

## **MADARIS EDUCATION AND HUMAN CAPITAL DEVELOPMENT WITH SPECIAL REFERENCE TO PAKISTAN**

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*Sharīʿah governance is the most unique building block in the architecture of an Islamic financial system and Sharīʿah scholars play a fundamental role in its functioning. Madaris (religious educational institutions) are the main source of supplying the Sharīʿah scholars. Madaris on their part also play important role in offering educational services to the poorest of the poor in several countries. Reforming the curriculum of Madaris has been a policy challenge. This paper argues that incorporation of Islamic finance courses in the Madaris curriculum will not only enhance the supply of Sharīʿah scholars to the Islamic financial industry but will also make the educational services of the Madaris more effective in developing the technical capabilities of their students. The paper also suggests a number of initiatives that stakeholders may implement in reforming the curriculum of Madaris through Islamic finance courses.*

### **1.INTRODUCTION**

The Islamic financial services industry (IFSI) that has already crossed a number of milestones is expected to continue double-digit growth in the coming years. But the challenges faced by the industry are also severe. As an ever-increasing demand for *Ribā*-free financial products has been a catalyst for its development, ensuring divine and ethical status of Islamic finance products is a pre-condition for its future growth and stability. Sharīʿah scholars are not only public opinion leaders who could enhance the industry's general credibility but they also certify conformity of the services and products with the principles of Sharīʿah.

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Madrasah (plural: Madaris) in the Arab region refers to any educational institution (secular or religious). This paper follows the definition of Madrasah as used in Asian countries commonly referring to an Islamic religious school or institution with its core emphasis on Islamic values, religion and Arabic literacy. Madaris are playing two key roles in the contemporary Muslim societies – a) ensuring the continuous provision of Sharī‘ah scholars to the society and b) offering educational services to the poorest of the poor, financed mostly by charities, *zakāh* and *awqāf*.

Although the paper overviews the arrangements of Islamic religious education in several jurisdictions, it, however, has been written with special reference to Pakistan. Table-1 shows that there are 5 main federations with which the individual Madaris are registered. In preparing the paper, interviews were conducted with the management of these federations as well as with a number of selected Madaris in various parts of Pakistan. Moreover, interviews were also conducted with a number of officials of the Ministry of Religious Affairs and Higher Education Commission (HEC) of Pakistan. Furthermore, discussions were undertaken with Sharī‘ah advisors as well as other stakeholders of the IFSI.

The paper comprises five sections: Section 1 analyses the need of businesses, civil society institutions as well as government agencies that opt to function within the legal framework of the Sharī‘ah for the graduates of Madaris. Section 2 portrays the present situation, the status of knowledge about present day business and business institutions, education and training facilities in Madaris and the extent to which the present and future demand for human resources for Sharī‘ah compliant business could be accomplished. Section 3 discusses the challenges of approach and orientation, students’ intake, curriculum, designing and introducing required education and training courses, and their funding. Section 4 underlines the possible initiatives, while Section 5 contains recommendations to address the situation and enhancing availability of Sharī‘ah scholars well-versed in the financial matters.

## 1. NEED OF SHARĪ'AH SCHOLARS FOR BUSINESSES

The IFSI is passing through the fourth decade of its contemporary operations. In the international markets it has been recognized as a viable addition to the global financial services industry. A number of national and international institutions in most parts of the world are also engaged in promoting public awareness about Islamic finance through conferences, seminars and workshops. However, Islamic finance has not been able to build the required linkages with the common people of the society. The majority of the public still holds the view that true Islamic finance is not possible and that banking as being conducted by 'so-called' Islamic banks is not really Islamic. The main cause behind this impression is that the religious opinion leaders, the managers of Madaris and the Sharī'ah scholars, as a group, have not been properly involved in the process of developing the IFSI.

Sharī'ah scholars, heir of the holy Prophet as per a *ḥadīth*, historically have played a strategic role in the development of human capital in the Muslim societies. Madaris educated the Sharī'ah scholars and provided the required guidance to businesses in the Muslim societies up to the 17th century, despite the huge loss caused by invaders during the 13th century when Madaris and libraries were ransacked, and despite political fragmentation and upheavals within Muslim societies.

However, after colonization of the Muslim societies, the external factors exerted the most adverse direct influence on the businesses and economies of these societies and indirectly on all religious institutions including Madaris. Since the advent of the interest-based financial institutions in the 18<sup>th</sup> century, the businesses altogether ignored the Sharī'ah tenets. The involvement of the Madaris and Sharī'ah scholars in matters of business gradually decreased. As a consequence for centuries there has been a complete separation of the two. Even though Islamic finance reemerged in the early 1970s, till today, as a group, Madaris remain cut-off from the Islamic finance movement. Hence, the emerging Islamic finance is facing a dual problem: lack of its broad-based acceptance by the Muslim masses and non-availability of proper guidance from the Sharī'ah scholars.

The caliph Umar (Allah be pleased with him) once said, "He who does not understand the Sharī'ah rules of business should not undertake business in our market"<sup>1</sup>. Hence, the guidance of Sharī'ah scholars is needed in all types of

<sup>1</sup>Sunan al Tirmidhi; Kitabussalāt, bāb-o- mājāa' fe Fadhli-e- Salat alannabi.

businesses starting from the simple trading activities to the most advanced forms of direct and indirect financial intermediation and asset creation and management. With the businesses becoming increasingly complicated, guidance by the Sharī‘ah scholars and their direct or indirect involvement is crucial for all business and management areas such as:

- i. Assessment, collection and management of *Zakāh/Ūshr*, which is one of the five pillars of Islam;
- ii. Advisory services in the management of various types of *Waqf* (endowment), an important institution in respect of achieving human development goals of the society;
- iii. For advisory services in socio-economic areas like distribution of inheritance among the heirs, as well as philanthropic, charitable and ‘not-for-profit’ organizations;
- iv. For Islamic financial institutions an active Sharī‘ah supervision is required for the following:
  - a) To oversee the process of developing and introducing new products or modifying the existing ones;
  - b) Suggesting the procedure for ensuring Sharī‘ah compliance;
  - c) Resolving conflicts between stakeholders;
  - d) Reviewing the products offered, and providing guidelines for internal and external auditors. Guidelines for Sharī‘ah related audit include the:
    - Responsibility to interpret the rules of Sharī‘ah - an auditor cannot be expected to possess the same level of knowledge as that of the Sharī‘ah scholar. Educating the internal auditors about these rules and providing them an effective check list about various details involved in financial statements and the explanatory notes is the responsibility of the Sharī‘ah scholars.
    - Ensuring that the transactions are consistent with the rulings issued;
    - Reviewing the findings of the internal auditors;
    - Preparing reports on Sharī‘ah compliance of transactions;
    - Evaluating reports of external auditors;

- Resolving possible differences of opinion between the management and the external auditors.
  - v. Sharī'ah scholars are also needed for accounting and auditing organizations and rating agencies and for overseeing the functioning of Islamic financial markets;
  - vi. Related state agencies and regulators of the above types of institutions;
  - vii. R & D and training institutions in all areas of business and finance;
  - viii. For national and international institutional arrangements that tend to ensure the development and implementation of standards relating to property rights, insolvency and creditor rights; regulatory and governance infrastructure, including monetary and financial policies, accounting and auditing framework, market monitoring standards and arrangements, payment and securities settlement systems and foreign exchange operations.
  - ix. More importantly, Sharī'ah scholars have an important role in facilitating litigation and managing the justice system whether it is in the civil, criminal or commercial jurisdictions. They also have important a role to play in formulating and implementing public policies, particularly in the light of *Maqāṣid Al-Sharī'ah*.

Guidance and supervision by sufficiently trained Sharī'ah scholars who are at the same time in tune with the present day financial and banking transactions is necessary for the genuineness and integrity of the emerging Islamic finance system. A number of IFIs are using products like *tawarruq*, buy-back arrangement, options and even swaps of interest rates with so called profits on notional assets in such a way that all conventional players are planning to mimic such products without caring much for the integrity of the system.

Critics of Islamic finance practices have been making this the basis for their opposition to the whole idea of Islamic finance. This is why one of the pioneers of the present Islamic banking observed that “This leads us to the need for a redefinition of the term ‘Sharī'ah compliant’. It should not be confined to

analogical reasoning and matching new with old, approved contracts. Considerations of *Maṣlaḥah* and *Maqāṣid* al Sharī'ah should be an essential part of the comprehensive definition. Sharī'ah advisors educated in traditional Islamic sciences only can hardly do so as it requires a grasp of economic analysis. A strong involvement of trained economists and social scientists is necessary.”<sup>1</sup>

## **2. THE PRESENT STATE OF TEACHING ISLAMIC FINANCE IN MADARIS: AN OVERVIEW**

Madaris exist around the world, including South, and Southeast Asia, the Middle East and North Africa, sub-Saharan Africa, Western Europe, and the United States. In Egypt, Jamia Alazhar at Cairo is the oldest and the largest institution providing religious education along with some contemporary education to around 120,000 students out of which around 20,000 students are foreigners. In addition to Qur'ān, *Sunnah*, *Fiqh* and other traditional subjects relating to Sharī'ah, it teaches a number of social sciences and even engineering and IT related subjects. In social sciences like economics, students are educated on the conventional aspects in general comparison with the Sharī'ah related aspects of the relevant subjects. Students of the regions where sufficient arrangements of religious education are not available particularly benefit from Alazhar. For example, 5 to 6 thousand students each from Indonesia and Malaysia take about 8 years education at Alazhar. Many students of the secondary level Madaris in Malaysia take one or two years education at Alazhar. Similarly, hundreds of students from the West, America and other parts of the world are getting education there. In the curriculum more emphasis is given to the traditional religious education than to the theory and practice of Islamic finance. Presently, a very small number of students take admission in the Faculty of Sharī'ah Law where Islamic law of contracts and other aspects of economics and finance are taught in detail. The Kulliyah Darul uloom of Cairo University also provides high standard religious education with contemporary reference, but the emphasis on Islamic finance and allied subjects is far less than the potential.

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<sup>1</sup> Siddiqi, M. Nejatullah; “Islamic Banking and Finance in Theory and Practices: A Survey of State of the Art”, *Islamic Economic Studies*, Vol.13 No. 2 P. 17. Also see: “A Crisis of Credibility”, *Islamic Banker*, April, 1999; and *Islamic Banking — A \$300 Billion Deception*, by Dr. Muhammad Saleem, Xlibris Corporation, January 2006.

In Saudi Arabia, the Islamic University of Madinah is a big centre for higher education specializing in Islamic subjects. Approximately 80% of around 6,000 students are from all over the world. Shari‘ah, Qur’ān, Ḥadīth, Dawah, Usul al-din and Arabic language are the main subjects taught. The university offers Bachelor’s, Master’s and Doctorate degrees. Ummul Qura University at Makkah has an excellent Islamic studies department like many other famous religious institutions. But Islamic banking and finance is not included in the subjects formally taught in either of the universities.

The Dars-e-Nizami syllabus is taught generally in Madaris in Indian sub-continent (India and Pakistan) and also in many other areas. It comprises studies in Tafsir, Hifz, Sarf and Nahw (Arabic syntax and grammar), Persian, Urdu, and Islamic history, Islamic jurisprudence and Islamic law.

Darul Uloom, Korangi, Karachi, is considered one of the top Islamic educational institutions in the world. Khairul Madaris, Multan, Jamia Islamia Binnori Town and Jamia Abi Bakr at Gulshen-e-Iqbal, Karachi, Pakistan have remained, till recent past, a good source of religious education for students from across the world.

In India, home to 230 million Muslims, the number of Madaris is around 25,000-35,000. A large number of Makātib, run by various Trusts providing general primary education to Muslim students are sometimes included in the religious Madaris. According to one estimate, about 4 per cent of the Muslim children in India attend Madaris. Madrasah Education Boards in various areas, particularly in Assam, Bihar, Orissa, Uttar Pradesh and West Bengal, supervise the Madaris teaching activities. Various chains of Madaris in India include the following:

- *Deoband Madrasah – Madaris affiliated with this chain generally emphasize on Hanafi jurisprudence;*
- *Madaris of Ahl-e-Sunnat sect - emphasize on Hanafi jurisprudence and the values promoted by the saints;*
- *Madaris of Jamiat-e-Ahle Hadeeth, - emphasize more on Ḥadīth than on jurisprudence;*
- *Darul Uloom Nadwatul Ulama, Lucknow – this and affiliated Madaris attach importance to Arabic literature and general Islamic studies;*

- *Madaris run by Jamat-e-Islami facilitate students for both a modern degree examination and for the Madrasah examination for the degrees of Aalimiat, Fazeelat etc.*
- *Jaipur based Jamiatul Hidayah trains students in one of three professional trades (computer, mechanical and electrical). Owing to its relevance to the present circumstances, the Jamiatul Hidayah curriculum has begun to be followed by other Madaris like Madrasa Falah-e-Dārain at Turkesar in Surat and Jamia Sabilus Salam at Barkus in Hyderabad.*

In Malaysia, the faculty of Islamic Studies, University of Malaya provides Sharī‘ah as well as contemporary education on economics, management, finance, etc in its main campus at Kuala Lumpur and in the branch campus at Nilam Puri, Kota Bharu, Kelantan. The faculty of Islamic Studies, National University of Malaysia is also a good knowledge point on ‘Usuluddin and economics. These faculties are operating with the objective to produce graduates in Islamic studies who possess an integrated knowledge in fulfilling the needs of today’s society.

In Indonesia, a large number of Tsanawiyya Madaris like “Darun Najah” or Ma’arif Education Institution of Nahdlatul Ulama’, at Sidoarjo in East Java, Madrasa al ‘Aliya at Jember, East Java and many higher level institutions like State Islamic University (UIN) Sunan Kalijaga, Yogyakarta, give education in ‘*aqidah*, *fiqh*, Arabic grammar, *tajwid*, *tafsir*, *fiqh*, *ḥadīth*, etc along with contemporary education. In most Tsanawiyya Madaris, education is imparted in local (like Javanese) languages.

In the Philippines, a large number of Madaris are providing religious education to about ten million Filipino Muslims. In Mindanao alone, an estimated 92,000 students are enrolled in some 1,100 Madaris.

Madrasah Al-Irsyad in Singapore is providing knowledge about Sharī‘ah and contemporary disciplines. In addition to *Tauhid*, *Ḥadīth*, *Sirah* & *Akhlak*, Al-Irsyad’s curriculum also includes English, Arabic, maths and science subjects.

### **2.1. Madaris Education in Pakistan**

There are about 17,000 Madaris operating in various parts of Pakistan most of which are affiliated with any of the five Wafaqs, as indicated in Table-1.



**Table-1. Federations of Madaris and Registered Students**

Name of Wafaq/ Institution	Number of Madaris	Number of Teachers	Number of Students
Wafaq-ul-Madaris al Arabia, Multan (Deobandi)	10,325	52, 529	1,380,723
Tanzeem-ul-Madaris, Ahle Sunnat, Lahore (Brailvi)	5,127	25, 015	124,805
Wafaq-ul-Madaris Salfiyyah, Faisalabad (Ahl-e- <i>Ḥadīth</i> )	424	1585	40,713
Wafaq-ul-Madaris al Shiah	401	1900	18,000
Rabitatul Madaris, Lahore (Jammat-e-Islami)	531	2,708	49,554
Total	16,808	83,737	1,613,795

*Source: Ministry of Religious Affairs, Government of Pakistan and correspondence with Wafaqs*

In addition to the above, five individual institutions have been recognized by the Higher Education Commission (HEC)—their final Sanad (Shahadatulālmīyah) is considered equivalent to M.A in Islamic Studies or Arabic for the purpose of teaching Islamic studies and Arabic language in Colleges / Universities. These institutions include:

1. *Darul Uloom, Korangi, Karachi;*
2. *Darul Uloom Muhammadia, Ghousia, Bhera, Sargodha;*
3. *Jamia Ashrafia, Lahore;*
4. *Jamia Islamia Minhaj-ul-Qur'ān, Lahore; and*
5. *Jamia Taleemat-e-Islamia, Faisalabad.*

Entry level of these institutions is supposed to be Middle (8 years study), while students have to study minimum for eight years to get the Shahadatulālmīyah, equivalent to master's degree. For employment in fields other than teaching, Sanad holders are required to qualify in 2 additional subjects other than Arabic and Islamic Studies at the B.A. level. It is interesting to note that there is no equivalence of Madaris education to the Bachelor Degree.

Darul Uloom, Korangi, Karachi, provides contemporary education also including Islamic finance and banking on selective basis. Their students of specialization in *Fiqh* are facilitated to learn a good level of English, principles of

Islamic finance and even the AAOIFI Shari'ah Standards. Presently, in Pakistan, it is the only major source of Shari'ah supervisory expertise to Islamic banks and financial institutions directly or through its subsidiary 'Centre for Islamic Economics (CIE), also based at Karachi. Their resource persons also teach AAOIFI Shari'ah Standards to the *Fiqh* specialization students of Jamia al Rashid, Karachi.

Jamia Ashrafia, Lahore is casually conducting various Islamic banking and finance learning courses in collaboration with some volunteer CAs and private sector Islamic finance training institutions.

Besides, there are dozens of Madaris run by various charitable institutions that may not be affiliated with any educational authority but are playing some role in imparting religious and contemporary education. Some of them facilitate their students one way or the other to get graduation or post graduation level education as well. Some of them (in big cities) arrange, from time to time, Islamic banking orientation lectures or courses about Islamic banking.

According to an estimate, about 1,350 Madaris provide education up to the level of Alimiyah, while about 100 Madaris provide *Takhassus* facility in Islamic jurisprudence and / or Ifta.

Through interviews and surveys we estimate the existing facilities in Madaris for education in disciplines helpful to enhance desired expertise in Islamic banking as below:

- *Providing or facilitating conventional education: 1 % of total Madaris*
- *Islamic Economics (basic level): 5 %*
- *Islamic banking and finance: Nil*
- *Economics, banking and finance: Nil*
- *Accounting, business management: Nil*
- *Arabic language as medium of instruction: 11 Madaris*
- *Islamic banking training courses: 2 at Karachi and 1 at Lahore*
- *Casual lectures on Islamic economics and finance: A few dozens*
- *AAOIFI Shari'ah Standards: 2 Madaris at Karachi (casually)*

### 2.1.1 Collaboration among Madaris and other Institutions

In recent years some efforts of cooperative nature have been made to initiate Islamic economics, finance and banking education in Madaris. Islamabad based Institute of Policy Studies (IPS) has conducted such programs for teachers and students of Madaris in collaboration with International Islamic University, Islamabad. They either invite the participants from Madaris and arrange 2-3 Weeks' programs at Islamabad or provide resource persons to Madaris in various cities for 1-2 days' programs.

### 2.1.2 Islamic Finance Literacy in the Madaris Community

Our survey reveals that an overwhelming majority of the *Ulamā'* and Madaris people are skeptic about the Islamic banking practices and the problem they feel is that of the approach and the principles adopted by IFIs. The main factor behind this impression is the lack of proper knowledge and awareness – the majority of the public, for instance, has a number of misgivings about Islamic banking. The level of satisfaction and knowledge about Islamic banking practices and with respect to Shari'ah compliance among 30 respondents covered in the survey is indicated below:

- *Satisfied:* 10 %
- *Not satisfied:* 90 % (due to)
  - *Conceptual issues:* 80 %
  - *Individual banks:* 20 %

Their objections and misgivings about Islamic banking system are like the following:

- a) *Islamic banks get fixed profit on 'loans', so not really Islamic;*
- b) *If a 'borrower' suffers a loss in the business, the banks get an extra amount, as interest based banks do;*
- c) *Banks are not using Muḍārabah / Mushāarakah for providing funds, so they are not really Islamic;*
- d) *Islamic banks do not apply the rules of Muḍārabah in managing deposits; they never give discretion to the Rabb al-māl regarding the profit sharing ratio; have never passed on any loss to the depositors, etc and;*

e) *Their lease operations are similar to the interest based banks.*

The nature of the above objections in the minds of the majority of Madaris people points to the poor level of understanding about the philosophy, principles and the practices of Islamic banking. Those covered under the Survey are the Madrasah boards (Wafaqs) and some of the well-established Madaris, while the situation of Madaris in general is more disappointing. Based on the survey, following are the ratings of the knowledge level in respect of those who claimed to have some knowledge of Islamic banking:

- *Very good knowledge:* 0.5 %
- *Good/sufficient:* 3.5 %
- *Poor/insufficient:* 96 %

As regards Takaful, very few of them know about its basis and principles; majority has not heard the term even.

### 2.1.3 Curricula

The curricula of the most of the Madaris provide for basic religious education focusing on the Qur'ān, *Sunnah* and Islamic jurisprudence. As the commercial businesses and particularly the financial institutions in almost all Islamic countries have been taking the least care, for over two centuries, about their conformity with the tenets of the Sharī'ah, the masses have not been consulting Ulamā' on economic and financial matters. Therefore, Madaris were gradually cut-off from the mainstream education in social sciences. Their studies have least relevance with the practical aspects of modern businesses. As a result, Madaris graduates do not have sufficient knowledge of even those subjects that they study in the traditional books. To give just one example, during the survey, this writer came to know that majority of the teachers in Madaris did not know about the main principles of *Salam / Salaf*, a main topic in all traditional books of *ḥadīth* and *fiqh* and that is a useful mode for financing the production needs of the farmers and the small and medium enterprises in a Sharī'ah compliant manner.

### 2.2. Acute shortage of Experts in Financial Matters

Hundreds of thousands of Madaris graduates are available unemployed in Islamic countries particularly in the GCC region, Egypt, Iran, Pakistan, India, Bangladesh, Indonesia, Malaysia and elsewhere. Islamic centers in North America,

Europe and the Far East countries are also providing Islamic Shari'ah education to a large number of students. But very few of them are capable of guiding the public or Islamic banks on Islamic finance. According to an estimate there are roughly 50 to 60 scholars in the world qualified to advise banks operating on the basis of Islamic law. Hence the well-known scholars have to divide their time among several banks. The result is obvious – while approving the products and the *Shukūk* Issues, they depend on the briefing of the lead institutions and product developers and are not generally able to analyze the process and the documentation thoroughly.<sup>1</sup>

The training of scholars essential for the Islamic banks' supervision may not be able to keep pace. "The shortage of appropriately-qualified Shari'ah scholars in the Islamic financial industry means it is common for individual scholars to hold positions on the Shari'ah Supervisory Boards (SSBs) of a number of Islamic firms. This raises concerns over the ability of SSBs to provide enough rigorous challenge and oversight of firms' products and services." UK's FSA said in a report on Islamic finance. The recently released report highlighted some possible conflicts of interest due to concentration of Shari'ah related expertise in few areas<sup>2</sup>.

One globally acclaimed Shari'ah advisors say in a recent interview, "There is lots of growing interest and we have many more sophisticated Shari'ah scholars who are graduating now, (but) it's not growing fast enough to meet demand." Some Shari'ah experts are of the view that it may take more than a decade to train more scholars and even the optimistic ones do not expect a new generation of scholars for at least five years<sup>3</sup>.

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<sup>1</sup> "Shortage of scholars troubles Islamic banking," *International Herald Tribune* at <http://www.iht.com/articles/2008/01/22/business/bank.php>. Hence, we see that while all *Shukūk* and the so-called Islamic hedge funds, options and swaps have Shari'ah certification by the renowned Shari'ah scholar(s), a leading Shari'ah scholar observed at the corridor of AAOIFI meeting at Bahrain a few months ago that eighty five per cent of *Shukūk* are not really Islamic. The position of swaps and options that fall, by nature, in the grey area, could only be worse.

<sup>2</sup> [http://www.fsa.gov.uk/pubs/other/islamic\\_finance.pdf](http://www.fsa.gov.uk/pubs/other/islamic_finance.pdf) Financial Services Authority, Islamic Finance in the UK: Regulation and Challenges; P.19 (November, 2007).

<sup>3</sup> <http://www.iht.com/articles/2008/01/22/business/bank.php> Interview with Shaikh Nizam Yaquby.

### 3. CHALLENGES

Keeping in view the crucial role of Sharī'ah scholars, the fast emerging financial industry is facing a big challenge in ensuring sufficient supply of competent human resource (HR) for Sharī'ah advisory and compliance services. For certifying Sharī'ah compliance of products and transactions/*Ṣukūk* Issues, scholars must not only be experts in Islamic law and banking, but also have a thorough knowledge of conventional laws and financial system practices. It also requires a high standard of English for understanding intricacies of the present day financial products and effective interaction with the financial experts.

#### 3.1. Challenges of Approach and Orientation

The promotion of Islamic finance industry on sound footings certainly depends on enhancing its clientele which is possible only through education of the people, removing the myths and creating awareness about the new system. The economists, policy makers, general public and even majority of the religious scholars have a number of queries about Islamic finance. If the majority of the people in any Muslim country would have firm confidence, followed by commitment for Islamic banking, then the entire financial institutions would have so far been made Islamic in that country. Madaris that are the basic source of Sharī'ah related expertise have to play an important role in this context.

There are only a few Madaris who have formal or informal contacts with forums for discussions on the related matters or with the experts who understand Islamic finance. The survey shows that they wish such interaction with academics and practitioners in Islamic finance, but little opportunities are available as there is a cumbersome segregation between the religious people on the one hand and the experts in banking and finance on the other hand.

Following are the major challenges faced by Islamic banking, as perceived by the Madaris people:

1. *Continued avoidance from the banking system by the religious people; no effort has been made in involving them in the movement and getting their confidence;*
2. *Complete hold of exploitative global financial system and institutions and control of people with Western approach / mentality at the policy making and implementation levels;*

3. *Lack of education and, hence, confidence among the public about the system in practice;*
4. *Acute shortage of committed, competent and trained human resource for the industry;*
5. *Lack of partnership based products that Islamic banks could use with confidence with minimum possibility of losses;*
6. *Lack of sincerity and concerted efforts on the part of the government, authorities and the policy makers;*
7. *Partial system or introducing Islamic finance at a small scale even where almost the whole population wishes Islamic banking system in letter and spirit is in itself a big challenge - the entire system needs to be transformed.*

The nature of above perceptions also intensifies the need for proper orientation and closer linkage between the Madaris and the Islamic banking community.

### **3.2. Challenges of Research and Development**

The research culture is almost at zero level in Madaris. The commercial system of Islam had been functioning for centuries and the religious leaders and jurists provided necessary support with certainty and flexibility for resolving the emerging issues while ensuring conformity with the fundamental principles of Islam. They played a significant role in the facilitation of commercial activities with sophisticated law on sale, services, financial instruments, different kinds of partnership, pledge, guarantee, payment instruments, and so on.

However, with intellectual regressiveness, and particularly after the colonization of almost all Muslim lands, the nature and level of research and education in Madaris deteriorated a lot. Madaris system was almost once dismantled. Many smaller level institutions that continued working became more and more preoccupied with some ritual matters and minor issues. Hence, not only the renewal of research culture, but also its emphasis on application of Shari'ah law for present day money and commercial transactions and for direct and indirect intermediation between the savers and the fund users is a big challenge before management of Madaris and the related decision-making authorities. It would require amendment in Madaris curricula, improvement in students' intake,

availability of resource persons with practical knowledge and, above all, effective coordination between the Madaris and the experts in modern business and finance.

### 3.3. Challenges of Curriculum

There is hence a definite need for improving the Madaris education at grassroots level by including study material on commerce, banking and Islamic finance in their curricula. Presently, the chapters on sale, *sharikah* and allied subjects in traditional *Hadīth* and *Fiqh* books are taught at higher levels in Madaris, but without emphasizing on the practical aspects of present day businesses. Very few Madaris facilitate their students for informal study of contemporary subjects of knowledge.

Over the last four decades a lot of reading material has been coming on Islamic banking and finance in Arabic and English languages. But it is difficult to be included in Madaris curricula because of the:

- i) Language problem, as only a few of Madaris people understand English; many of them are fluent in Arabic, but it is difficult for them to study due to lack of basic knowledge about banking and finance;
- ii) Lack of material in national/local languages;
- iii) Non availability of teachers / resource persons capable of teaching banking and finance in the light of the Shari'ah principles by explaining the texts of the traditional books of *Hadīth* and Islamic jurisprudence.

### 3.4. Challenges in Designing and Amending Training Courses

A large number of Madaris provide *Takhassus* facility in Islamic jurisprudence. Such graduates are capable of learning Islamic finance by way of training and orientation courses, particularly in the Middle East where a lot of material in Arabic is currently available, provided they are given orientation in the basics of banking and finance system. English learning programs would also be needed, particularly in Indian sub-continent, South-East Asia and the Far East. Designing such orientation courses, introducing them and improving upon them in the light of developments in Islamic banking products and practices require a lot of efforts on the part of the Madaris organizations and the authorities in banking and finance.



### 3.5. Challenges in Students' Intake

Madaris face a great challenge in attracting good students from the segments of the societies who could take due care in education and personality development of their children. Mostly the poor, and in some cases, the lower middle class send their children to Madaris as they get free education and boarding and lodging facilities there. Many of them are intelligent and may be eager to learn about the present business practices, but their socio-economic background puts a lot of hurdles. They are expected to lead for the ceremonial/religious activities only. Lately, this trend has started changing and a large number of boys and girls of upper classes are becoming increasingly inclined to study religious education. But the curricula and the teaching environment in only a few Madaris is attractive enough to accommodate such students.

### 3.6. Challenges in Availability of Resource Persons

One of the big challenges in developing understanding about Islamic banking among any of the segments in a society is the lack of competent resource persons. For orientation of the Madaris students in the fields of business and finance, the resource persons must have the following qualifications:

- *Sound knowledge of the sources of Shari'ah and the principles of Islamic jurisprudence for derivation of the principles of business and finance in the present age;*
- *The knowledge of difference of opinions in all established schools of thought on economic and commercial matters;*
- *Knowledge of the basis, features, products and operations of Islamic banking and finance;*
- *Knowledge about the financial markets, instruments and operations in the conventional and Islamic frameworks;*
- *The resource persons must be fully confident as to why Islamic finance be introduced, what are its distinctive features and tools and how, when and to what extent it may lead to socio-economic development and distributive justice in a society;*
- *A good level of English and/or Arabic languages and impressive presentation skills.*

### **3.7. Challenges in Policy Making, Approval and Accreditation**

The revision of curricula, their approval and accreditation may involve a number of procedural steps. Approval of such programs by respective supervisory boards and the national authorities might not be a big problem in many countries as the asset based Islamic finance necessarily requires transparency and disclosure and discourages money laundering and other illegal activities. But the coordination between the institutions involved in designing, planning, introducing and amending the programs / courses and the apex or the lead institution is extremely important. In Pakistan, for example, approval of curricula or orientation courses is not a big issue as the survey results have shown. However, there is an urgent need for an institution that could lead the Wafaqs' management to move ahead in development of curricula and other orientation programs to achieve the desired objectives.

### **3.8. Challenges in Funding**

The Survey has shown that most of the Madaris do not want any government financing for their present programs, firstly because they avoid too much government intervention, and secondly because of their general self sufficiency in generating charity / *Zakāh* funds from the well-off groups in the most of the Muslim societies. But revision, development and implementation of curricula and orientation courses on economics, banking and finance would certainly require additional funds that have to be arranged by institutions working for development of the emerging system and the IFIs themselves. Huge amount of funds could be needed for academic research & development, teaching / training activities and for students' facilitation.

### **3.9. Challenges in Absorption and Placement of Students**

Madaris students are normally absorbed in mosques and Madaris for ritual guidance or for teaching at Madaris and in most cases they get small remuneration and live easy lives. Substantial demand for IFIs and other related institutions and efforts, if made by various stakeholders as being planned and discussed, may trigger their supply within 5 to 10 years. In addition to the Sharī'ah advisory services in IFIs, they might have to be absorbed in operational side of banking and finance and also in *Zakāh* and *Awqāf* institutions for maintaining their attraction to study the courses on Islamic economics, banking and finance.

#### 4. POSSIBLE INITIATIVES TO ADDRESS THE CHALLENGES

The substantial demand for Sharī‘ah scholars necessarily equipped with dual qualifications of Islamic jurisprudence as well as business, banking and finance requires well-thought out and comprehensive measures at national, regional and multilateral levels to ensure their sufficient supply for the fast growing Islamic finance discipline. Below, possible initiatives have been discussed mainly with respect to Pakistan where Darul Uloom, Karachi, has already initiated the movement for developing requisite expertise among the Madaris people under the able guidance of Shaikh Muhammad Taqi Usmani. Those initiatives could be replicated with some amendments in other countries or regions in the world. Particularly, in India and Bangladesh where thousands of Madaris are teaching traditional religious education, there is a substantive potential for development of human capital for use by Islamic banking and financial institutions across the world. Islamic study centers in the West and other parts of the world may also play their role in enhancing the Sharī‘ah advisory expertise for Islamic finance.

##### 4.1. Establishment of the Institutions

For success of any movement or program, there must be one authority making full-time efforts for achieving the objective, which may also be accountable for the lapses and weaknesses. Such authority would also need a number of auxiliary institutions for development and implementation of the programs. Hence, following institutions need to be established:

- i. *‘Islamic Finance Education and Training Authority’ (IFETA) working under the joint supervision of the top Madaris organizations, central bank and the association of Islamic banks and financial institutions in any jurisdiction; IFETA would serve as the apex institution to guide and supervise the auxiliary institutions responsible for revising the curricula, designing and amending training and orientation programs, arranging ‘Train the Trainers’ programs and reviewing the performance of Islamic Finance Learning Centers working in its jurisdiction.*
- ii. *An ‘Islamic Finance Education Board’ (IFEB) having representation from all major Wafaqs/organizations overseeing the teaching activities in Madaris of various Fiqh schools. (Although there is little difference of opinion among various schools on major aspects of Islamic banking and*

*finance, the survey and interviews with Madaris related people revealed that Sharī'ah scholars of different schools have some reservations over the supremacy and control of any one school in the Sharī'ah advisory system of IFIs).*

- iii. 'Islamic Finance Research and Development Institute' (IFRDI) to guide the sister institutions on investment products developed anywhere in the world and analyze the same in the light of the core principles of the Sharī'ah keeping in view the practical aspects. They may also perform the following functions:

- a. *Analyze training needs and areas;*
- b. *Design and update the 'Training of Trainers' and training programs in consultation with the Islamic Finance Learning Centers as suggested in (v) below;*
- c. *Evaluate training effectiveness*

*IFRDI has to be developed and equipped with such research facilities that it could gradually become an institute of higher studies for researchers on Islamic finance;*

- iv. *'Curricula Revision Committee' (CRC) that could be a part of the IFRDI*
- v. *Islamic Finance Learning Centers (IFLC) at a few centers to start with, and in some other big cities subsequently in phases; IFLCs would be working under the aegis of IFEB and guidance of IFETA and the IFRDI; their main function would be delivery of the training and implementing the training strategies.*
- vi. *A broad based Forum of the Sharī'ah Advisors of IFIs, product developers and Sharī'ah compliance heads of IFIs to provide a guideline to various institutions involved in developing and implementing training and education programs - working casually, with a full time secretariat and a convener, in the central bank. It could also serve as a forum for product development through combined efforts of Sharī'ah advisors and Islamic banking practitioners.*

- vii. *An 'Association of Islamic Financial Institutions' (separate from the present Pakistan Bankers Association – PBA; PBA is not working properly for promoting Islamic banking due to conflict of interests).*

#### **4.2. Curricula Revision**

The Curricula Revision Committee having representation of the Sharī‘ah scholars and finance experts may propose amendments in the curricula particularly emphasizing the study of relevant material in Arabic, English as a language and business, economics and finance as formal subjects. The reading material in Arabic, in addition to the traditional books, may include, inter alia, the books/material indicated in the Annexure-A. As none of the books available so far may singly contain all material / information required to be included in the revised curricula, study material can be selected from the relevant books to take the form of text books specifically prepared for education in Madaris. Further, more emphasis is needed on the study of chapters on sales/*Mu‘āmlat* in traditional books of *Hadīth* and Islamic jurisprudence. For developing knowledge of languages, the Committee should also suggest English and Arabic Learning programs for the Madaris students.

#### **4.3. Approval and Accreditation of Training programs**

The revised curricula and the training courses would require approval by the IFETA and the Federal Education Board. With recommendation of the IFEB, HEC will also be expected to accept the Degrees in the relevant fields. Training and orientation programs would require accreditation by the central bank and the association of Islamic financial institutions.

#### **4.4. Enhancing Students' Talent**

The situation of students' intake will improve only gradually due mainly to the socio-cultural factors prevalent in the society. However, keeping in view the talent available in the Madaris, some knowledge and skill development programs can be introduced to enhance their ability to understand the contemporary branches of knowledge, particularly business, banking and finance. It would need the following:

- *Offering conventional education up to the bachelor level with business and economics to as many students as possible;*
- *Comprehensive courses for developing knowledge on languages, information technology and presentation skills;*

- *Courses on economics, business and finance;*
- *Developing effective interaction between Madaris and the business schools, universities and the forums related to business, banking and finance by way of study tours, workshops and internship programs. For example, students of Takhassus in Fiqh may be provided 3 months internship training in Islamic banks, and if such internship opportunities are less vis-à-vis the number of students, some mock IB branches can be arranged for the purpose of practical orientation.*

#### **4.5. Availability of Competent Resource Persons**

To address the challenge of acute shortage of resource persons for educating a large number of Madaris students, the institutions indicated in Para 4.1 above will have to put in a lot of and continued efforts. The expert trainers as discussed in Section 3.6 above are hard to find; a few, who are working with a number of IFIs for product development, Sharī‘ah advisory and compliance, finance and investment operations, etc are too busy to be available for training and orientation, particularly outside their own institutions. They must be engaged, however, for conducting ‘Training of Trainers’ (ToT) programs.

Hence, the suggested institutions, particularly the IFRDI and IFLCs, may place special emphasis on the development of trainers’ expertise to equip a large number of people with conceptual and practical aspects of Islamic finance. Those would-be trainers should also be trained on effective presentation skills. Such ToT programs should be held back-to-back in collaboration with IFIs, the central bank and IRTI till the sufficient number of resource persons are available for delivery of training at various places.

#### **4.6. Designing and Introducing Orientation / Training Courses**

Mere revision of curricula of Madaris may not produce desired human resources unless supplemented by a number of training and orientation courses. Such courses and training programs may include:

- *Two-hours to 1- day Seminars and Lecture Series: for religious leaders of various schools, higher levels’ teachers in Madaris and the staff of the institutions mentioned in Section 4.1 above.*

- *Foundation and higher level courses on economics, business and finance and language learning. Suggested modules on fundamentals of economics and finance are given in the Annexure- B;*
- *Foundation level Courses on Islamic finance: 40 to 48 teaching hours' training programs on philosophy, concepts and products of Islamic finance;*
- *Islamic Banking Diploma Course: 100 to 120 teaching hours' rigorous training programs on concepts, products and practices of Islamic finance, also including Takaful, leading to a 'Diploma in Islamic Banking and Finance' to be awarded by the IFEB. Topics that need to be covered for award of Diploma are given in Annexure-C;*
- *Post Graduate Diploma: About 200 teaching hours' program covering the Course material of the Diploma as also the branch operations, marketing Islamic financial products, product development, risk management, securitization, treasury and finance operations leading to 'PGD in Islamic Banking and Finance' to be awarded by the IFEB ;*
- *Product-wise short courses that may take one to three full days' programs on specific products and areas like Deposit Management, Murābaḥah, Ijārah and Diminishing Mushārakah;*
- *Short courses on risk management and issues in accounting aspects of various Islamic financing modes;*
- *Short courses on Sharī'ah advisory services for Islamic banks and on inspection for Sharī'ah compliance.*
- *Language development courses (as they already have some working knowledge of Arabic, such courses would mostly be needed for English, and in specific cases for Arabic): Listening, Reading and Writing English and Lesson Preparation / Presentation.*

The training programs need continuous up-date in the light of feed back from various stakeholders and developments in the Islamic finance industry. The Entry Qualification and mode of delivery may be decided by the relevant organizing body keeping in view the level of the trainees.

#### **4.7. Funding of the Education and Training programs**

Providing sufficient amount of funds for education, orientation and training programs on Islamic banking for Madaris people is a big challenge. It is despite the fact that presently most of the Madaris do not need any funds from the government or its institutions for teaching their traditional courses. Almost all of the respondents avoided the opportunity for getting any funds from the government due to fear of (unnecessary, as they perceive it) involvement; yet they expressed the permanent funds requirement for introducing Islamic banking education and training programs that could be made available by the central bank, Islamic banks, any charity institutions and even the *Zakāh* funds collected by the State provided accounts for such grants are kept separate from their traditional funding sources, for which they are ready to be accountable<sup>1</sup>.

With the passage of time and with development of expertise, IFRDI and the IFLCs may also generate funds by providing consultancy, advisory, Sharī'ah audit and training services to the IFIs. But during initial years, following arrangements can be made:

- a) *Activities of the IFETA and IFEB are suggested to be funded by the Government as these two institutions would be working under its jurisdiction for promoting the level of education among the crucial segment of the society; for this, it may also get grants or technical assistance from the IDB, UNESCO or other regional and multilateral institutions.*
- b) *IFRDI may be funded by the Central Bank as it will be helping the Bank in promoting education among the public about banking and finance - strengthening the financial sector and the market; IRTI/IDB may be needed to provide technical assistance for capacity building, particularly by supplying trainers for ToT programs.*
- c) *IFLCs may be funded by the IFIs (or the association of IFIs) who are the ultimate beneficiaries of development of knowledge base in the Madaris. It will help increase their clientele and remove myths about their products and operations among the general public. As it may involve huge expenses,*

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<sup>1</sup> As regards their traditional sources like *Zakāh* proceeds, donations and charity by the individuals or the entities in the informal sector, they are not agreeable to be audited by the government institutions with the excuse that they are not getting anything from the government. However, many of them arrange informal audit at private level to satisfy the donors.



*IRTI may like to contribute on preparation of training materials and delivery of some specific courses.*

- d) A number of Trusts and charitable institutions can be involved, provided they are assured of the potential of the proposed program in the development of the community and the system.*

#### **4.8 Absorption of Madaris graduates and Trainees in the New Scenario**

Although there is a sufficient scope of absorption of the trained graduates of Madaris in the Sharī‘ah advisory and compliance processes of IFIs, yet they would need other avenues because of their number increasing over the years, which could possibly be in thousands, if the education and training program is implemented as being envisaged. They will have to be accommodated in operations of the IFIs provided they could compete with graduates of the economics and business schools. It would require that they are brought into the mainstream of the society through knowledge and skill development programs. For this purpose, they would need contemporary business, accounting and finance education and internship in banks and non-bank financial institutions (NBFIs), accounting and finance departments of the corporate sector, accounting and corporate law firms and *Zakāh* and Trusts institutions. The institutions of *Zakāh*, *Awqāf* and Trusts need to be developed on scientific lines for their better performance in which case they could absorb a large number of Madaris graduates.

#### **4.9. Initiatives at the Regional and Multilateral levels**

In the process of development of Islamic finance, a number of countries and regions are playing the role of global or regional hubs in providing access to Islamic financial products and markets, like Bahrain, Saudi Arabia and Dubai in the Gulf Area; Malaysia and lately Singapore in the Far East; London in Europe; and a few centers in USA and Canada. Pakistan is among the pioneers in R & D work and has remained a good source of supply of human capital trained in Islamic finance including Sharī‘ah advisory. A large number of Sharī‘ah experts would be needed in all these areas for product development and endorsement, documentation and operations and internal controls for Sharī‘ah compliance. Hence, intensive efforts are needed to manage orientation and training of Islamic scholars in all these hubs in collaboration with Islamic institutions, Islamic universities and

Islamic centers of repute like Jamia al Azhar, Jamia al Islamia Madina, Umm al Qura at Makkah, Islamic Faculties in Jordan, Indonesia, Malaysia, Britain and Canada.

## 5. RECOMMENDATIONS

Keeping in view the present situation and the challenges ahead, following are some of the recommendations:

- a) *To address the challenge of removing the myths and misconceptions about Islamic banking among the Shari'ah scholars and Madaris people, the first initiative should be organizing 1-2 day(s) seminars in which eminent and learned Shari'ah scholars of various sects, who enjoy confidence of the respective Fiqh followers, should be given orientation on the philosophy, principles and practices of Islamic banking and offered opportunity of open discussion on related issues. Most of them are intelligent, responsive and pragmatic; experience shows that any resource persons having deep and thorough knowledge and confidence in themselves shall be able to convince the overwhelming majority of the religious leaders about the practicability of the Islamic banking system. It would also be a step forward in initiating a process of effective dialogue with Madaris to make their education system practice-oriented particularly in respect of business and finance. Medium and long term policies may be discussed in the subsequent / follow-up meetings / seminars regarding the role of the Shari'ah advisors and the possible measures in imparting them requisite education and training.*
- b) *A simultaneous step should be establishment of institutions/entities as discussed in Section 4.1 above. The proposed IFETA has to play the leading role in providing effective coordination among the Madaris management, IFEB, R & D institute and the training centers. The role of IFRDI has to be crucial in helping revision in Madaris curricula and developing and designing training material and programs.*

- c) *Islamic Finance Education Board (IFEB) and the curricula revision committee may have representation of all established Islamic schools of law so that maximum flexibility could be made available for solving the emerging problems, of course remaining within the Shari'ah boundaries, and the end products could carry confidence of and acceptance by all of them.*
- d) *The education authorities, IFIs and the central bank and other relevant forums may give accreditation only to those Islamic finance training institutions that may introduce the curricula and the orientation/training courses and materials as developed and suggested by the IFEB.*
- e) *Although the revised curricula would envisage study of Islamic economics and finance at all middle and higher levels in Madaris, the special education and orientation courses may be introduced at aalim, mufti and takhassus levels. As the first step, the students doing takhassus in Fiqh (including those who have already completed in the recent past) may be selected for study of AAOIFI Shari'ah Standards or for training programs indicated in Section 4.6 above. Nominations can be invited from the relevant Wafaqs; trainees can be registered after the process of open tests and interviews. Later on, all aalims, muftis having sufficient knowledge of contemporary subjects can be offered such programs.*
- f) *Keeping in view the shortage of competent resource persons and the education / training material, the education and orientation courses as suggested above, can be offered, to begin with, in some Model Madaris<sup>1</sup>. The experience of Model Madaris could be useful in extending the coverage of desired education programs in phases.*
- g) *Developing training materials and arranging 'Train the Trainers' programs is one of the most strategic parts of the envisaged movement for Islamic finance training. It would require joint efforts by the institutions suggested*

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<sup>1</sup> Interviews with Madaris management have revealed that they do not feel easy with the term 'Model' because of the efforts made in recent years at the State level to introduce reforms in the context of the so called 'war against terrorism'. They accept 'moderation' as a core value of Islam, but do not agree with the term 'enlightened moderation' as being used and understood in the sense of 'liberalism'. Hence it is imperative to clarify to them that the purpose is only to develop the knowledge and expertise of Madaris enabling them to apply the tenets of the Shariah in practical life particularly in the context of business and finance.

above, *Shari'ah* scholars, Central Bank and IFIs operating in a jurisdiction. It would also need technical and financial support by IRTI / IDB. The reading material that the curricula committee may consider to include is suggested in Annexure-A (teaching material for secondary and higher level classes), Annexure-C (training Material for specialized Diploma program) and Annexure-D (the Modules for 'Training of Trainers' program).

- h) The textbook material available in English and Arabic needs to be translated into Urdu, Bangali and Malaya Bhasa to enable the local students in each region to understand the principles of Islamic finance; such material in English also needs to be translated into Arabic.
- i) Madaris students will be able to get thorough knowledge of the principles and products of IFIs only if they know the ground realities and acquire the basic knowledge of business, economics and finance as also the English language. General education and specially designed skill development programs are more likely to enhance their capabilities. Hence, in order to encourage them to acquire such requisite knowledge, IFEB may announce the policy that only those students would be accommodated for specific orientation and training programs that have Bachelor Degree awarded by the universities in the general education system.
- j) Along with the study of the revised curriculum, the Madaris graduates may need mentoring for broadening their vision and enhancing capacity to benefit from the knowledge they get in their studies. They need to be encouraged to "grow through life" rather than to "go through life". A continuous dialogue process between the Madaris and the business, banking and finance communities is imperative in broadening their vision and making their approach pragmatic. Knowledge and skill development programs need to be arranged in collaboration with other HR development institutions. Such programs can be delivered:
- At the respective Madaris – it could save from a number of logistic problems that could be faced otherwise;
  - At the IFLCs – it would be a bit costly, but could be more useful due to the possibility of broader representation of the trainees and better training environment;

- *Through professional training and human resource development institutes and universities that are already offering such training programs (Like International Islamic Universities in Pakistan and Malaysia, Islamic centers and training institutes in various parts of the world).*
- k) *IFRDI and the IFLCs may prepare virtual/on-line orientation programs and audio and video presentations for E-based learning of Islamic banking and finance enabling the Madaris students to learn Islamic banking at their premises and in their spare time. (such E-learning programs are being offered in Dubai);*
- l) *Acquiring cooperation from various trusts and charitable institutions that are working for promotion of Islamic values and socio-economic development of the societies. For example, Institute of Policy Studies in Islamabad may be invited to conduct training and orientation courses for Madaris in the vicinity in collaboration with relevant departments of the International Islamic University, Islamabad. Under such cooperative programs either the Madaris students can be provided orientation in such institutions/universities or the resource persons may be deputed to teach Islamic finance in Madaris.*
- m) *Arrangements may be made for inter-regional secondment programs that would be helpful in broadening the approach and developing expertise of the Shari'ah scholars for application of the Shari'ah principles and standardization of rulings on existing and new products.*
- n) *A number of Madaris graduates having good academic track record and aptitude for higher studies and research may be provided opportunities in IFRDI or other institutions of higher studies along with necessary funding for pursuing research projects. For this purpose, IDB may announce an endowment fund to provide necessary financing to the researchers on merit basis.*
- o) *The IFRDI may also serve, besides facilitating the targeted groups for imparting education and training, as consultation and Shari'ah endorsement body for new products and Şukūk. It would enhance its incumbents' expertise and help it in gradually becoming self sufficient in terms of funds.*

## 6. CONCLUSION

Sustainable growth of Islamic finance would require developing the framework for HR development, pushing up R & D activities and enhancing education facilities in collaboration with the leading academic and research institutions. Orientation and training of the Shari‘ah scholars and the Madaris people is the most crucial in this regard due to the strategic role they can play in changing the mindset of the people and enhancing acceptability and integrity of the system. They are vital to evolve consensus on Islamic banking.

It would require one authority as the focal point in each jurisdiction and another one at the IDB/IRTI level, and a number of auxiliary institutions requiring active involvement of all stakeholders of Islamic banking and finance. IFIs should be eager to invest a small part of their equity capital for development of potential human resource at Madaris that could substantially enhance their clientele and bring the so far un-banked people into the formal financial channels.

Islamic finance training centers need to be established in all relevant regional hubs where Madaris graduates from the respective regions, and if possible, from all over the world could be provided opportunities for training in Islamic banking. Collaboration among the local Islamic centers, government authorities, financial institutions and IRTI / IDB would be necessary for success of any such program.

### ❖ ANNEXURE-A

#### **Suggested Teaching Material to be included in Curricula at Aalim, Mufti and *Takhassus* level Classes in Madaris**

Discussion with scholars well aware of the traditional and the contemporary source material on Islamic economics and finance refers to two views regarding revision of the Madaris curricula. One view is that for comparative study on the subject of business and finance, selected material

from all the established schools of law need to be included in the revised curricula. Going with this approach, the curriculum Review Committee may select necessary parts from the chapters on Contracts (*‘Uqood*), Partnership (*Shirkah / Qirad*), Sales (*Bay‘*), *Ijārah* (leasing), Loans / Debts (*Qard* and *Dayn*) including Guarantee (*Kafālah*) and assignment of debts (*Ḥawālah*) and others related with *Mu‘āmalat* of the following books:

- *Al-Sarakhsi, Shamsuddin Abu Bakr Muhammad: Al Mabsut;*
- *Shafii, Abu Abdullah, Muhammad bin Idrees: Kitab al ‘Umm;*
- *Malik Ibn-e-Anas: Al Muawatta;*
- *Ibn Qudama, Abu Muhammad Abdullah bin Ahmad, ‘Al Mughni’*
- *Al Hilli, Shaair-al-Islam;*
- *Hussain, Ali al Husaini (Aqd al Bai fi fiqhal Jafri)*
- *Al Jaziri, Abdur Rahman, Kitabul Fiqh ‘Alā Mazāhib-e-Arba’a*
- *Al-Atasi, Muhammad Khalid: ‘Sharah Majallah al Ahkām al ‘Adliyah’,*

The selected material from the above books may be in addition to the books that are already being taught, or may be in replacement of some materials that neither have much relevance with the fundamentals of Islam nor have any obvious application in the present age.

The other view in this regard is that the research oriented books by the contemporary jurists only be included in the existing curricula of Madaris as the students will find them easier to comprehend the system and its application in the present age. Further, such books generally contain the comparative view of all schools of thought along with relevance with the primary sources of the Shari‘ah and views of the *Salaf*. This writer prefers the latter view as the focused material would be more useful and helpful in understanding the concepts and their application to the present business and financial transactions. Selected books by contemporary authors may, *inter alia*, include:

- *Zuhayli, Wahbah; Al Fiqhul Islami wa Adillatuhu (Chapters on Mu‘āmalat),*
- *Sh. Saleh bin Fozan, Al Molakhasul Fiqhi – Talkhees; Darul Manar, Cairo, 2004; Vol. 2 (Chapters on Mu‘āmalat (Pp: 1 - 119);*

- *Mubarik bin Sulaiman b. Muhammad Aal e Sulaiman; Ahkāmutt'āmul fil Aswāqil mālia al Mu'asirah, Dār Kanuz Ashbelia; Riyadh, KSA, 2005*
- *Al-Saloos, Ali Ahmad; i) Mu'amalatul mālia al Mu'asirah fi Dhoa-al-Sharī'ah al Islamiah; Maktaba al Falah, Kuwait, 1986; ii) Mausuiyah al Qadhaya al Fiqhiiah al Mu'asirah wal Iqtisad al Islami; Muassasah al Rayyan, 2005 / 1426 (chapters on Mu'āmalat).*
- Al-Dhareer, Siddiq M.Al-Amen (1997); 'Al-Gharar fil 'Uqood'.
- *Al M'aāyeer al Shari'yah (AAOIFI Sharī'ah Standards)*
- *The following book, though by a Jurist of 11th Hijrah century, could be useful for focused education in the Madaris: Nail al Maārib, bi Sharah-e-Dalil al Tālib fil Fiqh al Hanbali by Imam Mar'aa b. Yousuf (d.1033 H), Darul Kutub al Ilmiah Beirut, 2005; (Pp 151 – 240).*

#### ❖ ANNEXURE-B

##### **Suggested Areas and Modules for Courses on Fundamentals of Economics, Business and Finance**

- The main features of the conventional economic system
- Money and monetary theory
- The concept of direct and indirect financial intermediation and the need for banking
- The debt creation and problems generating from incurring debt simply by issuing debt instruments in an interest based framework
- Deposit taking and management by commercial banks
- Financing activities of conventional commercial banks
- Investment banking and fund management
- Service based operations of the commercial banks
- Financial instruments and markets
- Financial Derivatives



- The basic principles of Islamic Economics;
- The independent functioning of the market forces and the role of the State/Regulators for just distribution of wealth among various factors of production in the Islamic economic system;
- Functions and creation of Money in Islamic Perspective
- The nature and time value of money in Islamic economics and impact of inflation.
- The need for Islamic banking
- The basic principles and philosophy of Islamic banking as distinct from the conventional banking

#### ❖ ANNEXURE-C

### **Course Contents for the proposed 100 to 120 teaching Hours' *Diploma in Islamic Banking and Finance***

#### **For the Madaris Graduates Specializing in Islamic Finance**

**(Duration: Normally 100 to 120 teaching hours)**

- The Main Principles of Islamic Economics and Shari'ah Boundaries
- Basic Concepts and Philosophy of Islamic Banking
- Islamic Law of Contracts and Principles of trading
- Concepts of *Musharakah*, *Mudharabah*
- Deposits/Resources Mobilization and management
- Credit and Forward Sales – *Musawama* and *Murabahah*; Salam and *Istisna'*
- *Murabahah* and *Musawamah* as Financing Modes
- Process of *Ijarah* based financing along with accounting aspects and Tax Issues - Case Studies

- Intermediation and accessory modes like *ju'alah*, *wakalah*, *amānah*, *hawālah* (assignment of debts), *Kafālah* and *Tawarruq*
- Concept and application of hybrid modes like Diminishing *Mushārah*
- An overview of AAOIFI's Sharī'ah Standards with practical orientation
- Accounting Procedures under various Modes of Financing
- Prospects and Issues in Specific Areas of Financing by Islamic banks
- Local and Foreign Trade Financing Case Studies
- Consumer and Corporate Financing
- Islamic Securitization, Financial Instruments and Markets
- Risk management framework for Islamic Banking
- Internal Control and Audit for Sharī'ah Compliance of Islamic Banks operations
- Conversion of a Conventional Bank to an Islamic Bank
- Debit, Charge and Credit Cards in Islamic Finance
- Comparison of Islamic and Conventional Banking
- Documentation for various Modes to be used by Islamic Banks.

#### ❖ ANNEXURE-D

##### Key Areas and Modules for 'Training of Trainers' Programs

**(Duration: Normally 48 teaching hours stretched over two weeks)**

Module on the sources of Sharī'ah and the principles of Islamic jurisprudence with comparative position in all established schools of law.

Module on AAOIFI's Sharī'ah Standards

Module on accounting aspects of various Islamic financing modes;

Module on Financial markets, instruments and operations in the conventional and Islamic frameworks;

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Module on Issuance of Sharī‘ah Rulings, Sharī‘ah Endorsement of Products and Instruments and Sharī‘ah advisory services for Islamic banking; Internal Controls and Inspection for Sharī‘ah compliance;

Module on ‘How to become a Professional Trainer’ Comprising:

- Learning Psychology: KASH: (Knowledge, Attitude, Skill, and Habit)
  - *Inter-personal and Intra-personal Skills*
  - *Attitude Handling – How to handle different people*
  - *Excuse handling*
  - *Questions Handling*
- Learning process: (PESOS: Preparation, Explanation, Showing, Observing, and Supervision)
  - *Information*
  - *Explanation*
  - *Application*
- Presentation Skills
- Communication Skills
- Classroom Management
- Time Management
- Workshop on Pedagogical tools: Self-assessment Test; Case Studies