

**Islamic Business Ethics: Principles and Contemporary Applications (Fall 2019)**  
**Umar F. Moghul**

Following the global financial crisis of 2007-08, we are witnessing expanding socially and ethically conscious business initiatives of which contemporary Islamic banking and finance is a rapidly growing subset. This course will go beyond today's Islamic finance markets, considering the application of Islamic ethics, spirituality, and jurisprudence to earning, consuming, and investing, as well as building community infrastructure, both tangible and intangible. In particular, we will study stakeholder theory, concepts of sustainability, environmental consciousness and animal welfare, labor, and halal markets. Further, we will examine certain Islamic finance vehicles, particularly Islamic home finance in the U.S., the landmark Dow Jones Islamic Market Indexes Fatwa, and designing community impact through capital/ opportunity generation. Finally, we will explore debates of form and substance, *maslahah* (welfare) and the objectives of the Shari'ah, and responsibility and impact throughout the course.

Please note that this is an **online** course. I can be reached on email at u@moghuls.com or +1 646 821 5837. I will make myself available upon request with advance notice. I do hope we have the chance to meet in person.

**Required Texts:**

Umar F. Moghul, *A Socially Responsible Islamic Finance: Character and the Common Good* (Palgrave-MacMillan, February 2017).

Other readings will be made available at the Hartford Seminary Library or online.

**Recommended Readings:**

Recommended readings are organized following the next section.

## Course Schedule

Please note:

1. You should complete the readings in the order listed.
2. All times given refer to U.S. Eastern time.

### **Session 1: Introductory Matters (September 4 – September 9)**

Intended Outcomes:

The ability to describe contemporary Islamic Finance industry itself and in the context of the global responsible financial markets.

Required Readings:

1. Hossein Askari, et. al., Globalization and Islamic Finance (2010) [hereinafter Globalization and Islamic Finance], p. 47-52; 59-68; 68-77; 80-93; 94-111; 111-119.
2. Benjamin J. Richardson, Socially Responsible Investment Law: Regulating the Unseen Polluters (2008), Pages 43-73.

### **Session 2: Earning and Consuming, Ethics and Economics (September 10 – 15)**

Intended Outcome:

Understanding some Islamic ethics and spiritual notions relating to earning and consuming.

Required Readings:

1. Umar F. Moghul, A Socially Responsible Islamic Finance, Chapter 1.
2. Abu Hamid al-Ghazali, The Book of The Proprieties of Earning and Living (Kitab Adab al-Kasb wa-al-Ma'ash), Translated by Adi Setia, Pages, 107-117.
2. Muhammad Hashim Kamali, The Right to Education, Work, and Welfare in Islam (2010), Pages 96-121.

### **Session 3: Stakeholder Considerations (September 16 – 23)**

**\*\*\*\*\*SEPTEMBER 24-25: QUIZ\*\*\*\*\***

Intended Outcome:

The ability to identify stakeholders with either a right or obligation and contextualize them within an economic setting.

### Required Readings:

1. Askari, et. al., Globalization and Islamic Finance, Pages 11-25.
2. Rafik Beekun and Jamal Badawi, Balancing Ethical Responsibility among Multiple Organizational Stakeholders: The Islamic Perspective, Journal of Business Ethics Vol 60, p. 131-145 (2005).
3. Musa Furber, Obligations to Future Generations: A Shari'ah Perspective, available at <http://www.tabahfoundation.org/en/research/activities/papers/?action=view&id=27>.

### **Session 4: Substantive and Procedural Principles (September 25 – October 4)**

#### Intended Outcome:

The ability to explain certain noteworthy Islamic financial-legal-ethical principles.

#### Required Readings:

##### Topic 1 – Riba:

1. Historic Judgment on Interest (1992) 44 PLD (FSC) 1 (December 7, 1991) You are required to read ONLY paragraphs: 39-42; 49-54; 58-61;66-72; 90-99; 107-112; 116-126; 135-152; 161-169; and 185-188, available at [https://www.albalagh.net/Islamic\\_economics/riba\\_judgement.shtml](https://www.albalagh.net/Islamic_economics/riba_judgement.shtml)
2. Muhammad Ayub, Understanding Islamic Finance (2007), p. 89-90; 81-82; 159-167.

##### Topic 2 - Gharar:

1. Kamali, Islamic Commerical Law: An Analysis of Futures and Options (2000), p. 84-93; 95-96.
2. Mohammed Burhan Arbouna, The Combination of Contracts in Shari'ah: A Possible Mechanism for Product Development in Islamic Banking and Finance, Thunderbird Int'l Bus. Review, Vol. 49(3), 341-369 (May - June 2007).

### **Session 5: The DJIMI Fatwa: Opening Markets (October 5 – October 9)**

#### Intended Outcome:

The ability to explain the actual and potential role of fatwa and their potential impact, and to understand a contemporary view of Islamic legal-ethics towards public equities.

#### Required Reading:

1. The Dow Jones Islamic Market Index, Statement by the Shari'ah Supervisory Board.
2. Moghul, A Socially Responsible Islamic Finance, Chapter 4.

### **Session 6: Three Nominate Contract Forms (October 10 – October 18)**

#### **Intended Outcome:**

The ability to understand three basic contract forms, as classically envisioned and as applied contemporarily in structuring transactions and products.

#### **Required Readings:**

##### **Topic 1 - The Contract of Murabaha (Cost Plus Mark-up Sale):**

1. Ayub, Understanding Islamic Finance, p. 213-240.
2. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shari'ah Standards No. 8, Murabahah to the Purchase Orderer. \*Please note that the entire work of AAOIFI Standards is available at the UConn Law Library.

##### **Topic 2 - The Contract of Ijara (Lease):**

1. Ayub, Understanding Islamic Finance, p. 279-306.
2. AAOIFI, Shariah Standards No. 9, Ijarah and Ijarah Muntahia Bitamleek.

##### **Topic 3 - The Contract of Shirkah (Partnership):**

1. Ayub, Understanding Islamic Finance, p. 307-345.
2. AAOIFI, Shari'ah Standards No. 12. Sharika (Musharaka) and Modern Corporations.

### **Session 7: Wholesale American Islamic Finance (October 19 – October 28)**

#### **Intended Outcomes:**

The ability to describe contemporary wholesale Islamic finance structures within the context of the laws and customs in which they take place and to consider the same in light of Islamic ethics/ spiritual concepts.

#### **Required Readings:**

1. Umar F. Moghul, Separating the Good from the Bad: Developments in Islamic Acquisition Financing, American University International Law Review, Vol. 23, No. 4 (2008).

2. Umar F. Moghul, No Pain, No Gain: The State of the Industry in Light of an American Islamic Private Equity Transaction, Univ. Chicago J. Int'l Law (Winter 2007).

### **Session 8: Contemporary Islamic Home Finance in America (October 29 – November 4)**

#### **Intended Outcomes:**

The ability to describe U.S. home finance structures and consider their merits with reference to Islamic ethics – and ethics and morality generally.

#### **Required Readings:**

1. Michael McMillen, Islamic Home Purchase Financing: A Conceptual Overview, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2177255](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2177255).
2. Moghul, A Socially Responsible Islamic Finance, Chapter 5.

### **Session 9: Halal Markets (November 5 – November 11)**

#### **Intended Outcomes:**

To appreciate the ethical and spiritual – and business – concerns arising in the development of halal globally.

#### **Required Readings:**

1. Thomson Reuters, State of the Islamic Economy Report 2018-19, Pages 25-52; 81-104, available for download at: <https://ceif.iba.edu.pk/pdf/ThomsonReuters-stateoftheGlobalIslamicEconomyReport201617.pdf>.
2. Jonathan Wilson, Shaping the Halal Into a Brand, Journal of Islamic Marketing, Vol. 1., No. 2 (2010), Pages 107-123.

### **Session 10: Environmental Consciousness (November 12 – November 17)**

#### **Intended Outcomes:**

To intelligently discuss whether Islamic finance principles and the contemporary Islamic finance industry are socially responsible.

#### **Required Reading:**

- Moghul, A Socially Responsible Islamic Finance, Chapter 3.

### **Session 11: Labor & Welfare (November 26 – December 3)**

#### **Intended Outcomes:**

To appreciate the spiritual place of work in Islam and the rights and obligations of workers.

#### **Required Reading:**

1. Adnan Zulfiqar, Religious Sanctification of Labor Law: Islamic Labor Principles and Model Provisions, 9 Univ. of PA Journal of Labor & Employment Law 421 (Winter 2007).
2. Muhammad Hashim Kamali, The Right to Education, Work and Welfare in Islam (Fundamental Rights and Liberties in Islam Series) by Mohammad Hashim Kamali, Pages 112-134, 139-147, 191-209.

### **Impact: Waqf & Community Development (December 4 – December 10)**

#### **Intended Outcomes:**

To design solutions for the financial sustainability of community and community institutions.

#### **Required Readings:**

1. Peter Senge, The Fifth Discipline, The Art & Practice of the Learning Organization (1990), Pages 68-91 (Chapter 5, entitled 'A Shift of Mind').
2. Randi Deguilhem, The Waqf in the City, in Salma K. Jayyusi with Renata Holod, Attilio Petruccioli and André Raymond, eds., *The City in the Islamic World (2008)*, Pages 923-950.

### **Session 13: Reimagining Relationships with Capital (December 11 – December 16)**

#### **Intended Outcomes:**

To assess contemporary financial methods, Islamic and otherwise, in light of Islamic spirituality and ethics – and in light of Islamic law – and consider practical solutions thereto.

#### **Required Readings:**

1. Muhammad Taqi Usmani, Sukuk and Their Contemporary Applications (trans., Yusuf T. DeLorenzo), available at <http://www.kantakji.com/media/7747/f148.pdf>.
2. Al-Ghazali, The Lawful and the Unlawful, Pages xxvi (paragraph beginning "Let us..." – xxviii (until paragraph ending with "transparency."))
3. Moghul, A Socially Responsible Islamic Finance, Chapter 6.

**\*\*\*FINAL EXERCISE –DISTRIBUTED BY DECEMBER 17 AND  
DUE DECEMBER 20, 11:59 P.M.\*\*\***

## Grading Policies

In addition to the policies and procedures of the Hartford Seminary including without limitation as set forth here: <http://www.hartsem.edu/current-students/policies/> and updated and made available from time to time, please review the following specific grading rubrics and policies for this course:

### **Threaded Discussions**

#### *Purpose*

Threaded Discussion allows students and the faculty member to engage each other in what would typically be "classroom" discussion. It is also one way for students and the faculty member to assess mastery of the session outcomes.

#### *Parameters*

You should expect approximately 2 to 5 primary questions or comments posed by me per session at the outset and across each Session, with approximately 2 to 3 substantive responses by you per session. I expect that this will vary somewhat from Session to Session.

#### *Substantive Postings*

Threaded Discussion is open only for the dates/ times listed above. Only "substantive postings" will receive credit.

- You have to make a valid attempt to answer a discussion question, post something that relates to course content, or ask a well articulated question of significance. You cannot just say something like "I agree" or "That's a good answer" or ask a simplistic question. There is no length requirement.
- You should engage in each discussion, reply to questions - whether directed at you or the class generally, whether asked by the professor or any student.
- The quality and not just quantity of your post(s) is what is important. To make the class discussion board useful, students should keep in mind that others are not interested in reading unnecessarily lengthy postings!
- Feel free to ask questions about something in the reading or other assignment which you did not quite understand or which came to mind as a result of our assignments and discussions - or a contemporary event. Feel free to express agreement and disagreement, respectfully and sincerely of course, with assignment content and one another.
- Let's make these discussions interesting, informative, and dynamic.



### *Posting Evaluation Criteria*

Student contributions to the Threaded Discussions will be evaluated according to the following criteria:

- Clarity
- Conciseness
- Logical flow of ideas
- Analytical thinking
- Mastery of critical concepts
- Sophistication of argument

### *Grading*

To earn 9 to 10 points, you must have:

- Demonstrated leadership in discussions
- Posted regularly during the assignment
- Replied to the main topic; substantially enhanced the quality of discussion (e.g., illustrated a point with examples, suggested new perspectives on issues, asked questions that helped further discussion)
- Kept your posting concise
- Replied to other students on a regular basis in a relevant and constructive way
- Read and considered a substantial number of other postings before responding (as indicated by, among other things time between postings)
- Referenced other research (when appropriate) and generated follow-up responses from other students
- A useful way of approaching the discussion boards to maximize your contribution and performance is to ask yourself: "is there a way to get others to respond to me or perhaps to get others to use my post in their posts by (1) thinking of an example or analogy that would make the point more concrete, (2) raising a question relating to this point that would cause others to react, or (3) doing some additional research related to the point and bring it into the discussion?" any of these three would be a way to take a leadership role that would cause others to react to your post and generate a richer thread

To earn 6 to 8 points you must have:

- Replied to the main topic; enhanced the quality of discussion (e.g., illustrated a point with examples, suggested new perspectives on issues, asked questions that helped further discussion)
- Read and considered a substantial number of other postings before responding (as indicated by, among other things time between postings)
- Kept your posting concise

- Replied to other students on a regular basis in a relevant and constructive way
- Referenced other research (when appropriate) and generated follow-up responses from other students

To earn 3 to 5 points, you must have:

- Posted main topic information
- Replied to one other student posting
- Demonstrated no depth of presentation (e.g., posting not on topic or only tangentially related to topic)
- Not kept postings concise
- Posted infrequently postings or failed to consider other postings
- No constructive comments to help class discussion
- Made postings too late in the discussion board to contribute to meaningful discussion

If you fail to participate in the threaded discussion, you will automatically earn a score of zero (0).

*Posting Etiquette: Do's and Don'ts*

I reserve the right to add to this list as the class moves forward, but here is a list of posting Do's and Don'ts:

- Don't use all capital letters. Doing so means you are yelling!
- Don't use all lower case.
- Do compose your posts using proper grammar. (Hint: Prepare your posts as if your boss, the partner-in-charge, or a paying client of the office will be reading it!)
- Don't start a new thread when you are actually replying to a previous post.
- Do be specific when you ask a question. Don't say "I don't understand investigative discourse analysis. Can anyone help?" Articulate exactly what you don't understand about investigative discourse analysis!
- Don't use posts just to say "Thanks" or "You're Welcome." I know it would be polite to do so, but I've seen discussion boards get overwhelmed with these posts. (For those of you who are mannerly: when you ask a question, say something like "Thanks in advance!" at the end of the post.)
- Do quote previous posts when replying to a previous post. Don't, however, use more of the previous quote than is necessary (e.g., if you are responding to only part of a question just quote that portion).

## Quizzes

### *Purpose*

Quizzes are intended to let students assess their individual understanding of the material. Information contained within the Readings and Media and discussed within the Threaded Discussions ensure a level of knowledge that will be needed to successfully construct the Real Estate and Private Equity deliverables. In short, DO the readings and actively participate in the Threaded Discussions before taking the quiz.

There will be two quizzes arranged according the following sequence:

### **Quiz 1**

This traditionally formatted short answer quiz will cover materials engaged for Sessions 1, 2, and 3.

This quiz will begin and must be completed and submitted at the time and date indicated above. It will consist of short answer questions only.

### **Quiz 2**

This shared investigation quiz will cover materials engaged for Sessions 4 through 9. The intention of this design is to require students to assume responsibility to dig deeper into the material in order to contribute together and receive a more complete comprehension as a class.

### *Instructions for Quiz 2*

1. Each student will create two (2) questions drawn out of any of the required readings of Sessions 4 through 9. Each student must provide for each question its respective correct answer and, an alternative, but incorrect answer.
2. Each question and answer set needs to include proper citation for verification (i.e., to what reading does the question relate). Each answer must be labeled as "correct" or "incorrect."
3. Each student will then send their two (2) questions with their respective four (4) answers to the professor.
4. The professor will then reply to the student's e-mail accepting or rejecting question(s) and/or answer(s).
5. Grounds for rejecting a question are: If the question(s) are not suitable, if someone has already e-mailed your question(s), or If four questions have already been accepted for

any single resource (the professor will maintain a threaded discussion that will identify which resources are no longer viable for new questions).

6. If a question is rejected, the student must create a new question(s) and answer(s) and run it through the professor again. In effect, this is "a first come, first serve" basis.

7. The deadline for this assessment is posted in the Class Schedule.

8. This Quiz will be comprised of approximately 80% of questions submitted by students and approximately 20% submitted by the professor.

**Note:** The effort behind this approach is to prevent everyone from providing their contribution at the last minute, and to increase participation with helping each other to collectively learn the material. The longer you procrastinate, the more likely you will spend more time to generate unique question and answer sets.

### **Evaluation for Quizzes**

#### *Quiz 1*

Each student will have the opportunity to earn 100% on this quiz for a total of 10 points. If you fail to submit your quiz on time, you will earn no points. Your grade will be based on the accuracy of response, including both completeness and precision.

#### *Quiz 2*

Each student will have an opportunity to earn 100% on this quiz for a total of 50 points. If you fail to timely provide your contribution or do not contribute at all, you will have twenty (20) points automatically deducted from your Quiz 2 grade. Twenty (20) of the possible fifty (50) points are earned by clearly and accurately answering the questions posed in the Quiz.

To earn the remaining thirty (30) points the following criteria will be used:

- You must provide unique questions.
- You cannot duplicate a question that someone else has provided (although if you correct this error in a timely manner, having done so will not count against you.)
- You cannot use a question that has been posed in the reading material.
- You must create questions that possess some heft, is synthesized from the material, and that requires some level of rigor to engage the material to answer it.
- You cannot just take a sentence from the material and turn it into a question
- You must make a valid attempt to provide a complete answer to your question(s).
- You cannot just provide a single word or sentence as an answer.
- You must provide some explanation as to "why" your answer is appropriate to the question and why your incorrect answer is incorrect.
- You cannot just "cut" and "paste" language or sections from the material.

- You cannot just take a sentence from the material and turn it into an answer.
- You must clearly and accurately answer the questions posed in the Quiz.

**NOTE:** Each question must be substantially different from the other. If a question you are thinking of submitting seems too close to your other question, it probably is. There is enough material to overcome the need for duplication. Remember, I will be pre-screening.

**NOTE:** I expect answers to be substantial enough to answer the question. Ultimately, what I am looking for is evidence that you are engaged in learning the course material.

### **Final Exercise**

For the Final Exercise, you will be given approximately one week to answer essay response questions. This exercise will consist of medium to long-answer questions where I may pose a fact pattern or problem for you to address using the concepts we have learned in class and other areas of expertise, if you think them appropriate.

1. You must work individually.
2. Your final submission must be made in Microsoft Office/ Word or Apple's Pages.
3. You are free to use whatever sources or materials are appropriate, and should cite them, as appropriate, in addressing the questions and problems.
4. Submit the document via the appropriate link in Canvas.
5. The start and end times for this exercise are set forth above in the Class Schedule.

This final exercise is worth one hundred (100) points, will be evaluated according to the following criteria:

- Mastery of the course material and concepts
- Sophistication of ideas and or argument
- Clarity of answers, argument, and organization
- Mistakes in grammar, spelling, etc.

### **Grading:**

- 90 - 100 Points - demonstrates complete understanding of the task and relevant principles and concepts; final product is complete, theoretically viable and practical or nearly so; presents and addresses concerns of client and vis a vis about compatibility of product with Islamic law; requirements of the task are included or near complete.
- 80 - 89 Points - demonstrates considerable understanding of the task and relevant principles and concepts; all requirements of the task are included, but the final product is lacking in its theoretical or practical viability in some manner.
- 70 - 79 Points - demonstrates a fairly incomplete understanding of the task and relevant principles and concepts. Most requirements of the task are included, but the final product is lacking in its theoretical or practical viability in some material manner.

- 60 - 69 Points - demonstrates poor or vague understanding of the task and the relevant principles and concepts. Many requirements of the task are excluded, and the final product is lacking theoretically and practically in a generally material manner.
- 0 - 59 Points - demonstrates little to no understanding of the relevant principles and concepts and client parameters. Many of the requirements of the task are missing, or the task was simply not attempted.