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Beyond Lectures:
Insights from Business Discipline-
(Reflections, Transformations, and the Human Side of Teaching)

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CHALLENGES IN TEACHING ISLAMIC FINANCE

Maizura Md Isa, Nor Hazila Ismail

Introduction

Islamic finance is a field that integrates financial knowledge, religious principles, and ethical considerations. It represents a specialised area of study that combines modern financial systems with *Shariah* principles derived from Islamic law. Over the past few decades, Islamic finance has experienced rapid growth and become a significant component of the global financial system. Countries such as Malaysia, Saudi Arabia, and the United Arab Emirates have developed strong Islamic financial sectors and are considered leaders in the Islamic banking industry. As the industry continues to expand, the demand for professionals who are knowledgeable in Islamic finance has increased significantly.

In response to this demand, many universities and higher education institutions have introduced Islamic finance courses and academic programs. These programs aim to equip students with both theoretical and practical knowledge of Islamic financial systems. However, teaching Islamic finance is a challenging task. The subject is interdisciplinary in nature because it requires knowledge of finance, economics, Islamic jurisprudence, and ethics. As a result, educators often face various challenges when delivering this subject to students. Although Islamic finance has been taught in many universities for years, students' performance in this subject is sometimes unsatisfactory. Many students struggle to fully understand the concepts and principles involved. From semester to semester, educators observe that students' results are often not as good as expected. This situation indicates that there are several challenges that affect the teaching and learning process in Islamic finance education.

Therefore, it is important to identify and examine the challenges faced by educators when teaching Islamic finance. Among the major challenges are the complexity of Shariah principles, the diversity of students' academic backgrounds, misconceptions about Islamic finance concepts, the gap between theory and practice, language barriers, rapid industry development, and the lack of a standardised curriculum across institutions.

Complexity of Shariah Principles

One of the major challenges in teaching Islamic finance is the complexity of the concepts involved. Islamic finance is based on *Shariah* law, which governs many aspects of a Muslim's life, including financial and economic activities. Shariah is derived primarily from the *Qur'an* and the *Sunnah,* which provide guidance on ethical behaviour, fairness, justice, and financial dealings. Several important principles form the foundation of Islamic finance. One of the most significant is the prohibition of *Riba*, which refers to interest charged on loans or financial transactions. In Islamic teachings, interest is considered unfair because it allows one party to gain profit without sharing the risks involved in the transaction. Instead, Islamic finance promotes profit-and-loss sharing arrangements that encourage fairness and shared responsibility.

Another key concept is the prohibition of *Gharar*, which refers to excessive uncertainty or ambiguity in financial contracts. Islamic financial transactions must be transparent and clearly defined so that all parties understand their rights and obligations. In addition, the concept of *Maysir* prohibits gambling and speculative activities that rely purely on chance rather than productive economic activity. These principles differentiate Islamic finance from conventional finance. However, understanding them requires knowledge of both financial systems and Islamic jurisprudence. Many students who enroll in Islamic finance courses do not have prior exposure to Islamic legal concepts. As a result, educators must spend additional time explaining the religious foundations of the subject before moving on to more advanced topics.

Furthermore, the interpretation of Shariah principles can sometimes vary depending on different schools of Islamic jurisprudence. Educators must therefore present these concepts carefully and ensure that students understand the theoretical foundations as well as their practical implications. This complexity often makes the teaching process more challenging.

Diversity of Students' Academic Backgrounds

Another significant challenge in teaching Islamic finance is the diversity of students' academic backgrounds. In many universities, students enrolled in Islamic finance courses come from different educational pathways, such as diploma programs, pre-university programs, or other non-finance backgrounds. Students who enter university through diploma programs often have some prior knowledge of financial systems, banking operations, or accounting principles. This background allows them to understand financial concepts more easily. However, students who enter directly from pre-university programs such as STPM or matriculation may not have studied finance before. As a result, they may find it difficult to understand basic financial terminology and concepts.

This difference in background knowledge creates difficulties for educators when delivering lessons. If educators teach at a faster pace, students without financial knowledge may struggle to keep up with the lesson. On the other hand, if educators slow down the pace to accommodate these students, those who already have prior knowledge may become less engaged in the class. For example, when explaining the concept of a savings account within an Islamic banking framework, students who are familiar with conventional banking systems may quickly understand the concept. They only need to learn how Islamic contracts are applied in such accounts.

However, students without prior knowledge of financial systems may require additional explanation about how banking systems work in general before they can understand the Islamic finance component. Therefore, educators must find a balance in their teaching methods to ensure that all students are able to follow the lessons. This may involve providing additional explanations, using simplified examples, and conducting extra tutorials to support students who require more guidance.

Misconceptions About Islamic Finance

Misconceptions about Islamic finance also present a major challenge in the classroom. Many students assume that Islamic finance simply replicates conventional financial systems with minor modifications. One common misconception is that Islamic finance merely replaces the word "interest" with the word "profit." In reality, Islamic finance is fundamentally different from conventional finance. While conventional finance relies heavily on interest-based lending, Islamic finance emphasises risk sharing, asset-backed transactions, and ethical investment practices. Transactions must be structured in a way that complies with Shariah principles.

Islamic finance uses various contracts to structure financial transactions. Some of the most common contracts include profit-sharing arrangements such as *Mudarabah*, partnership contracts such as *Musharakah*, and leasing contracts such as Ijarah. Each contract has its own unique characteristics and must be applied under specific conditions. Students often confuse these contracts because they appear similar to conventional financial instruments. For example, *Murabaha* financing may look similar to conventional loans, but the underlying structure is different because it involves the sale of an asset rather than the lending of money with interest.

Correcting these misconceptions requires educators to provide clear explanations and comparisons between Islamic and conventional financial systems. Educators must encourage students to analyse the structure of financial transactions rather than relying on superficial similarities. By doing so, students can better understand the true principles behind Islamic finance.

Gap Between Theory and Practice
Another challenge in teaching Islamic finance is the gap between theoretical knowledge and practical application. Many Islamic finance courses focus heavily on theoretical frameworks, legal principles, and historical development. While these topics are important for building a strong foundation, students may find it difficult to understand how these concepts are applied in real-world financial institutions. In practice, Islamic financial institutions offer a wide range of products and services designed to meet customers' needs while complying with Shariah principles. Examples include Murabaha-based financing, profit-sharing investment accounts, and Sukuk instruments used for large-scale investments and funding.

However, students who only learn the theoretical aspects of these products may struggle to understand how they function in real banking environments. Without practical examples or case studies, the concepts may appear abstract and difficult to visualise. To address this issue, educators should incorporate practical learning methods into their teaching. Case studies, simulations, and industry guest lectures can help students understand how Islamic financial products operate in real-world situations. Internships and collaborations with financial institutions can also provide valuable exposure to industry practices.

Rapid Development of the Islamic Finance Industry
The Islamic finance industry is continuously evolving as financial institutions develop new products and services to meet market demands. As the industry grows, regulatory frameworks and financial standards are also updated to ensure compliance with international financial regulations. This rapid development creates challenges for educators because teaching materials must be regularly updated.

Educators need to stay informed about new developments in the industry so that they can provide students with relevant and accurate information. Updating course materials requires continuous research, participation in professional training programs, and collaboration with industry practitioners. Without regular updates, course content may become outdated and fail to reflect current industry practices.

Language Barriers
Language barriers also present challenges in teaching Islamic finance. Much of the classical literature on Islamic jurisprudence is written in Arabic, which is the original language of many Islamic legal texts. Understanding these texts often requires knowledge of Arabic terminology. At the same time, many modern finance textbooks and academic research publications are written in English.

Students who are not proficient in both languages may face difficulties in accessing and understanding important learning resources. In addition, some Arabic terms used in Islamic finance do not have direct translations in English. This can create confusion among students when they attempt to understand complex legal and financial concepts. Educators must therefore spend additional time explaining these terms and ensuring that students fully understand their meanings.

Lack of Standardised Curriculum
Another challenge in Islamic finance education is the lack of a standardised curriculum across universities and institutions. Different universities may design their Islamic finance programs according to their own academic priorities and available expertise. Although international organisations such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) provide guidelines and

standards for the Islamic finance industry, these standards are not always fully integrated into academic curricula.

As a result, the content and structure of Islamic finance courses may vary significantly between institutions. Some programs may focus more on theoretical and legal aspects, while others emphasise practical financial applications. This variation can lead to differences in students' knowledge and skills when they enter the industry.

Conclusion

In conclusion, teaching Islamic finance presents several challenges due to the interdisciplinary nature of the subject. The complexity of Shariah principles requires students to understand both financial systems and Islamic jurisprudence. In addition, the diversity of students' academic backgrounds makes it difficult for educators to design lessons that meet the needs of all students. Misconceptions about Islamic finance, particularly the belief that it simply replicates conventional finance, further complicate the teaching process. The gap between theoretical knowledge and practical application also limits students' ability to fully understand how Islamic financial systems operate in real-world institutions.

Other challenges include the rapid development of the Islamic finance industry, language barriers in accessing important learning resources, and the lack of standardised curricula across educational institutions. These challenges highlight the need for improved teaching strategies, updated course materials, and stronger collaboration between academic institutions and industry practitioners. By addressing these challenges, educators can improve the quality of Islamic finance education and better prepare students for careers in the growing global Islamic finance industry.

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