

## **Industry Need for Educators in Shariah Compliant Financial Services**

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### **ABSTRACT**

Shariah compliant financial service has expanded in size and geographic coverage, with its presence even in many non-Muslim countries. One of the biggest challenges facing the industry today is inadequate human capital. The demand for human resources in the industry has increased tremendously, leading to shortage of supply. Hence, there is a need for educators to develop the required human capitals to meet market demand. This study would therefore examine the competency of educators in moulding and producing high quality human capital to meet industry need. Using secondary data, the study analyses qualifications of educators as well as their academic activities to measure their competency. Findings of this study indicate that there are still rooms for improvement as far as competency of educators is concerned. It is recommended that in-house training by way of ToT (Training of Trainers) as well as exposure to industrial practice would be necessary for enhancing the competency of the educators.

*Keywords:* Educators, Islamic finance educators, industry need, Shariah compliant financial services

### **INTRODUCTION**

Islamic financial services are in great demand globally in Muslim and non-Muslim countries such as Japan and Korea (Abdullah, Sidek, & Adnan, 2012). There are

more than 300 Islamic financial institutions worldwide with an estimated value of about \$1 trillion, which though is not half of the worth of conventional banking, the industry is growing steadily. India is following suit by having a specialised Grameen-like bank through non-banking finance company (NBFC) and non-government organisation (NGO) to cater a market of 170 million Muslims in the country (Muhammed, 2015). According to Islamic Financial Service Industry (IFSI) Stability Report 2013 (IFSI,

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2013), Islamic banking industry recorded a compound annual growth rate (CAGR) of 40.3% between 2004 and 2011 to reach US\$1.1 trillion.

In Malaysia alone, when the government decided to establish the first Islamic bank in the 80s, the response from the public was overwhelming. Being a multi-racial and multi-religious country, there was a positive response from the Muslims and non-Muslims. In fact, about 50% of Islamic banks' customers in Malaysia are non-Muslims as the country witness their growing acceptance of Islamic banking products and services (Abdullah et al., 2012). A specific study on the attitudes and perceptions towards Islamic banking among Muslims and non-Muslims in Malaysia has indicated that younger non-Muslim generations have a favourable perception of Islamic banking (Loo, 2010). Earlier, it was reported that about 70% of Bank Islam Malaysia Berhad (BIMB) corporate clients were non-Muslims (Ngui, 2004).

The progress and development of Islamic finance is remarkable. Bank Islam Malaysia Berhad (BIMB) was not the first and only Islamic financial institution. In line with the vision of former governor of Bank Negara Malaysia, Tan Sri Jaffer Hussein, to have a full-fledged Islamic financial system in Malaysia functioning side-by-side with the conventional system. The three ingredients of the system i.e. large number of players, broad variety of instruments and interbank market were soon established. A 30-year track record of Islamic finance industry indicated that Islamic banking

in Malaysia is the fastest growing sector globally with an annual growth rate of 20% and in 2012, the country had 16 licensed Islamic banks and five international Islamic banks (Khiyar, 2012).

Despite the promising trend, one of the biggest challenges facing the industry is inadequate human capital. The demand for human resources in the industry surpasses supply. Islamic Finance News (IFN) reported that Malaysia needs 56,000 competent staffs for Islamic finance industry by 2020 while neighbouring Indonesia needs an additional 17,000 practitioners within the next three-years ("Human capital: what does the industry really need?", 2015). It is also reported that the most affected sector is capital market with an identified shortage of 88%, followed by Takaful at 63% and banking at 50%. Worldwide, MIFC reported the industry needs an estimated one million professionals by 2020 to fulfil the demand of about 1.6 billion Muslims ("Developing talent in Islamic finance", 2013). This brings into picture the role of academic institutions in developing human capital to meet market demand. Academic institutions provide quality academic programmes based on market demand, mould students and produce high quality human capital. Islamic Finance News (2015) reported a shortage of talents in Islamic finance industry and the main reason is due to it being dominated by practitioners who are trained and experienced in conventional finance industry.

In meeting the demand for sufficient human capital in Islamic financial services

industry, a large number of academic institutions and centres that provide academic programmes in Islamic economics, banking, finance and management was set up. According to Al-Zaquan (2013), Malaysia is the largest Islamic finance education centre in the world with an estimated 50 academic centres and 18 universities offering Islamic finance programmes.

However, the competency of the educators is a concern to ensure the graduates can meet exacting industry standards. It is therefore important to conduct a specific study on Islamic finance education in Malaysia.

This study focused on sufficiency of the educators and their competency in imparting knowledge to students who undertake Islamic finance programmes. The study is significant as it will identify the strengths and the weaknesses of Islamic finance education programmes as a whole. This will assist the country to build on its competitive edge in the industry and attract pool of students across the globe.

### **Demand For Islamic Finance Talents**

Ever since the establishment of the first Islamic bank, efforts have been made by many agencies to educate the public on Islamic finance. Bank Islam Malaysia Berhad for example, had set up BIMB Institute of Research and Training (BIRT) in August 1995 to offer professional services to disseminate knowledge and technical know-how on Islamic banks and finance. Apart from seminars and conferences, the institute provides consultancy and advisory services

to staff of financial and non-financial institutions locally and abroad.

The BIRT functions were extended with the introduction of IBFIM (Islamic Banks and Finance Institute of Malaysia) in 2001. It was designated as an industry-owned institute dedicated to producing well-trained, high competence personnel and executives with the required talent in the Islamic finance industry. The institute has two main objectives: i) to increase the pool of bankers and takaful operators who are knowledgeable and competent, where efforts are directed to promote human capital development to support the growth of the industry via establishing an industry-owned institution on Islamic banking and finance dedicated to train and supply a sufficient pool of Islamic bankers and takaful operators as required by the industry; and ii) to develop local expertise to ensure availability of a pool of skilled professionals who are well - versed in Shariah matters and are able to provide a range of relevant high quality value - added advisory and intermediation services (<http://www.ibfim.com>). The Institute offers three main services - talent development, One Stop Islamic Finance Reference Centre for the Islamic finance industry and Shariah business and advisory.

The Central Bank of Malaysia had set up INCEIF (International Centre for Education in Islamic Finance) in 2005 as one of many initiatives undertaken to develop and nurture talents and experts under the MIFC (Malaysia International Islamic Finance Centre). The Chairman of INCEIF is the

Governor of Bank Negara. The INCEIF has a Governing Council chaired by a Director and comprises representatives from the financial industry, regulators and members of international repute. The Senate, i.e. the Professional Development Panel is also chaired by a Director and comprises CEOs from Islamic banks and Takaful companies, regulators and representatives from the financial industry. The INCEIF offers three postgraduate programmes in Islamic finance - Masters in Islamic Finance Practice (MIFP), Master of Science in Islamic Finance (MSc) and Doctor of Philosophy in Islamic Finance (<http://www.inceif.org>). Currently, INCEIF's programmes have become more popular among students from non-Muslim countries amounting to total enrolment of 14% in 2014.

To complement its mission to produce world-class talent for the global Islamic finance industry, INCEIF, as a knowledge leader in Islamic finance, offers industry-focused executive education that includes customised executive programmes. Its research unit carries out academic and commercial research which provides trend analysis, economic growth indicators and specific cross border business strategy.

In addition to INCEIF, the Central Bank of Malaysia had also established International Shariah Research Academy for Islamic Finance (ISRA) with the aim of bridging the gap between Shariah research and industry practices by conducting several courses to support the application of Shariah in Islamic banking and finance. As part of its talent development programme, ISRA

offers Shariah graduates a full-time two-year programme which includes training, industry attachments and direct involvement in research projects; with the purpose of jumpstarting a career in Islamic finance. In addition, ISRA Consultancy Sdn. Bhd. (ICSB) has supported several leading IFIs by providing in-house training encompassing Shariah and regulatory issues, as well as product structuring.

The Islamic finance education and training programmes have expanded tremendously with many universities and colleges joining the bandwagon in providing related programs. Universities and colleges such as International Islamic University Malaysia (IIUM), Universiti Utara Malaysia (UUM), Universiti Teknologi MARA (UiTM), Universiti Sains Islam Malaysia (USIM), Kolej Universiti Insaniah (KUIN) and many more, are among the providers of Islamic finance talents.

Recent developments in Islamic finance suggest that the industry is gearing towards deeper and more robust growth. Nevertheless, a key challenge for the Islamic financial institutions (IFIs) is to ensure adequate human capital supply to support various functions such as Shariah expertise and product development, as well as risk management, legal and information technology.

Overall, it is expected that demand for Islamic finance talent will continue to rise, and training providers will continue to meet the challenges of supporting the unique needs of the industry ("Growing demand for talents in Islamic finance", 2015). There

are three main factors that support the rising demand in human capital in Islamic finance, namely intense competition, evolving regulations and standards and an increasing cross-border Islamic finance activity.

The Finance Accreditation Agency (FAA) and Islamic Finance News (IFN) conducted a survey on talent development in Islamic finance in 2014. The respondents were practitioners and training providers from South East Asia, MENA, Europe, South Asia and others. Some key findings from a global survey conducted identified three key gaps in the current human capital pool - Shariah expertise, Islamic finance knowledge and product innovation (see Figure 1).

A recent study on the supply gap in Islamic finance indicated that supply has surpassed the number of jobs available as there were 9910 graduates in Muamalat and Islamic Finance (MIF) vying for 4300 jobs. Nevertheless, the excess is mainly in banking sector while talents in other areas of Islamic finance such as Islamic insurance,

Islamic management, Islamic accounting and as such, are still lacking (Mohd Yusof, Maamor, & Al-Aidaros, 2016). This implies that there should be more competent Islamic finance educators to cater for the broader needs of labour market in Islamic finance industry.

The preceding discussion indicate the need for Islamic finance educators in disseminating knowledge and expertise in the respective field. Higher education institutions (HEIs) are among the main providers of future Islamic finance talents to meet industry demand. This study therefore examines the sufficiency and competency of educators at HEIs, particularly in UiTM.

**METHOD AND DATA ANALYSIS**

This study employed qualitative and quantitative methods where primary data were collected from interviews while secondary data were extracted from curriculum vitae (CV) of the academic staffs as at end of 2015. Data were collected from the Academy of Contemporary

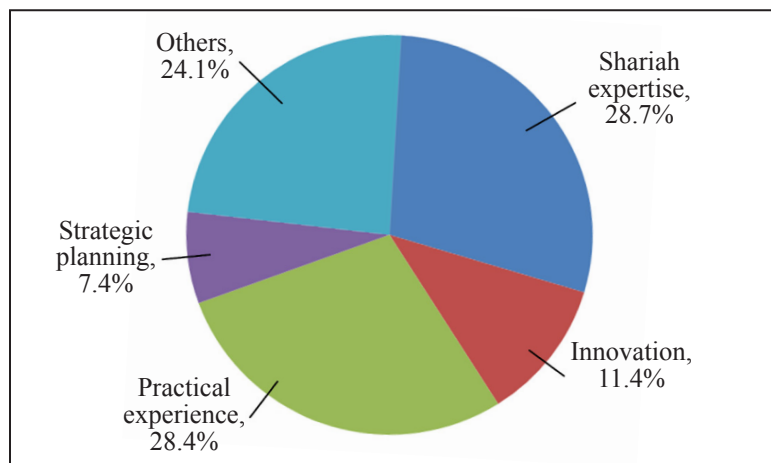


Figure 1. Human capital shortage in Islamic finance

Islamic Studies (ACIS) of Universiti Teknologi MARA (UiTM) that provides Islamic Finance and Islamic Finance-related Programmes, namely Diploma in Muamalat and Degree in Muamalat. The CV of the educators was examined to see their educational background and their qualification while their research and publications were examined to analyse their academic activities and therefore competencies. In order to substantiate the findings of this study, interviews were conducted with the Deputy Dean (Academic) of the faculty and also a selected auditor of Malaysian Qualifications Agency (MQA).

In analysing data, the current rules and ICIFE (International Council for Islamic Finance Educators) 5 domains were used as a basis to analyse educators of IFEKSP (Islamic Finance Education and Knowledge Services Providers). The ICIFE 5 Domains are Islamic Banking and Finance, Muamalat (Shariah and Law), Islamic Economics, Islamic Accounting and Islamic Management. For the purpose of this research, IFEKSP is defined as organisations that provide one or more programmes in Islamic Economics and/or Islamic Finance.

## **RESULTS AND DISCUSSION**

This study examines Islamic finance education provided by Higher Education Institutions (HEIs) in Malaysia. The study focused mainly on the educators and their academic activities that relate to ICIFE domains. Based on the Programme Standards set by Malaysian Qualifications Agency (MQA) (MQA Standards, 2012, p.

1), MIF covered five major areas, namely Muamalat, Islamic Economics, Islamic Finance, Islamic Management and Islamic Accounting.

### **Muamalat**

The graduates in this area will acquire understanding, skills and expertise in shariah-based transactions according to their programme levels. They will be able to understand basic contract formations, validity and muamalat issues. Graduates at the higher levels can be shariah advisors for Islamic financial institutions.

### **Islamic Economics**

Graduates in this field will acquire understanding, skills and expertise in Islamic economics according to their levels of study. They will acquire the ability to understand the fundamentals of conventional and Islamic economics and will be able to analyse and utilise economic theories from Islamic perspectives.

### **Islamic Finance**

Graduates in this field will acquire an understanding, skills and expertise in an Islamic financial system according to their level of study. They will have the ability to understand basic Islamic and conventional finance and to explore advance levels of Islamic finance from the theory and practical aspects in the areas of Islamic banking, takaful, Islamic capital markets, currency markets, risk management, public finance, international financial regulations and other related areas.

### Islamic Management

Graduates in this field will acquire understanding, skills and expertise in Islamic Management according to their programme levels, which encompasses general business, organisation, human resource, marketing, industrial relations, risk management and other related areas. They will have the ability to understand basic Islamic and conventional management, and will be able to analyse Islamic management and subsequently utilise management theories from Islamic perspectives.

### Islamic Accounting

Graduates in this field will acquire an understanding, skills and expertise in Islamic accounting according to their programme level. It has its foundation in the field of muamalat and Islamic jurisprudence which forms the basis for accountability of organisations. It encompasses the field of shariah auditing, zakat accounting, social responsibility accounting and other related areas.

The subsequent sub-sections discuss the MIF's educators at the institution under study.

### Islamic Finance Educators

Competency of educators was measured by their educational background as well as their academic activities in the form of research and publications. For such purposes, the curriculum vitae (CV) of the educators were examined. The following subsections discuss the educators' highest level of

education, their academic qualifications and academic activities.

**Educators' education.** Table 1 displays the educators' highest level of education in their respective field of studies. Since the faculty under study is offering Islamic contemporary studies, majority of them undertake Islamic studies during their entire academic journey.

Table 1  
*Educators' highest level of education*

Highest Level of Education	No. of Educators	Percentage (%)
Masters	17	60.7
Ph.D.	11	39.3
	28	100

Of the total number of educators, the majority of them (17 or 60.7%) possess a master's degree in their respective field of study. Among the reasons for such a significant number is because many of them are young lecturers who have served less than 5 years and yet to further their studies at Ph.D. level.

**Educators' field of studies.** In determining the sufficiency of expertise to meet the requirement for finance-related programmes, the field of studies of the educators are classified based on the following: Law/Shariah, Economics/Islamic Economics, Finance/Islamic Finance, Accounting/Islamic Accounting, Marketing/Management and others.

Table 2  
*Educators' field of studies by domain*

Field of Studies	No. of Educators	Percentage (%)
Law/Shariah/ Muamalat	8	28.6
Economics/Islamic Economics	3	10.7
Finance/Islamic Finance	1	3.5
Others	16	57.1
	28	100

As indicated in Table 2, more than half of the educators (16 out of 28 or 57.1%) have academic background other than the core discipline such as Islamic Studies (Pengajian Islam), Islamic Civilisation (Tamadun Islam), Theology (Usul-al-deen) and also Studies in Quran and Hadith (Pengajian Quran dan Hadith). Only a handful of them (4 out of 28 or 14.2%) have a background in Economics/Islamic Economics and Finance/Islamic Finance while the rest (8 out of 28 or 28.6%) have Law/Shariah background. None of the educators has Accounting/Islamic Accounting or Marketing/Management background. The finding hence indicates a shortage of human capital that have necessary qualification to teach the programmes.

The main reason for such a significant number of educators classified under others is because the programmes have only been offered quite recently. Earlier, the faculty's main function was (and still is) servicing other faculties in teaching university's compulsory courses (Subjek Wajib Universiti) such as TITAS (Tamadun Islam dan Tamadun Asia) as well as Ethnic

Relation (Hubungan Etnik).

It would be ideal for a faculty offering MIF programmes to have adequate educators with relevant qualifications. The education of the students can be at stake if the shortcoming is not tackled.

Thus, the faculty brings in experts from other faculties to teach and impart knowledge to the students. While this could be a short-term measure, necessary steps are taken in having the faculty's own experts, such as sending the educators to further their studies in the required discipline. Grooming young lecturers under the young lecturer scheme (YLS) is also done to have future experts in the field. Perhaps, giving exposure to the existing educators in Islamic finance by sending them to industrial training would be good. Other measures would be an in-house training by conducting ToT (Training of Trainers) in MIF related courses.

**Educators' academic activities.** Table 3 shows the research interest as well as publications of the educators. Research activities of the educators are not considered satisfactory as there are those who have not published even a single article for the past five years. The maximum number of research ever conducted by a particular educator is 7. The average number of research being conducted by the educators for the past five years is two.

Publications by the educators could be in the form of published articles in journal or conference proceedings, chapter in book (CIB) or books. While some published a lot in the last five years (maximum of



32 publications), some have not even published a single article. The average of 9.9 publications among the educators is quite satisfactory owing to the fact that the educators in the faculty have an average workload of 18 hours weekly.

Table 3  
*Educators' academic activities*

Statistics	Research	Publications
Min	0	0
Max	7	32
Mode	1	2
Median	1	8
Mean	2.4	9.9

Nevertheless, educators must equip themselves with current updates on practices in the industry especially on the use of on-line banking services (fintech). This could be done by way of having research collaboration with the Islamic financial institutions. Perhaps, having industrial training among the educators would add further value to them as they could be exposed to the real practice and experience the reality themselves.

## CONCLUSION

This study examined the competency and sufficiency of Muamalat and Islamic Finance (MIF) educators at higher education institutions (HEIs) in Malaysia. The sample is Academy of Contemporary Islamic Studies (ACIS) of Universiti Teknologi MARA Selangor Campus in Shah Alam. The study employed qualitative and quantitative

methods where primary data was obtained from interviews while secondary data was extracted from curriculum vitae (CV) of the academic staff. Findings of the study indicate that the institution needs to improve competency of its educators particularly in the area of finance, marketing/management and accounting. This could be done by training the educators and increasing the number of educators in the required fields. Research collaborations and sending staff for industrial training would be a good move. Future research could focus on the specific skills needed by the industry and the possibility of mismatch between the provider and the industry.

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