

ISLAMIC FINANCIAL LITERACY

EDITED BY
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FOREWORD

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

Alhamdulillah, all praises to Allah Subhanahu Wata'ala, with His blessings, this "Islamic Financial Literacy" book have been jointly published by UNISSA Press, Sultan Sharif Ali Islamic University, Brunei Darussalam and Islamic Research and Training Institute, Islamic Development Bank, Jeddah, Saudi Arabia.

Financial literacy is becoming an important global agenda in this decade. The changing socio-economic environment and the unprecedented sophistication in financial landscape are among the reasons why everyone must equip themselves and their families with personal financial management knowledge and skills.

The timely publication of this book highlights Islamic financial planning, products and other issues of Islamic financial literacy. Muslims must seek to understand Islamic finance as it is our religious obligation. If Muslims care little about the prohibition of *riba* and *gharar* and continue to consume conventional financial products, then the Islamic financial system will never be developed. Perpetuating the conventional financial system is certainly sinful for Muslims.

In concluding this foreword we would like to congratulate all the authors for their contributions to this book. We believe that this publication will contribute significantly in the literature of Islamic financial literacy.

Wassalam

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INTRODUCTION

Financial Literacy- a topic in itself; is increasingly becoming a subject of huge debate and discussions. Simultaneously, topping the list of current issues discussed at global arenas. Financial literacy not only tackles everyday concerns and needs of knowing to manage one's own credits, bills, loans, savings etc. but tackles complex situations where one is required to make prudent decisions such as choosing the right financial plan, making prudent financial investments where great risks are involved.

Financial literacy; the art of acquiring financial knowledge entails gaining conventional financial and Islamic financial knowledge-equipping one's own self about the skills and tools used in both streams and being to decide on the stream that reaps the best outcome.

Although, the choice of selecting between Islamic financial instruments and conventional financial instruments is one of a personal choice but seeking knowledge is just as important.

Due to the versatile nature of our current social, economic and cultural societies; financial literacy too is moving at an accelerating pace powered by constantly evolving technological and communicational advancements being made in ICT industries. Online banking, mobile banking, and the introduction of mobile wallet are some modern day advancements experienced in the banking industry initiating a need for financial literacy. Internet Fraud and scam posing as sound investment opportunities instigating consumers to lose their personal income are also among the main reasons why financial literacy is a topic of prodigious need.

The vehicle to promoting financial literacy can be numerous. Varied sectors, industries should devise varied mediums through which financial knowledge can be disseminated. Governments, businesses and education institutions should conduct and organize awareness campaigns promoted by all stakeholders ensuring clear messages are conveyed on topics related to consumer protection, their rights and responsibilities. These information should be accessible by all interested parties i.e customers or general public. Suitable and appropriate mechanisms should be developed to help existing and future consumers develop their existing knowledge base, skills and confidence to appropriately understand potential financial threats such

as financial risks, information asymmetry, advertising and marketing gimmicks. Customers should also be able to tap on potential and existing financial opportunities, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being.

Governments should collectively work hand in hand to set up schools, colleges and universities offering finance and Islamic finance modules, courses, executive programs, seminars and workshops to not only train young children and today's youth but create a vehicle for promoting lifelong learning. It is important to note that these curriculums should be structured on need basis and not one style fits all. Furthermore, the banking industry (conventional as well as Islamic banking) should start structuring their business model into one that promotes education and learning of its existing customer base as well as potential customers. This will ensure that the learning curve (bell) is accelerating.

Clearly, it is evident that sound financial health is critical to the well-being of individual consumers as well as the entire family. Educating and grooming current and future consumers on financial literacy enhances the functionality of the financial sector in general and financial industry in particular. A population that is prudent and knowledgeable helps to contribute to the financial resilience of the country. It will also help people to be more self-reliant in financial affairs – skillful in managing day-to-day finances, make prudent investments and plan for longer-term needs which comply to sharia. The correct understanding on financial management and responsibility is crucial to avoid debt society culture.

IRTI (Islamic Research and Training Institution) and FBMS (Faculty of Business and Management Science, UNISSA) jointly worked on a thematic workshop in collaboration with CIBFM (Centre of Islamic Banking Finance and Management), Brunei Darussalam to address issues, opportunities and challenges pertaining to global Islamic Financial Literacy.

The theme of the workshop entitled "*Thematic Workshop on Islamic Financial Literacy*" invited researchers, academia, regulators, and industry leaders to design Islamic Financial literacy projects in the future. The expected output of the workshop is list of action and concrete project possibilities suggesting Islamic financial literacy for benefit of ummah from a social and economic perspectives.

The main task for IRTI is to prepare brief and concrete synthesis reports on the results of the workshop which will be sent to the participants.

This book contains articles that address, highlights and covers most of the current topics related to Islamic Financial Literacy. The selected articles are covered based on the themes mentioned below:

Introduction to Islamic Financial Education and Islamic Financial Literacy

International Perspective

Role of educational Institutions and Educators

Role of Information and Communication Technologies

Role of Financial and Non-Financial Institutions

The Plan of This Book

Part I of this book under the title **Introduction to Islamic Financial Education and Islamic Financial Literacy** under the domain of Islamic Finance contain four papers: “Bringing Financial Literacy to Community” by Abdul Ghafar Ismail, followed by, “Aspects and Importance of Islamic Financial Education” by Lakhi Muhammad & Gul-e-rana, and “Framework of Islamic Financial Education and Literacy” by Irum Saba & Ahcene Lahsasna and final paper on this section is on the topic of “Anomalies in Application of Technical Terms of Islamic Finance” by Muhammed Fazal K & Muhammed Bishr

Part II on **International Perspective** contains articulating topics on both exploratory researches and case studies on four papers: The first research paper entitled “Exploratory Research into Islamic Financial Literacy in Brunei, Darussalam by Rose Abdullah & Ahmad Lutfi Haji Abdul Razak, explores the current stand of Islamic Financial Literacy in Brunei while the second paper covers topics pertaining to Pakistan and Thailand entitled “Responsibility of Distribution of Islamic Financial Literacy and Knowledge; Issues of Pakistan and Thailand” by S.M. Aamir Shamim & Naveed Aamir. The third article- ‘Pro Poor Financial Inclusion in Bangladesh: A Role of Islamic Finance by M. Mizanur Rahman covers aspects of Islamic Literacy and how Financial Inclusion assists people in Bangladesh. The final article on this section entitled “Islamic Finance

Finance Literacy in the US: Challenges and Opportunities by Faris Imadi Rosli addresses current challenges and opportunities of Islamic Financial Literacy pertaining to United States.

Part III on **Role of Educational Institutions and Educators** contains four papers: the first paper addresses issues pertaining to the role of higher institutions in spreading financial literacy- “The Role of Islamic Higher Institutions in spreading Islamic financial Literacy for the Community: UNISSA Experience” by Abdurrahman Raden Aji Haqqi, The second article- “Assessing the Literacy of Education in Islamic Finance: Empirical Study in the Problems of Curriculum in Some United Kingdom Universities” by Akhmad Affandi Mahfudz, followed by the paper titled “Islamic Financial Education for Children and its Effectiveness” by Mohsin Ali and the final paper of this section entitled “Developing Islamic Financial Literacy from a Personal Finance Perspective” by Ak Md Hasnol Alwee Pg Hj Md Salleh.

Part IV of the book highlights topics that helps address the **Role of Information and Communication Technologies** have on promoting Islamic Financial Literacy from a global perspectives. The first paper on this broad section highlights opportunities and issues of E-learning and Online learning at a post graduate level the title of paper- “Islamic Finance and E-learning: Challenges and Opportunities” by Dr. Khalifa Mohamed Ali. The following paper entitled “Digital Islamic Financial Institutions: Strategy of Inclusive Islamic Financial to Improve National Economic Growth” by Dewi Reknou Ulansari & Ika Hajarotin Nisak discusses how enabling financial inclusion promotes financial literacy in poor sections of the society. The last paper on this section entitled “E – Complaint: A Comparison Study among Islamic and Conventional Banks” by Liyushiana stresses financial institutions to capitalize on perks on customer service by monitoring and responding to customer complaint available via third party sites.

The final part of the book - Part V climaxes on topics from four research papers that addresses the paramount **Role of Financial and Non-Financial Institution** in promoting financial literacy at a micro and macro level. The first paper “Developing a Strategic Model of financial Education through Islamic Microfinance Program: A Preliminary Study in Indonesia” by Sigit Pramono & Dadang Rohmansyah. The second paper “Accounting Literacy and Poverty Eradication: Preliminary Case Studies in Egypt and Indonesia”

by Murniati Mukhlisin. The third research paper “Transformation of Islamic Financial Literacy in the Member of BMT in Indonesia through Community Development MKU Methods” by Kartiko A. Wibowo and the final paper on this book entitled “Corporate University Partnership: A Case Study of Bosnia & Herzegovina’s Approach to Islamic Financial Literacy Program” by Omar B. Yunus.

Papers of part I: Introduction to Islamic Financial Education and Islamic Financial Literacy

Abdul Ghafar’s paper entitled *Bringing Financial Literacy to Community* first looks into the evolution of knowledge of Muslim based communities and how financial knowledge moved from conventional based financing/banking to shariah based finance. The author stresses that much of this influence is a resultant of growing Muslim population hence creating advancement in Islamic knowledge leading to advancement in Islamic financial products/services as well as promoting Islamic finance literacy. To get an in depth understanding on this topic, the author devises probable results to the problem by carrying out hypothesis testing from three different schools of thought, (i) axiological (ii) microeconomic (iii) tawhidic. After carrying out thorough content analysis, the author suggests the best probable strategy to implement education of Islamic financial literacy is by tawhid (through quranic means) as it acknowledges that financial knowledge is one of the vital aspects not only to an individual but also in managing the community as a whole.

Lakhi & Gul’s paper entitled *Aspects and Importance of Islamic Financial Education*; the first half of the paper highlights on the basic fundamentals of Islamic finance and how it first emerged from the land of Arabia and has predominately spread in sparsely as well as densely populated Muslim communities in the world. The authors suggest; that conducive efforts are needed today by banks, non-banks and other financial institutions in shaping, enhancing and spreading of this knowledge. Furthermore, the author- Lakhi also puts forward investigations enabling to provide instigating answers to the two proposed questions; the *first* question being; what aspects of Islamic financial education is required to be taught to different segments. *Second*, what is its importance towards the society and the industry? The authors identify that the kind of knowledge provided should be more individualised rather than generalised bearing in mind that

equipping today's generations with the right tools and knowledge on Islamic finance will likely create improved societies and institutions at a macro level.

Irum & Ahcene's paper entitled "*Framework of Islamic Financial Education and Literacy*" urges on the importance of financial education and how possessing sound education can help regulators, financial institutions, wholesale clients, and customers at large. This study additionally highlights on tools, techniques and procedures needed for a sound financial tutelage. The author of the paper also attempts to provide a comprehensive overview of Islamic perspective on human development, beginning with the worldview on the creation of human being and their responsibility to the universe, followed by the root of the financial crisis in the world and its solution.

Fazal & Bishr's paper entitled "*Anomalies in Application of Technical Terms of Islamic Finance*" argue that sound usage of some very important Islamic financial terminologies such as; *Musharakah, Mudarabah, Bai al Inah, Wadiah, Qardh* etc have all been distorted through the passage of time. The authors identified some underlying reasons for this distortion as; lack of available skilled human capital possessing proficiency in Arabic language, modern day Islamic banks and financial institutions design products to seem Islamic but do not following any particular school of thought, lack of having one standard practice or meaning for products or services are some problems identified in this research. Additionally, the author of this paper too provides feasible solutions on the proper usage of these misrepresented technical financial terms.

Papers of part II: International Perspective

Hjh Rose and Lufti's paper entitled *Exploratory Research into Islamic Financial literacy in Brunei, Darussalam* explores the difference in meaning and use of financial literacy and Islamic financial literacy. The authors' further note that; to understand the topic, the authors devised both Quantitative and Qualitative to study the matter at hand. The authors explored on the roles played by various organizations and institutions in promoting Islamic Financial Literacy in Brunei. Some of the financial organizations mentioned were; AMBD, BIBD and CIBFM however, many institutions at the tertiary and intermediate level offer programs promoting

the spread of Islamic financial literacy. The study concludes, the level of knowledge of Islamic finance related to terms, meanings, principles, conditions and knowledge of the products and services offered by Islamic financial institutions are known by most people. In terms of financial practices, relatively low levels of adherence to Zakat Fitrah and Zakat Harta should be a cause for concern, as well as the low priority of savings for Haj. Furthermore, there are other aspects of Islamic financial literacy that could be explored further such as sadaqa and waqaf as well as takaful and sharia-compliant investments.

S.M. Aamir paper entitled "*Responsibility of Distribution of Islamic Financial Literacy and Knowledge; Issues of Pakistan and Thailand*" examines the impact on distribution and lack of distribution of Islamic financial literacy on the general public as well as practitioners. The study investigates on current practices carried out by Islamic and Conventional banks. Two notable examples identified in this research is of banks from Pakistan (Islamic) and Thailand (Conventional). The study also examines the reason; why Islamic banking and finance is a topic of huge debate even amongst Muslim communities. The author of this paper includes details from the perspective of all the stakeholders who are responsible of creating awareness of Islamic finance in the system which could be Islamic or non-Islamic. The concepts and assumptions in the paper is from a practitioner perspectives that staggered on these matters on a routine basis. The paper will then submit some suggestions that may help in generating a more acceptable approach to the distribution of Islamic banking knowledge and literacy among all the stakeholders.

Mizanur's paper entitled "*Pro-Poor Financial Inclusion in Bangladesh: A Role of Islamic Finance*". This paper highlights on the progressive growth Bangladesh witnessed recently. Sizable growth rate has been noted in the overall GDP of the country as well as economic and social development. Much of the growth is credited to the banking sector (Islamic and Conventional) in Bangladesh. The paper also discusses the emergence of banking industry, its significant role in empowering the poor (banked or unbanked) not only through formal financial institutions but also through non-financial institutions such as, cooperatives, microfinance institutions providing services such as microcredit account, farmers account etc. to promote financial inclusion. Additionally, the author further stipulates in his research that not only highlights the scope of activities conducted by the

Islamic banks in Bangladesh and how it promotes in financial inclusion of the unbanked populations of the country.

Faris's paper entitled, "*Islamic Finance Literacy in the US: Challenges and Opportunities*" urges that there is a positive correlation between Islamic financial institutions and Islamic financial literacy in USA. In this research, the author timelessly reassures by stating the reason for this increase is due the afflux of Muslim immigrants moving to the US. However, this sizeable increase is noted where there is predominately Muslim population and does not apply to regions with low Muslim influx and Muslim communities. Finally, the author identifies there is a possibility that the currently existing market can be used to attract non-Muslim communities to study Islamic finance hence, increasing financial literacy in the U.S

Papers in part III: Role of Educational Institutions and Educators

Haqqi's paper entitled "*The Role of Islamic Higher Education in spreading Islamic Financial Literacy for Community: UNISSA Experience*" by Abdurrahman Raden Aji Haqqi's stresses that obtaining financial literacy is fundamental for producing a society that functions morally right and islamically sound. In Haqqi's paper- he strongly believes that for one to make right financial decisions; one has to learn from the teachings of our prophet in order to carry out activities ordained by Islam. The author further reinstates that pursuing governments have stepped up their game by shouldering on the responsibility of ensuring to provide educational opportunities (financial literacy) to students at the tertiary level and one such example is the UNISSA.

Akhmad Affandi Mahfudz paper entitled "*Assessing the Literacy of Education in Islamic Finance: Empirical Study on the Problem of Curriculum in Some United Kingdom Universities*" Mahfudz initiated a quantitative research following an Analytic Network Process also known as ANP approach. The scope of this research is among the very few conducted in UK. The author stresses that the main objective of this paper is to assess the literacy level among students, practitioners, academicians and other experts in the field of Islamic economics and finance, to understand their problems, and devise solutions and strategies for growth.

To answer these questions, the author carries out in-depth interviews and questionnaires following a pair-wise synthesis for comparison. The study revealed that there were mainly two types of problems; lack of skilled professionals and weak human capital development. Additionally, the study too revealed that a possible solution is to devise an innovative curriculum capable of improving the current literacy level in order to yield better informed future candidates. The study also revealed that improving communication and promoting better dialogue among individuals and institutions could promote better Islamic finance and economical literacy.

Mohsin Ali's paper entitled "*Islamic Financial Education for Children and its Effectiveness*" stresses that Islam is not merely a religion of faith but also a knowledge house of discipline, teaching as well as parenting. The first Qur'anic ayah revealed to our prophet (PBUH) was "Read" meaning that the epitome of knowledge starts with simple reading. The research sets out to explore on strategies and models available for promoting Islamic financial education among young children. Evidently, results from the study indicate that huge strides have been noted in developed countries such as USA and certain European nations on equipping children with financial knowledge. Among the Muslim nations that have progressive strides is UAE where the government schools closely work with Islamic banks to give students theory as well as hands-on learning on Islamic finance. Furthermore, the author recognizes that institutions need to apply more than one learning strategy to convey financial knowledge such as role plays, presentation, visual and audio based learning.

Hj Md Salleh entitled "*Developing Islamic Financial Literacy from a Personal Finance Perspective*" by Ak Md Hasnol Alwee Pg Hj Md Salleh outlines on the importance of not only Islamic finance but personal finance. The author relies on the importance of not only knowing (knowledge) but also being assertive when making financial decisions such as retirement plans, managing debt, taking up loans etc. signifying the existence of a positive correlation between character traits with literacy. To get a better understanding- the author seeks solutions pertaining to the underlying question "what is an optimal Islamic financial literacy approach and programme"? The author seeks probable solutions through case studies and devises a similar approach identified by Chieffe and Rakes (1999) and suggests that implications of this approach lead to a proposed Islamic suggests that implications of this approach lead to a proposed Islamic

financial literacy programme that can be adopted by all educational institutions.

Papers in part IV: Role of Information and Communication Technologies

Khalifa's paper entitled "*Islamic Finance Education and E-learning: Challenges and opportunities*" by Khalifa Mohamed Ali explores on potential opportunities and challenges of E-learning as a tool for knowledge dissemination to promote Islamic financial literacy. In this research paper- the author looks at an example of IDB's -IRTI Master Program in Islamic Finance and Banking program- an online self-study program delivered through a university e-learning portal using an interactive multimedia interface that is easy to use and operate. The author conducts a statistical research to understand the current status of Islamic Finance in member countries, its gaps as well as potential for growth. The main findings of the research states that the benefit of e-learning is gaining a huge potential growth by making it available to learners using state of art technology hence minimizing the need for qualified instructor to cover various geographical borders. However, some of the challenges of e-learning include high maintenance cost, internet infrastructure that affect the flow of information to create disorder and disruption in the active learning environment.

Dewi Rekno Ulansari & Ika Hajarotin Nisak paper entitled "*Digital Islamic Financial Institutions: Strategy of Inclusive Islamic Financial to improve National Economic Growth through the MSMEs sector*" carried out a secondary based research to understand how Indonesia uses digital technology to promote the use of Islamic financial products and services offered by Islamic financial institutions- bearing in mind that Indonesia is experiencing high economic potential due to colossal developments made by MSME (Mega Small and Medium sized Enterprises) sector. MSME-a sector with a huge market among lower and middle class citizens that have little to no Islamic finance literacy. The authors of this research paper stress on how MSMEs can be used as a tool to create promote financial inclusion and promote financial literacy.

Liyushiana's paper on the title "*E- Complaint: A Comparison study among Islamic and Non- Islamic Banks*" stresses on the importance of E-complaint- A modern day online communication platform hosted by third party individuals allowing customers of banking Institutions to communicate about dissatisfaction faced by customers as result of banks (Islamic or Non- Islamic) and how all banks fail to realize the operational value that can be gained through these insights. The author of this research paper further gains insights and compare results of Data from two internet forums. The proposed scope was to understand the conduct a content analysis on complaints made for one year (Jan-Dec 2014), conduct customer profiling, and understand nature of the complaints, technologies used and feedback from relevant authorities. The findings of the study revealed that most complaints from both Islamic banks and Non Islamic banks were related to poor employee behavior, most complaint came from men as the voices of women are likely to be suppressed in Indonesia and understanding that the two most important communication channel for complaint being either call or through internet forum a channel for banks to exploit and invest on.

Papers in part V: Role of Financial and Non-Financial Institutions

Sigit Pramono's paper entitled "*Developing Strategic Model of Financial Education through Islamic Microfinance Program: A Preliminary Study in Indonesia*" urges on the thought principle that microfinance-a tool for poverty alleviation, social and economic development of a nation. Capitalizing on microfinance promotes better financial inclusion for the poor (banked or unbanked) population. Hence, creating a dire need for education on products and services to create Islamic financial literacy. The authors of the research paper gather data from two prominent microfinance institutions (BMT and LAZ) on the type of microfinance programs offered and its impact on the society. The study revealed mutual cooperation among all stakeholders promotes optimal benefits hence designing an adequate framework for resolving tradeoff problems are some strategies through which education on microfinance can be strengthened.

Murniati Mukhlisin's manuscript entitled "*Accounting Literacy and Poverty Eradication; preliminary Case Studies in Egypt and Indonesia*" investigates on an appropriate model for empowering the poor with

accounting knowledge that enables them to make sound economic decisions. The author carried out two researches fulfilling two different objectives. The first objective outlines; assessing the number of available models (financial institutions) and their role in knowledge dissemination. The scope of the study was carried in Egypt and Indonesia and results derived from the above objective states that initial awareness among families and clients were nonexistent but the medium through which literacy was gained were coaching and information sharing from users as well as Islamic microfinance institutions. Clearly, this is one of the most powerful weapon institutions can use to for promoting Islamic financial literacy. To tap on this- families and clients can easily gain from attending awareness campaigns, peer coaching hence, this being another tool for poverty eradication. The second objective, identify financial and accounting tools for planning and control. Results derived state that best tools are ones that give businesses and communities' better insights on ability to effectively communicate with interested parties.

Kartiko A. Wibowo's research paper on the title "*Transformation of Islamic Financial Literacy in the Member of BMT in Indonesia through Community Development MKU Methods*" urges on the importance of Islamic financial literacy. The author states that in Indonesia, financial literacy is influence by individuals who have the right caliber and that it's also the responsibility of managers of Islamic financial Institution to promote financial literacy. The author sheds light on how BMT- an Islamic Financial Institution (Baitual Mal) conducts financial literacy among its clients using a model called MKU.

Omar B. Yunus's paper on the title "*Corporate-University Partnerships: A Case Study of Bosnia & Herzegovina's Approach to Islamic Financial Literacy Education*" studies how Bosnia's corporate university model -an agreement with BBI and UoS provides a legitimate means for furthering Islamic financial literacy education in the region. The author of this research paper tests on how this 2 step model has come a long way. In the first step, a more generalized strategy focused on knowledge sharing in general while the second, the Model builds on these inroads to the general public by further improving in-house Islamic financial literacy education competencies that actualize 'just in time' interactions. Results from this research clearly indicate both models are positive, inclusive and interrelated approaches for promoting Islamic finance literacy while the first model being the predecessor.

PART I

Introduction to Islamic Financial Education and Islamic Financial Literacy

CHAPTER 1

BRINGING FINANCIAL LITERACY TO COMMUNITY

Abdul Ghafar Ismail, Bayu Taufiq Possumah & Umar Taufiq

Introduction

Bringing financial literacy to community as the title suggests in this paper, we will show the importance of financial literacy for the community. Here, the term community would be referred to as the Muslim community and importance of Islamic finance knowledge to the community. Since Islamic finance has grown rapidly over the last four decades, the Muslim community were in the position of being able to decide how they wanted to choose the products and services (hereafter we refer to as products) in Islamic finance. Alternative conventional products such as loan shark, pawnshop, crowdfunding, and credit card have also become widespread and well-accepted. At the same time, changes in the behavior of community are on the increasing towards paying zakat and giving for charity (such *sadaqah* and *waqf*). This trend toward Islamic finance is increasingly requiring the community to acquire knowledge which need educators to take on responsibility for careful documentation so as not to look it lightly in their syllabus while meeting the community's need.

Despite the rapid spread of such products to the retail market, including *umrah* financing, *sukuk*, credit card, micro-financing, *qardhassan* loans, and *musharakah mutanaqisah* mortgages financing, many of these have proven to be difficult for uninformed community to master. Therefore, while these developments have their advantages, the operators also impose on community a much greater responsibility to deal with them by permitting tailored financial contracts and more community to access financing. Therefore, one objective of this paper is to offer a structured syllabus to uninformed community and prepare them with a structured knowledge in Islamic finance. Specifically, we focus on financial literacy, by which we mean community's ability to process economic information (that is to acquire knowledge) and make decisions (that is the practical part or *'amal*) about financial planning (such as inherit of property, *waqf*), *mal*

accumulation, debt, and pension.¹In what follows, we would outline the knowledge about Islamic finance which lead to a curriculum design in our lifelong learning. In this framework, we believe that endogenizing financial knowledge has important implications for well-being and this perspective also offers insights into programs intended to enhance levels of knowledge in the larger community.²

The remaining discussion of this paper will be divided to five sections. In section two, efforts are made to discuss knowledge derived from axiology, from the holy book of *Quran* and *kitab al amwal*. In section three, we will deviate from conventional view that financial knowledge can be based on the microeconomic approach. Here, a model of financial literacy from *tawhidi* epistemology approach that is the guidance from Al-Quran will be considered to produce a community which is rational and well-informed. The lifelong learning is suggested as solution for financial literacy as discussed in section four. Section five presents the conclusions.

Knowledge about Finance

One of the main focus in financial literacy is to acquire economic information about Islamic finance. Conventionally, the economic information or literally known as knowledge are derived from axiology - Philosophical study of value. There are two kinds of values: ethics and aesthetics. Ethics investigates the concepts of "right" and "good" in individual and social conduct. Aesthetics studies the concepts of "beauty" and "harmony".³Meaning that knowledge can be derived from axiology in relation to finance is to link it with ethical transactions i.e. transactions which are valid from legal perspective. For example; payment of purchase of land from legal owner, payment of charity for welfare of community, monthly salary for assigned tasks etc. It shows that community will blossom if it deals only in legal transactions as it helps to rotate money in the economy avoiding hoarding and faked money. Similarly, there will be transactions that are illegal in community like giving or receiving bribe,

¹See also Noctoret. al. (1992) as comparison

²The absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial health of an individual. The advantages or disadvantages of variable or fixed rates are an example of an issue that will be easier to understand if an individual is financially literate.<http://www.investopedia.com/terms/f/financial-literacy.asp>

selling property that belongs to someone else without his/her consent, selling goods that are harmful to individuals like drugs, alcohol, etc. Logically; both financial transactions involve exchange of money as a medium of exchange. However, ethically a legal transaction will be considered as right or good transaction which may bring harmony in the economy and fulfill demand of citizen without any harmful effects. Whereas, an illegal transaction may cause and serve harm in many ways depending on the nature it is performed like payment of haram goods like drugs and alcohol may create chaos especially among adolescents who get caught in this trap easily for making easy money or for illusion of fame. In other words, an illegal transaction is ethically considered as bad and has its own harmful effects on the community.

The father of capitalism and free market Adam Smith⁴ said that the economy must be based (and supported by) on religion, morality, humanity, not on other values. Similarly, Samuel Cameron wrote in 2002 that some kind of real economy is “economics of sin” as it concerns economy based on greed and envy (jealousy).⁵

However, financial knowledge for Muslim community should be in light of the holy book of *Quran* and *Sunnah* that focuses on the ethical transactions that are good in nature and have positive value for individuals and society without any place of greed and envy. For example, extravagance, dealing with *riba*, owning a property without owners, selling something which you do not own, transaction, which take place hand-to

⁴ Adam Smith's theory concerning deep relations of the economy with religion can be found in Evensky (2005) *Adam Smith's Moral Philosophy. A Historical and Contemporary Perspective on Markets, Law, Ethics, and Culture*, Cambridge 2005. Jerry Evensky, analyzing Smith's ideas, wrote: “Smith reading of history convinced him that if religious institutions and positive law evolve in constructive ways they complement the natural progress of opulence and when these three dimensions are evolving constructively together, humankind will be moving toward the human prospect” (p. 108; underlining – mine). It is so because Smith, especially the mature, saw economy and all human life as based on religion and faith: “For the mature Smith, the deity is not about institutional doctrine or scientific proof, the deity is about faith. (...) The faith is the source of Smith's hope for humankind and the motivation for his life as a moral philosopher, a life committed to representing the invisible connecting principles that can lead humankind toward that benevolent prospect with which the deity has endowed humankind: <the liberal plan of equality, liberty and justice>” (p.108).

⁵ See S. Cameron, *The Economics of Sin. Rational Choice or No Choice at All?* Cheltenham, UK; Northampton, USA 2002.

hand etc. All of these concepts have their own ethical values that protect the right of owners, and to avoid *zulm* on debtors.

Among the earlier scholar that wrote about knowledge in Islamic finance is Abu Ubaid al Qasim. He wrote a book on *al Amwal*. In Table 1, we will try to understand the specific knowledge that shape Abu Ubaid's intellectual view and to compare with the conventional view.⁶ Although, some scholars say that Abu Ubaid's work is very much focused within the spiritual framework which existed before western knowledge domination. This is especially so if we think about Abu Ubaid's intellectual view which is very much influenced by the Qur'anic ethics toward financial knowledge (see Ismail and Jaafar (2015)). His view can be identified clearly and have similarity with JEL classification (which was introduced in 1960s), although the former was introduced within the period of 774-838. We could conclude that Abu Ubaid's intellectual view about Islamic finance does not differ very much from conventional view.

⁶The conventional view is derived from JEL Classification, refer to: <https://www.aeaweb.org/econlit/jelCodes.php>

Table 1: Abu Ubaid's Knowledge about Islamic Finance in Comparison with Conventional View

| Abu Ubaid's financial knowledge | Conventional View (Based on JEL Classification) |
|---|--|
| Property Right of the State | Structure and Scope of Government (H1) |
| State Property; Land, Buildings, Utilities and their revenues | Taxation, Subsidies and Revenue (H2); National Government Expenditures and Related Policies (H5); Publicly Provided Goods (H4) |
| Government Revenue | Taxation, Subsidies and Revenue (H2) Fiscal Policies and Behavior of Economic Agents (H3) |
| Taxation | Taxation, Subsidies and Revenue (H2) |
| Fa'i (Booties), Ghanimah (Spoil of war), Khumus (the Fifth) | Taxation, Subsidies and Revenue (H2); National Government Expenditures and Related Policies (H5); National Security and War (H56) |
| Al Jizyah | Taxation, Subsidies and Revenue (H2); National Government Expenditures and Related Policies (H5) |
| Al Jizyah from prohibited goods | Basic Areas of Law (K1); Illegal Behavior and the Enforcement of Law (K42) |
| Al Kharaj | National Government Expenditures and Related Policies (H5); National Security and War (H56) |
| Public Properties and their branches | Basic Areas of Law (K1); Publicly Provided Goods (H4); Agricultural and Natural Resource Economics; Environmental and Ecological Economics (Q00) |
| Shadaqah and Philanthropy | Cultural Economics; Economic Sociology; Economic Anthropology (Z1); Religion (Z12); Public Policy (Z18) |

Financial Knowledge from Al Quran

The conventional view about knowledge in finance is basically based on microeconomic approach. In this approach, as suggested by Lusardi and Mitchell (2014) - individual as a fully rational and well-informed has to make a decision on their saving and consumption plan. In a situation when income falls (example after retirement), individual uses saving to support consumption, while in times of high income (example during working period), individual consumes less than his income. Generally, we assume that individual can formulate and execute his plan if they are rational and well-informed. However, a study done by Kasmu et. al (2015) shows that few people seem to have much financial knowledge. While acquiring such knowledge is likely incurred cost.

Though there is a few body of work on the economics of education, but less effort is devoted to the question of how community acquire and organize financial literacy. However, a few papers have interested to examine the decision to acquire financial literacy and study the link between knowledge and saving behavior (see, for example Kasmu et. al (2015), Md Nawi (2013).

Each of these studies represents a useful advance, yet none incorporate key features now standard in theoretical models in Islamic economics – namely tawhidi epistemology (see Special Issue of Humanomics, Volume 30, Issues 1-4 and Abdullah (2014), labor economics (Possumah et. al (2013), inter-generational transfer (Ismail, et. al. (2014). These shortcomings are rectified in recent works by Choudhury (2014) which simulates a dynamic tawhidi model where individual is endowed with knowledge that may affect well-being.

This extension is important in that it permits the researchers to examine model implications for wealth inequality and well-being. Here, a model which is based tawhidi epistemology that is the guidance from Al-Quran (as the source of knowledge) will be considered to produce a community which is rational and well-informed.

Al Quran as the source of knowledge can be seen in Table 2. Based on the understanding from what we have learned from the items reported in column 1 Table 1, we can conclude that the financial products such as debt, sharing of bounty, waqf, grants, as well as the community who are expected

to not only know and understand the financial products, but it can also change or improve community's behavior in financial management (such as debtor-creditor relationship) so as to improve their welfare and economic system simultaneously.

In essence, Al Qur'an disseminates that under no circumstances should the financial management and knowledge be entrusted by community of "weak literate". Simply, it means that Islam views financial knowledge as one of the vital aspects not only to an individual but also in managing the community as a whole; thus, this task should be carried out properly and efficiently by someone who is not only of sound mind but someone who is apt in financial knowledge and skills.

In addition, if we read further into the following verse in Al Qur'an, we will find that God has command which invariably reinforce Islam's standpoint on the significance of financial literacy, and therefore, it is inevitable for all Muslims to include financial literacy as one of the important aspects in their life as to fulfill their religious' duties. For example, Allah says

"To those weak of understanding make not over your property, which Allah hath made a means of support for you, but feed and clothe them therewith, and speak to them words of kindness and justice. Make trial of orphans until they reach the age of marriage; if then ye find sound judgement in them, release their property to them; but consume it not wastefully, nor in haste against their growing up. If the guardian is well-off, Let him claim no remuneration, but if he is poor, let him have for himself what is just and reasonable. When ye release their property to them, take witnesses in their presence: But all-sufficient is Allah in taking account." [QS 4:5]

The above verse teaches us at least four points to ponder why we need to be literate in financial knowledge: (i) community is able to select and utilize financial products and services that suit their needs; (ii) community is able to do financial planning (financial planning) with more sharia based; (iii) community can avoid investing activities in financial instruments that are not clear (bulging); and (iv) community gets an understanding of the benefits and risks of financial products and services.

These four points are in line to what the recent studies have asserted - that poor financial literacy according to Beal and Delpachitra (2003) will

attribute the overuse of credit cards to the point where debts cannot be met, using personal loans for consumption, undertaking overly optimistic home-loan obligations, foolish commitment to get-rich-quick schemes, making unwise high risk investments inconsistent with required capital stability, and entering inappropriate vehicle-leasing contracts. That is why Fogarty and MacCarthy (2006), state that the consequences of such behaviors are potentially devastating from both a societal and an individual point of view.

Hence, from the macro perspective, financial literacy may affect: *first*, the more literate in Islamic finance, the more people will take up Islamic finance causing the economy to be more stable, because the Islamic financial system explicitly prohibits *usury* (bubble economy), and *maysir* (speculation). The stability of the financial economy will encourage exports and investment to the countries. *Second*, the more people utilizes the financial products, the growth of the real sector will certainly increase, because all Islamic funds should be earmarked for the real sector. Islamic financial sector cannot be separated from the real (*ta'alluqqitha al Maliyah bilqitha al waqi'iyah*). *Third*, the more people are well literate in Islamic finance, the more number of users of financial products that are likely to create equity (fairness) welfare as the achievement of *Maqashid shariah*.

A Solution via Lifelong Learning Model

Yes, as mentioned in Section 3, there is a need to be literate in Islamic finance, if we want to have an economy which is based on policy driven. In aiming to achieve the development goal of well-being, the financial development would require knowledgeable community. The fact that community choose to invest little or nothing in financial knowledge, the proposed model predicts that it can still be socially feasible to raise financial knowledge for community, for instance by channeling education via long life learning. Community would benefit from acquiring financial knowledge throughout their life even if they made no new investments thereafter. Moreover, these models offer insights into how policy makers might enhance well-being by enhancing the old community's endowment of financial knowledge.

Lifelong learning model – learning from Al-Quran should be pursued throughout life, i.e., learning that is flexible, diverse, and available at different times and in different places. Furthermore, lifelong learning has advantages: crosses ages, promoting learning beyond traditional schooling

and throughout adult life (i.e., post compulsory education). European Commission (2001) study noted that lifelong learning has four broad and mutually supporting objectives: personal fulfilment, active citizenship, social inclusion and employability/adaptability. In this regard, lifelong learning has life wide dimensions that transcend narrow economic and vocational aspects.

Lifelong learning is seen as a holistic view of education and recognises learning from different environments. We may adopt the conceptual framework proposed by Skolverket (2000) and Watson (2003). The framework consists of two dimensions: individuals learn throughout a lifetime; and, recognising the formal, non-formal and informal settings.

Why lifelong learning – results from several studies may support this model. First, gaps about financial knowledge – studies done by Lusardi (2011) find out that only a small percentage of population knew about finance. Even the studies such as Hilgert, Hogarth and Beverly (2003) ask their knowledge about basic finance, but the results reveal that most people earned a failing score. Second, financial literacy among the different generations – although some may believe that a well-informed community are at the start of their working lives but several studies, among others, Beal and Delpachitra (2003) OECD (2005), Mandell (2008), Shim et. al. (2010), and Atkinson and Messy (2012) also highlight the lack of financial literacy. Some for example Deevy et. al (2012) may also believe that the decision-making abilities increases with age, because older generation possess more financial knowledge.

Third, all the above reasons plus the following reasons may enlighten us on the importance of financial literacy. The Prophet Salalhualaihiwasalam said *it is a duty of the Muslim who has anything to bequeath not to let two nights pass without including it in his Will* [Sahih al-Bukhari]. In another hadith, narrated by Ibn Majah from Abu Hurairah, RA: *“Learn Faraid knowledge and teach it to people, because it is part of the knowledge and will be forgotten. It is also the first knowledge that would be pulled from my people.”* The Prophet Salalhualaihiwasalam as reported by Al-Hakim Abdullah Bin Mas’ud, RA also said: *“Learn the Quran and teach it to mankind, and learn and teach knowledge of al-Faraid (inheritance) to mankind. Indeed, I am man who will leave this world, and indeed the knowledge that will be taken away, and later there will be persecution, until two people disagree about the distribution of the estate,*

and no one was able to resolve between the two.” It shows that most community are ignorant about the importance of writing a Will and for those community who do recognize its importance the process of Will writing can be daunting and challenging. Therefore, it needs a level of knowledge.

What should be included in the *financial literacy program*? Community learns basic Islamic financial concepts in various subject areas including contracts, zakat, riba, and debt. Upon completion of this program, community will have a solid grasp of basic Islamic financial principles and fundamentals and will be ready to apply them in the *Financial Planning Program* as they embark upon the journey towards the well-informed community that can make financial decision. All programs will take place at community center.

Conclusion

Our focus on financial literacy is to examine the community’s ability to process economic information (that is to acquire knowledge) and make decisions (that is the practical part or *amal*) about financial planning (such as inherit of property, waqf), mal accumulation, debt, and pension. In examining this subject, our approach is to look from three different approaches: axiological, microeconomic and tawhidic. We find that: first, tawhidic view acknowledges that financial knowledge as one of the vital aspects not only to an individual but also in managing the community as a whole; thus, this task should be carried out properly and efficiently by someone who is not only of sound mind but someone who is apt in financial knowledge and skills. Second, the lifelong learning via community center should be socially feasible to raise financial knowledge for community. These findings should also recognize that financial literacy as a skill essential for participation in today’s economy.

Table 2: Islamic Finance in Al Quran

| Knowledge About Islamic Finance Qur'an | Verses |
|---|-----------------------------------|
| The role of Fiscal Policy | 3:259, 8:72, 12:47, |
| Heads of Income | 2:279, 16:14, 18:96 |
| Public Debt | 2:275, 278, 30:39, 57:11, 4:161 |
| Lending as Moral Phenomenon | 2:275-280 |
| Prohibition of Interest | 2:265-270 |
| Social Relations vis a vis Interest | 2:178, 195, 24:61 |
| Debtor-creditor Relationship | 2:279-280 |
| Impact of Interest to social economic | 2:276, 30:39 |
| Productive Activities | 21:80, 34:11, 13, 11:37, 26:128 |
| Trade | 2:198, 5:2,73:20 |
| Objective of economic activities | 2:201, 7:31, 28:77, 62:10 |
| Moral values of economic activities | 21:37, 89:20, |
| The Wealth | 3:14, 25: 7,8, 71:12, 104:1-2 |
| The Money | 2:188, 276, 8:2-4, 9:34, 98:5, |
| Human behavior towards money | 17:100, 89:20, 100:8, |
| The Contract | 4:12, 8:41, 30:28, 33:27, |
| Business conduct | 2:283, 7:85, 11:84, 17:35, 26:181 |
| Business Profit | 45:2-5, 62:9-10, 103:3 |
| Philanthropy | 3:117, 267, 4:34, 8:36, 13:22 |
| Zakat | 2:83, 4:162, 9:60, 19:31 |
| Waqf | 3:117, 267, 4:34, 8:36, 13:22 |
| Inheritance | 2:266, 4:9, 9:28 |
| Shadaqah | 2:254, 271, 4:37, 38, 9:53, 79 |
| Taxation | 2:3, 31:34, 8:41, 17:29 |

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CHAPTER 2

ASPECTS AND IMPORTANCE ISLAMIC FINANCIAL EDUCATION

Lakhi Muhammad & Gul-e-Rana

Introduction

The religion Islam strongly recommends the knowledge in the society. In Quran ALLAH Almighty says “.....are those who know equal to those who do not know?... ”⁷. Importance of the knowledge regarding assets is further explained in Quran as ALLAH Almighty says “Do not entrust your properties - which Allah has made a means of support for you - to the weak of understanding... ”⁸. Hence it is clear that the financial knowledge and the knowledge of property or assets utilization are mandatory to manage the means of support for daily life.

Messy (2008) noted the financial education definition from OECD as “Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” (p. 104).

This definition has three important parts: Information, Instructions and Advice. These are described by Messy (2008) as *Information* is to make aware the customers by providing the awareness about opportunities, choices and risk involved in the shape of data, charts or any other fact clearing method. *Instructions* includes making the individual capable in such a way that financial terms, concepts are fully made understood by those individuals. *Advices* are related to the product and financial issues to

⁷ Qur'an 39:9 Translated by Maududi

⁸ Qur'an 4:5 Translated by Maududi

make the individual capable to use the information as well as instructions in an optimistic level.

Financial education is not the study of the past performances but it is to make the individual to be capable of being familiar with expected future evolution. It demands a competency where the decision making will not be reactive rather it will be anticipative for the future (Marta-Christina and Liana, 2013). French system identify two types of debt these are the passive debt where debt is caused by an individual and active debt where things are forced on individual from external sources, “over-indebtedness is a complex issue, arising from multiple factors, often a mix of active and passive” (Baumann and Hall, 2012. p.509).

The researchers believe that the financial knowledge affects all income groups to manage well but most of the problems of low income segment consumers are due poor financial management instead of income reduction (Lyons and Chang, 2007). Financial education is designed to increase the financial competency of a segment. The main test of financial program curriculum is whether it corresponds according to the needs of the targeted population (Lyons and Chang, 2007). There are many factors which contribute to personal level debt but mainly; the access to the affordable credit, strong money management skills and adequate resources (Baumann and Hall, 2012).

Majority of the Muslim society live in third world countries where the literacy challenges seriously prevails but Islamic financial services industry is now an international phenomenon to serve populations of different communities rather than the Muslims only. It is since introduction to its growth stage Islamic financial services industry is offering different products as compared to conventional finance products. This industry is offering wider range of product line to its customers. But the financial literacy about the Islamic financial service industry products remained ignored. This paper aims to find out the answer of two basic questions what aspects of financial education required to be taught to different segments and what is the importance of Islamic financial service industry education towards the society and the industry?

Aspects of Islamic financial education required to be taught

Major and foremost aspect required is to educate potential customers about aspects which are making Islamic financial service industry different from the conventional financial industry. These aspects not only cover different product line but also must explain the importance of this difference. This importance must be related to the benefits to the customers and society as a whole. In the differentiation process; aspects must be made clear to the potential customers for decision making. These differentiation must focus on *Riba* or interest free products, free from gambling, uncertainty and rest of the prohibited aspects of conventional finance products.

The religion Islam prohibits *Riba* (interest), *Maysir* (gambling) and *Gharar* (uncertainty). These concepts are well understood by the practitioners. But when it comes to the customers, Muslim societies may be well aware up to some extent about these concepts but as we discussed earlier Islamic Financial services industry now has a global identity. Hence, how to make these concepts known to the rest of the world will be a real challenge to the researchers and practitioners. It needs some curriculum where it will explain how the Islamic financial services industry products will serve the purpose without *Riba* (interest), *maysir* (gambling) and *gharar* (uncertainty).

Marta-Christina and Liana (2013) identified eight principles of financial education and we think these also well suited principles for the promotion of Islamic financial education. These are as under:

- i) These learning program should be lifelong process hence must be developed for youngsters elders and for those who are facing financial problems.
- ii) The orientation of these programs must encompass the needs of the people.
- iii) Economic and finance are the key aspects of life hence their education must be started as early as possible.
- iv) Financial risk and its information awareness must be core theme of financial education.

- v) This must be with objective, transparent and balanced.
- vi) Resources must be available in the form of trainer with full knowledge of financial education domain.
- vii) Financial education need the integration of entities involved at national level.
- viii) All the financial education programs offered must be evaluated periodically.

In the above all mentioned principles well arranged in term for financial skill improvements. Purpose of Islamic financial service industry is not to have a race with the conventional financial service industry but its core theme is to put forward its importance to serve the human beings. It is highly important to offer the alternative financial products to the humanity in the age of uncertainty where inflation and devaluation of income is making real threat to the consumers. Hence Islamic financial education is required which will elaborate the forbidden aspects of conventional finance by formulating information, instructions and advices about the products of Islamic financial services industry.

Financial education and different income groups

In Islamic perspective it is highly important to have the financial knowledge for all income groups. Either these groups belong to the high income, middle income or low income class. But the Islamic thoughts curriculum may differ for these income groups. From a religious (Islam) point of view, the rich are supposed to take care of the poor. They must donate some money to the poor segments. In Quran it is also clear who have the priority out of the poor to be donated money first as it is said “... *but righteous is he who believeth in Allah and the Last Day and the angels and the Scripture and the prophets; and giveth wealth, for love of Him, to kinsfolk and to orphans and the needy and the wayfarer and to those who ask, and to set slaves free; and observeth proper worship and payeth the poor-due. And those who keep their treaty when they make one, and the patient in tribulation and adversity and time of stress. Such are they who are sincere. Such are the Allah-fearing*”⁹

⁹ Qur’an 2:177 Translated by Pickthall

In Quran one more segment on Orphans is very clearly mentioned regarding the management of their assets and services charges for the management as ALLAH Almighty in Quran says *"And try orphans (as regards their intelligence) until they reach the age of marriage; if then you find sound judgement in them, release their property to them, but consume it not wastefully, and hastily fearing that they should grow up, and whoever amongst guardians is rich, he should take no wages, but if he is poor, let him have for himself what is just and reasonable (according to his work). And when you release their property to them, take witness in their presence; and Allah is All-Sufficient in taking account"*¹⁰. Hence according Islamic educational thoughts may differ as compared to the conventional financial thoughts.

Importance of Islamic financial education

In Islam the knowledge of financial matter management is highly important. For example; paying *Zakat* is one of the pillars of Islam. It is highly important for individuals to know what amount of wealth *Zakat* is supposed to be paid and when to be paid and to whom it should be paid. Calculation of *Zakat* itself need good knowledge of managing the net value of the total assets and liabilities owned by an individual, as *Zakat* calculations depends upon these certain values. These values must be evaluated on a lunar year as *Zakat* is payable once in a lunar year. Hence, financial education can help Muslim individuals to perform religious responsibility in a proper and an efficient way. Secondly, at the end of each year an individual can assess his/her financial strength and can plan accordingly.

Financial education for individuals is also important as the current technological advances made it possible for the industry to gain profit from complex as well as riskier products offered to the people. When all people exhibit at par of average then education can train the consumers to have financial literacy for making healthy choices (Willis, 2008). Secondly, financial education can improve the saving behavior (Lusardi, 2008). Hence it is important to know about the financial aspects for an individual to plan for the circumstances of the life like child education, retirement plans and many more. People having good knowledge of financial industry

¹⁰ Qur'an 4:6 Translated by Hilali & Khan

make better choice, by making better choices reducing the risk of default or the choices earn more good will to invest in the industry. It may enhance the efficiency and performance of the industry.

Conclusion

If we consider Islamic financial service industry it is still on growth stage. Muslim societies fully welcome this industry for religious purpose as it's the Muslim religious duty to not use the product involving riba, gambling, uncertainty and rest of the prohibited aspects of conventional finance products. Now this financial service industry has become known at an international level hence more literature on Islamic financial introduction, features, differentiation for training purpose are needed. Baumann and Hall (2012) used an approach where the financial education is focused on the predicted needs of individuals and named as financial edification. The major argument of these researchers was consumption focused financial education cannot serve the purpose rather it must be need focus on individuals. This is the core responsibility of the researchers and practitioners to make the people aware regarding the offerings of this industry in such way where it will grab the attention of not only the Muslims but rest of the communities of the world. It demands a full fledge literature with its financial benefits of individuals, impact on society and the economy of a country. In return this education will enhance the efficiency and performance of the Islamic financial service industry at international level.