3 Define Usufruct and examine its significance in Ijara</p> <p>6.4 Differentiate between Ijara and Ijara wa Iqtina</p> <p>6.5 Discuss what makes Ijara compliant with Sharia'a</p> <p>6.6 Explore the practicalities of implementing Ijara</p> <p>6.7 Examine Sharia's rules concerning Ijara</p> <p>6.8 Examine the basic rules of Islamic leasing</p> <p>6.9 Analyse the key differences between an Ijara contract and a conventional lease with respect to:</p> <ul style="list-style-type: none"> - Rental payments based on interest - Penalty interest with a default - Insurance and maintenance issues <p>6.10 Compare Ijara with conventional interest-based finance</p> <p>6.11 Compare Ijara with other Islamic financing techniques</p> <p>7.1 Explain the meaning of Istisna'a and Parallel Istisna'a</p> <p>7.2 Discuss what makes Istisna'a Sharia'a compliant</p> <p>7.3 Explore the practicalities of implementing Istisna'a</p> <p>7.4 Examine Sharia'a rules concerning Istisna'a</p> <p>7.5 Examine practical examples of Istisna'a</p> <p>7.6 Discuss the following issues associated with Istisna'a:</p> <ul style="list-style-type: none"> - Guarantees - Delay in delivery - Insurance - Events of default <p>7.8 Compare Istisna'a with conventional interest based finance</p> <p>7.9 Compare Istisna'a with other Islamic financing techniques</p>
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<p>8.0 Understand how Salam serves as a mode of Islamic finance</p>	<p>8.1 Explain the meaning of Salam and Parallel Salam 8.2 Explain what makes Salam compliant with Sharia'a 8.3 Explore the practicalities of implementing Salam 8.4 Examine Sharia'a rules concerning Parallel Salam 8.5 Examine practical examples of Salam 8.6 Discuss the benefits and problems associated with Salam 8.7 Compare Salam with conventional interest based finance 8.8 Compare Salam with other Islamic financing techniques</p>
<p>9.0 Understand the nature of Islamic insurance (Takaful)</p>	<p>9.1 Explain why conventional insurance is contradictory to Islamic banking 9.2 Explain the meaning of Takaful 9.3 Explain the meaning and significance of Tabarru' in Islamic insurance 9.4 Examine the alternative models of Takaful: <ul style="list-style-type: none"> - Ta'awon model - Non-profit model - Mudaraba model - Wakala model 9.5 Identify the key differences between Takaful and conventional insurance 9.6 Examine the principles applied by a Takaful operator: <ul style="list-style-type: none"> - Principles of contract - Principles of liability - Principles of utmost good faith - Principles of Mirath and Wasayah - Principles of Wakala - Principles of Dhaman </p>

	<ul style="list-style-type: none">- Principles of rights and obligations- Principles of Mudaraba and Musharaka- Principles of humanitarian law- Principles of mutual cooperation <p>9.7 Examine the nature of reinsurance (ReTakaful) in Islamic banking</p>
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Recommended learning resources

Indicative reading	<p>Venardos Angelo 2012; Current Issues in Islamic Banking and Finance: Resilience and Stability in the Present System ISBN: 9780956518606</p> <ul style="list-style-type: none">• For a full list of textbooks and publications relevant to this unit, please contact IPED - UK.
Learning Aid	<ul style="list-style-type: none">• A comprehensive IPED study material is available to aid in learning and research of this unit.• We supply IPED course materials free of charge. Our study materials, which offer quick learning start, are comprehensive, use simple English, and are easy to read and understand. The contents are so sufficient and self-explanatory; that in majority of cases readers do not require further support; although support is always available when you need it.