

Course on:

Industry Building Efforts, Value Proposition, Social Relevance, and Role of Research in the Current Practice of Islamic Finance

Since the background knowledge of existing Islamic Finance institutions and products is essential for the success of a practitioner, the course will begin with a brief overview of the historical underpinnings leading to the modern practices of Islamic Finance (IF). The Instructor will draw a great deal from his interactions with the industry leaders, proponents and opponents alike. In a way, this will be a kind of an untold story of the fast growing Islamic Finance industry. The course will be divided into four major areas: industry building effort, value proposition, social relevance, and the role of research in successful practice of Islamic finance. These four areas are intertwined since the industry building efforts are meant to emphasize the social relevance of IF through the reinforcement of its original value proposition. All these cannot be done without a strong base in research and development.

Course Description

The course is a comprehensive introduction to the subject of Islamic banking and finance and should be of interest to students pursuing post-graduate programs in Islamic finance and industry practitioners in both the Islamic and conventional finance sectors who might be interested in international finance. The course comprises lectures and discussions coupled with exercises under the guidance of the instructor. It will begin with a brief overview about the underlying principles of Islamic banking and finance and will cover up to the current landscape of Islamic banking and finance industry. Regional characteristics of Islamic banking and finance industry will be highlighted. The course will entail four main components:

1) Industry building efforts: This will be a firsthand account of the vision held by IF luminaries at the start of the contemporary practice of IF as witnessed by the instructor. This aspect of the course will seek to explain the 'how and why Islamic finance came into existence in the 1970s' and how it emerged as an important market player. It will also touch on the stages of progress that Islamic finance has passed through and the dialogue engaged within and outside the Islamic finance Industry. With that historical context in mind, the course seeks to address the current trends and perceptions that face Islamic finance, as well as the challenges faced by the industry.

2) Value proposition: This aspect of the course will emphasize the original value proposition of Islamic financial intermediation. The discussion begins with the *maqasid al-shari'a* (the objectives of the *shari'a*) and the need to uphold the original value proposition of IF. The course will analyze the purpose, objectives, and the achievements of Islamic finance in light of the *maqasid al-shari'a*, the current Islamic finance product offerings, and the global financial crisis. There will be some real life case studies of some deviation from the original value proposition and the importance of upholding the values of IF.

3) Social relevance: This will touch on how SRIs (Socially Responsible Investments) and Islamic finance relate to each other and how the latter promotes social development. This aspect of the

course will touch on Islamic finance and development, Islamic microfinance and poverty alleviation in the society, *Qard Hasan*, Islamic finance and the environment, Islamic finance and the promotion of green business and Islamic finance and sustainable development. *Zakat* and *Waqf* will be discussed to see how these can be employed to uplift the poor and the un-bankable in the society.

4) Role of research in IF: The aspect of the course examines the role of research in industry development. In doing so two major points are highlighted for discussion under this section (a): Merger between the industry and research institutions in product development and (b): Role of the academia in developing the industry. It will touch on the role of research in laying the theoretical ground for Islamic finance and economics; in promoting product development in the industry; and in creating demand for product innovation and intellectual capital. To complete this cycle, the industry funds and promotes research and educational workshops to ensure dynamism in the industry. The course will also touch on the specifics and mechanics of research and research dissemination; especially since with the emergence of the World Wide Web new virtual frontiers for disseminating information have been opened. To delve deeper into the mechanics of research dissemination, a survey of primary and secondary sources will be conducted including a hands-on training session with several databases. Finally, this aspect of the course will seek to offer insights into how the academia can contribute to improving the image of Islamic finance on the world stage.

Course Duration: A week

Course Director

The proposed course will be taught based on the author's understanding and experience as a key participant in the global Islamic finance industry for about three decades. The instructor has been involved in the development of Islamic finance on many frontiers and has particularly been heavily involved in research and the facilitation of research and dialogue within and outside the industry. He has played a key role in organizing several Islamic finance conferences during his 17 years at Harvard as the director of Islamic Finance Project (IFP). IFP, as a recognized project dedicated to the objective study of Islamic Finance that is located at a prestigious institution of higher education, has had a profound impact on the field. As IFP Founding Director, Dr Ali's contributions to the field of Islamic Finance are numerous; including but not limited to the IFP *DataBank* (first launched as a CD-ROM in 1997, and now available online, containing over 10,000 unique records); the internationally renowned, biennial Harvard University Forum on Islamic Finance, the proceedings of which are compiled under his supervision, and the yearly workshop at the London School of Economics to discuss the issues confronting the Islamic Finance industry. As the instructor, Dr. Ali will share his knowledge and experience on the various challenges that Islamic Finance has faced throughout its modern history. In particular, Dr. Ali will draw on his interactions with the Islamic finance experts in academia, top professionals of the Islamic finance industry, *shari'a* scholars, researchers, and students. Not intended to replace the classroom experience but rather to supplement it, the course will be panoramic in its focus.