



A New Approach in Education for Islamic Finance Awareness in Russia

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Abstract

At present, Russia has a unique situation with regard to Islamic finance. On the one hand, there is a huge interest and demand for educational programs in this specialty, not only among Muslims but others as well. On the other hand, presently there are not many job opportunities available in this area. This reflects the lack of solvency of demand for Islamic educational products in educational sphere, and interestingly, each group of citizens has its own motives. Most ordinary citizens who have a sincere interest in Islamic finance have naïve understanding about finance in general. Professionals in finance also show great interest in Islamic finance, but the lack of employment prospects for this specialty does not allow them to acquire appropriate educational services. Otherwise, it will be an investment with zero returns. Finally, many high-rank officials - especially after imposition of financial sanctions against Russia – demonstrate a careful demand for Islamic finance sector. They do expect that Islamic finance will solve many of the financial problems of the country and yet they face lack of proper understanding of the specifics of Islamic finance. In general, there is a huge demand for educational products in the sphere of Islamic finance in Russia. However, there is a need for a new approach in education. Therefore, this paper will focus on the followings three focus groups: a) various educational courses to increase public awareness on finance in general and on Islamic finance in particular; b) training for regional leadership and top officials on Islamic finance; c) special programs and training for experts in finance.

Keywords: Islamic finance, Banking, Education

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1. Introduction

Currently, a unique situation has emerged in Russia with regards to Islamic finance. On the one hand almost 80% of the Russian population does not have a clear idea about Islamic banking and finance (RBC, 2017). At the same time the central bank of Russia is also very careful in implementing Islamic financial system and prefers to develop it gradually rather than over-speeding it up for possible negative outcomes (Lenta, 2017). On the other hand, there is a huge demand for training in this specialty not only among Muslims but non-Muslims as well. It is a fact that not much opportunities are available for these interested people to realize themselves in this area mainly due to absence of solvency of demand for Islamic educational products in the field of education. Undoubtedly each segment of the society has its own motives. Thus, ordinary citizens who have a sincere interest in Islamic finance have naïve understanding about finance in general; therefore, before studying the subject of Islamic finance, they need to go through a serious educational program to increase their awareness about financial system as such. Professional financiers also show great interest in Islamic finance, but the lack of employment prospects in this specialty does not allow them to acquire relevant educational services because otherwise it will turn up to be a zero-return investment. Finally, regional leadership of various Russian states, especially after the imposition of financial sanctions against the Russian Federation, demonstrate cautious demand and, due to a lack of understanding of the specifics of the Islamic finance industry, the expectation is that Islamic finance will solve all Russia's problems at once. Generally, in Russia, there is a real demand for educational products in the field of Islamic finance, which, however, can be satisfied only on the basis of free of charge courses and programs.

However, in addition to the specifics of demand, there is another problem that lies in the field of substantive content of the courses: what exactly to teach and how to teach. Therefore, we will use descriptive and analytical approach and will study this problem in the context of the same three groups of potential consumers (ordinary citizens, regional leadership and top officials of the Russian states, experts in the field of finance). Eventually, our objectives are to propose a better way of instructing the course on Islamic finance for the above-named segments of the Russian audience.

2. Training ordinary citizens

For the training of ordinary citizens, university standards are not applicable. We can even say that this group is the most difficult one to handle in terms of the time, skills and variety of teaching methods and approaches it will require. In the beginning it is necessary to eradicate the erroneous myths and fantasies of many ordinary citizens about Islamic finance. Even though, public awareness of Russian Muslims about Islamic finance has noticeably improved and yet a number of Muslims quite seriously believe that Islamic banks are obliged to provide them interest free loans or provide financing just because they are Muslims who perform five obligatory prayers. Some others, though not many, believe that Islamic finance means "to get a loan from an Islamic bank and not to be bothered much about returning it" because banks should be more giving to people rather than demanding from them. And yet another group believes that Islamic banks must be more of a charitable organization rather than a pure financial institution.

It is obvious that to overcome such stereotypes with ordinary lectures will be problematic, therefore there is a need for other, more relevant approaches. Perhaps the main platform upon which any proper methodological approach should be built is the following verse of the *Qur'an*:

{اذْعُ إِلَى سَبِيلِ رَبِّكَ بِالْحِكْمَةِ وَالْمَوْعِظَةِ الْحَسَنَةِ [النحل:125]}

"Invite to the way of your Lord with wisdom and good instruction..." (16:125)

There is a famous statement of Ali bin Talib: "حدثوا الناس بما يعرفون" (Al-Aini, vol.2, p.204), which can be translated as *"speak to people according to their understanding"*. Therefore, even explanation about basics of Islamic finance should be done professionally and according to their educational and intellectual ability of audience. For example, currently in Russia, the possibility of implementing the project under the code name "Financial Preaching" is being considered¹. The goal of this pilot project, which at the first stage may be implemented in one of the Muslim states of the North-Caucasus, is to increase the awareness of mosque parishioners about financial products, about the features of financial decision-making and financial risks. To do this, at the end of the weekly Friday prayer, *Imams* of mosques will spend some time (up to 10-15 minutes) reviewing specific financial cases / situations that parishioners face on a daily basis. It is possible that the discussion of financial issues in a familiar environment and with a respected imam will allow us to get rid of financial myths faster and better. We admit that mosque parishioners represent only a certain segment of the society and yet it is one of the ways to increase the awareness of the public of the concerned issues in this area. For any audience, especially for ordinary citizens learning atmosphere i.e. physical environment is very important because it makes audience feel comfortable. And when the ordinary citizens find that they are being treated equally and with respect they tend to trust their psychological environment. It helps them to establish good and trust-based relationship with the teachers/imams/instructors and to believe in usefulness of the program. Considering the fact that audience consists of people with various ability to learn, instructors/teachers should be prepared accordingly. For example, some people remember things they hear because they are good listeners while others remember and memorize things much better if they read. The latter group usually prefers instructions to be written be it in a form of slides with texts or texts and pictures. Therefore, the instructor should know what type of teaching materials to prepare and to make it as interesting and attractive as possible.

Setting objectives for such a group work is indispensable. (Ian Forsith et al, 2014, p.8) provide a detailed discussion on every subtlety of how teachers, lecturers and trainers should organize and prepare their courses in order to achieve desired objectives. We will only emphasize selected points which in authors' opinion

¹ The idea was initiated by Dr. Magomet Yandiev at the department of the Central Bank, which deals with financial literacy.

might be very useful not only from pure strategic point of view but even from Islamic perspective. Here are some of them accompanied with our comments and brief discussions:

- *“Assisting the learners in the development of critical thinking, decision making and problem-solving skills”*. Indeed, when it comes to a certain set of Shariah rules such as prohibition of *riba*, gambling, uncertainty etc the learners need to think critically to know why they are prohibited. They need to understand the wisdom and logic behind every prohibition. For that, the teacher himself should be qualified and experienced to explain the hidden obvious as well as negative aspects of the above prohibited elements. In fact, the major focus of such discussion must be concentrated on harmfulness and sinfulness of *riba*. The fact that *riba* is the only sin among all other sins mentioned in Quran against which Allah and His Messenger declared a war:

{فَإِنْ لَّمْ تَنْتَهُوا فَأَنْتُمْ بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ...[البقرة: 279]}

“And if you do not (stop eating from Riba), then be informed of a war [against you] from Allah and His Messenger...2:279”

It is also advisable not to idealize the whole Islamic banking and finance industry. It is relevantly young industry compared with the traditional financial system and that many problems such as sale of debt, insurance for invested capital etc. still remain unsolved.

- *“Promoting discussion between the learners and the teacher, the discussion leader”*. If the instructor intends just to “tell” to his audience then most probably the course content and most of the information might be forgotten. And if the audience sees that you are going to “tell” and then “discuss” the retention rate will be better. However, if the audience, in addition to benefits of “tell” and “discuss” has a chance to “work” with the materials chances for successful retention is even higher. The latter can be achieved through some unsophisticated questionnaires, simple case studies etc.
- *“Increasing motivation of the learners”*. The teacher/instructor should be able to convey the message to the audience in such a way that Islamic finance is not just about rightly doing business and improving a one’s wellbeing but above all it is a God pleasing act similar to a worshipping. That’s because in Islam avoidance of prohibition is equally rewarded as obedience to the orders.

In addition to all the above stated methods and techniques we can propose special courses on Islamic finance on radio, television (TV) and YouTube channels besides we already have cases of similar programs². Obviously, each of these will have only a certain percentage of success because it is a one way conducting the course and not like in a class where questions and queries can be raised.

3. Training regional leadership and top officials

The training of heads of state bodies, ministries and departments also has its own content specificity. In contrast to the previous group radio, TV and YouTube programs will not help here definitely. There will have to be a very focused, professionally designed program that would suit not only their personal interest to learn about Islamic finance but the economic benefits of it as well. The difficulty with this group is that it is not easy to organize course for them mainly due to lack of time and constantly busy schedule. Besides, these people usually want things to be done fast. Another common characteristic of this group is that they look for the application of some desirable and unique financial instrument or action that would be capable of solving all the problems of the economy at once and at the same time being as understandable as possible to ordinary people. But reality does not accept this and has its own rules. Moreover, it should be noted that the heads of states and top officials are usually extremely undisciplined learners of any courses. They are constantly distracted by solving some very important problems by phone. Perhaps, it may be necessary to legally prohibit officials to use phones at all to avoid being distracted during courses. Such measures, as an experiment, were undertaken during the training courses for heads of Russian regions (governors) this summer and showed excellent results.

² Dr. Gapur Oziev conducted numerous lectures on various topics in Islamic banking and finance on local “*Angush*” Radio from the Republic of Ingushetia, Russia.

The last point, in relation to Islamic finance, causes difficulties. Russia is a multi-religious country and the provision of any preferences by the authorities of one of the religions may cause objections from the society or at least to the authorities may face some uncomfortable questions.

This possible circumstance was taken into account by the Russian authorities when they made a principled decision to start exploring the opportunities offered by the Islamic finance industry in 2014, immediately after the first financial and economic sanctions were imposed against the Russian Federation (I underline the word “exploring” of Islamic finances, and not “implementation”). Moreover, they decided to replace the words “Islamic finance” with “partnership finance” as it seemed to them to be a more neutral rather than a pure religious term. However, the time has shown that it was an unsuccessful decision, because when discussing “partner finances,” the authorities appealed specifically to the requirements of Sharia, and not to some abstract provisions of “partner legislation” that does not exist in nature.

The idea of introducing Islamic finance in a multi-religious state, such as Russia, is accompanied by the need to create such a financial and legislative environment that will allow adherents of any traditional denomination to build such a model of financial relations that fits their notions of beauty. Given that the basic requirements and prohibitions of the *Shari'ah* in relation to finance are found both in Christianity and in Judaism, it is quite realistic to create such a legislative mechanism. Moreover, at present, Russia has already developed and is awaiting its time to draft a federal law “On the specifics of non-interest financial activities”.

The importance of having professional regional leadership and top officials who fully realize their responsibility not only before the law and citizens but above all before the Creator Himself can be understood from the following *Hadith* narrated by Al-Bukhari (vol.7, p.31);

"كُلُّكُمْ رَاعٍ وَكُلُّكُمْ مَسْنُولٌ عَنْ رَعِيَّتِهِ، وَالْأَمِيرُ رَاعٍ، وَالرَّجُلُ رَاعٍ عَلَى أَهْلِ بَيْتِهِ، وَالْمَرْأَةُ رَاعِيَةٌ عَلَى بَيْتِ زَوْجِهَا وَوَلَدِهِ، فَكُلُّكُمْ رَاعٍ وَكُلُّكُمْ مَسْنُولٌ عَنْ رَعِيَّتِهِ"

“Every one of you is a shepherd (guardian) and every one of you is responsible for his flock (people). The leader of people is a guardian (and is responsible for his people), a man is the guardian of his family (and he is responsible for them). A woman is the guardian of her husband’s home and his children. So every one of you is a guardian and every one of you is responsible for them”.

It is a common factor in many parts of the world that people are reluctant to any changes or even apprehend unnecessary problems. They prefer things to go on as usual without any amendments. In most cases they try to justify the correctness of the existing situation and that changes will or may lead to a problem. Almost similar situation is observed among the high rank government officials of Russia. Majority of them do not believe or accept the fact that financial system can be very efficient and successful through partnership contracts rather than relying on traditionally established but very controversial interest based financial system (*riba*). Accordingly, the correct and professional way of conveying the message to this group of the society about benefits of Islamic finance is very crucial. Instructors and trainers should be carefully chosen among the most experienced and efficient professionals. That’s because if these regional leaders – especially the Muslims - and high rank top officials are not convinced about the whole idea then there is little to hope for Islamic finance in the nearest future in Russia.

4. Training of specialists and experts

Finally, the most massive and most significant in the promotion and dissemination of Islamic finance is the training of specialists and middle managers. This group is the most significant compared with other two groups for several reasons. The first reason is that if this group is professionally trained and prepared for the possible challenges in implementing Islamic finance then the successful future of this industry is guaranteed in the eyes of the Russian government. The second reason, ordinary citizens will have more confidence in feasibility of this industry. And finally, it will provide a stable and reliable atmosphere for potential international investors to come.

As for the formation of the curriculum content for this group we can propose two approaches: The first approach: adding the subject of Islamic finance to traditional finance courses. In this case, students receive knowledge about Islamic finance which is based on traditional finance. Accordingly, at the first stage the

students may perceive Islamic finance as a kind of artificial distortion of traditional ones. We see the consequences of such training in practice: copying the practices of traditional banks, amending minimal changes, and then applying them as Islamic one. For example, an Islamic bank offers its mass customers a deposit, the profit distribution rate of which depends on the amount of the deposit: the greater the deposit, the higher the rate. This is normal if the deposit is individual, but if it is massive, then the question arises: why do clients receive different rewards for the same product and at the same risk level? The answer lies in the fact that an Islamic banker thoughtlessly copies the marketing rules of traditional banks and applies them as they are.

Another example is an attempt to come up with an analogue of the deposit insurance system, introducing a third party into the deposit agreement that guarantees the return of the principal amount of the deposit. Next we can mention as an example what is called a special right i.e. purchase of the rented asset at the end of the lease term, it is also called *al-Ijarah thumma al-Bay'* (AITAB) which is signed and agreed upon by both parties - lessor and lessee - at the conclusion of the *ijarah* contract. The most extreme and extraordinary case probably is Iran, where the financial sector, being Islamic in name, uses a wide range of exceptions.

Thus, the application of the first approach where teaching Islamic finance leads to the emergence of traditional financiers, who easily adjust Islamic finance norms to the traditional notions of banking products. But the Islamic finance industry needs specialists who will develop both the theory and practice of the real Islamic finance regardless how it works in traditional finance. In other words, it is necessary to teach Islamic finance as the main and independent course rather than complementary. And everything else that a financier needs to know about what goes beyond or contradicts with Islamic finance should be provided as additional information. This would be the second but correct approach.

This approach should be linked to the place occupied by Islamic finance in the financial system. The lecturer/instructor should show the presence of four currently relevant forms of organization of financial relations: traditional finance, corporate finance, Islamic finance and digital finance (see Appendix A). Moreover, it should be emphasized that digital finance can act as a direct competitor of Islamic finance in the countries of the non-Islamic world, attracting the attention bankers and investors.

In addition, the instructor of Islamic finance courses should be ready for the possibility of having an audience without any background or even slight knowledge about theories of Islamic finance, its theoretical laws, formulas and concepts, as it is the case in traditional and corporate finance. By teaching a course on Islamic finance (similar to the one that was conducted in this autumn for employees of the Central Bank of Russia)³ the instructor explains about Islam, its basic prohibitions, Islamic financial instruments and the specifics of financial institutions (Sharia control). To do the above, it requires spending a lot of time to explain the practice of Islamic finance in certain countries. But for full-fledged training, the priority should be given to mathematical formulas and theoretical concepts rather than focusing on examples from practice although the importance of it is not questionable.

The Islamic financial model needs, in particular, analogues of the DCF and CAPM models, an analogue of the interbank loan market rate, an Islamic understanding of the dependence of company value on capital structure and capital costs, and so forth. But while this is not there, the instructor should be able to explain to audience that the theoretical component of the Islamic financial model is still in the development stage. The above description, as the reader can notice, is mainly about content of the courses and possibility of having an audience either with little knowledge of Islamic finance or completely ignorant about it. And yet the audience should never be underestimated. There are some important characteristics which instructors should possess prior to conducting any courses on Islamic finance. The instructor should, first of all, establish and maintain "instructor credibility" by demonstrating effective communication and presentation skills. This is relevant to all three above mentioned segments of the society. Mere preparation of the course materials with the learner information is not enough. If this audience – which consists of specialists and experts in finance - finds that the instructor does not professionally respond to their needs for clarification on certain issues the courses will be unsuccessful or even ruined. Instead, the instructor should be capable to provide positive reinforcement and motivational incentives in a very appropriate and smooth way. Above all, the instructors of Islamic finance course should always keep in their mind that in contrast to other instructors of any other course, they bear responsibility not only before the audience but before the Creator Himself because Islamic finance is a part and parcel of religion of Islam. In other words, here we are talking about emphasizing on professional qualification and occupational competency of the instructors. Bunk (1994) believes that a person who has occupational competence has the necessary knowledge, skills and ability to perform his job is able

³ Moscow Business School (MBS), retrieved from <https://mbschool.ru/seminars/101561> retrieved on 14/11/2018

to solve his task independently and flexibly and is able to contribute to his professional environment and the organization of work (Bunk, 1994, p.9). Given the fact that the Russian public is going to take courses on Islamic finance for the first time, it is extremely essential to keep the standards of Islamic finance reputation high and convincing otherwise the whole idea might be jeopardized.

Finally, a logical question arises: who will sponsor all those trainings, courses and programs for the above named three groups? The authors believe that the expenses for organizing relevant programs for ordinary citizens should be borne by the business elite who, in their turn, should be given special opportunities and priorities in the future industry of Islamic finance industry of Russia. However, training courses for the regional leaders and top officials should be provided from the budget while bankers, specialists and experts should be sponsored by their respective organizations and institutions.

5. Conclusion

We have come to conclude that the development of the full-fledged and uncompromised Islamic financial industry needs professional specialists who have been originally educated and trained specifically for the Islamic financial model. We also emphasized the fact that each of the group will need a specific approach considering their circumstances.

For training and producing such specialists, a set of carefully designed methodological framework is needed, which will include the theoretical laws, formulas and concepts.

And in order to develop such methodological framework, Islamic scholars should concentrate their effort equally on both the theoretical as well as practical components of Islamic finance.

Last but not least, though there is a real demand from ordinary Russian citizens for educational products in the field of Islamic finance, which, however, at the moment can be satisfied only on the basis of free of charge. The expenses for organizing relevant programs for ordinary citizens should be borne by the business elite who, in their turn, should be given special opportunities and priorities in the future industry of Islamic finance industry of Russia. However, training courses for the regional leaders and top officials should be provided from the budget while bankers, specialists and experts should be sponsored by their respective organizations and institutions.

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Appendix A

Table 1: Four models of organization of financial relations (Ozиеv & Yandiev, 2017, pp.2-3):

No.	Parameters	Existing Models of Finance			The New finance model:
		Classical Finance	Corporate Finance	Islamic Finance	Digital Finance
1.	Era of establishment	The beginning of the currency emission	Development of financial markets	Economic growth of Islamic countries	1. Independent Internet access 2. Independent currency emission
2.	Single emission center	Yes	Yes	Yes	No
3.	State regulation of financial activities	Yes	Yes	Yes	No
4.	Interest based loans	Yes	Yes	No	Yes
5.	The cost of money over time	Constant	Future money is cheaper	Constant *	Future money is more expensive***
6.	The objective of doing business	Profit maximization	Maximizing the cost of capital	Achieving prosperity in both worlds **	Maximizing personal freedom of action ***
7.	Criteria for business efficiency	Income exceeding expenditure	profits exceeding expenses for servicing capital	Excess of incomes over expenditures taking into account religious restrictions	Steady growth in clients ***

* From theoretical point of view, it is constant, but since Islamic finance does not have its own (Islamic) currency and is based on conventional / traditional currency, the value of money over time can be unstable, for example, "future money could be cheaper than the money at hand" as is the case in corporate finance.

**This unscientific formulation implies the desire of Muslim businessmen to maximize their family and social wealth by observing strict religious rules and regulations.

***Presumption of the authors