

RE-ENERGISING ISLAMIC TALENT IN BUILDING SUSTAINABLE FUTURE OF ISLAMIC ACCOUNTING FINANCE EDUCATION IN MALAYSIA

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Abstract

Technological advances, globalization and shifting demographics are just a few of the forces profoundly tipping the scales of supply and demand in today's global workforce. Taken together, these forces are creating a growing talent shortage that is posing a very real threat to sustainable business success. This paper highlighted the need to re-energize the Islamic talent through the sustainability of Islamic Accounting Finance education. The study covered the initiatives made by the government as the effort to increase the bar for the human resource professionals and business leaders to stay ahead of the curve on the talent development strategies and initiatives. Previous literatures are reviewed to find out the challenges faced by the industry in fulfilling the insufficiencies and the need to re-energize the Islamic talent through the education. The study found some challenges that pay close attention to shifting trends and recognizing the forces that are changing market dynamics. As the findings of this report highlight, institutions that take a long-term focus to their future talent needs will emerge as the winners in the war for talent.

Keywords: *Talent, sustainability, Islamic, accounting, education.*

INTRODUCTION

The integration of Islamic finance with international financial markets and institutions has demonstrated its viability, competitiveness, resilience and sustainability as a form of financial intermediation. This trend has contributed towards facilitating greater cross border flows in terms of increased trade and investment transactions thereby strengthening the global economic and financial linkages.

As this international integration process intensifies, it not only raises the prospects for more balanced global growth but also allows for greater

diversification of risks thus contributing towards greater global stability. At the core of this financial globalisation process is the robustness and resilience of the domestic Islamic financial talent.

The development of a sustainable Islamic financial education that is able to withstand the challenges of the uncertainties and instabilities inherent in the global financial system, thus not only requires an effective global financial architecture but a system that is also supported by an appropriate, comprehensive and sound domestic human capacity.

The robust developments in this

changing environment is too hard to catch up which include tougher regulations, technological advances, demographic shifts, digital and work style revolutions are putting greater emphasis on establishing a larger pool of competent Islamic Finance professionals to meet the increasing market share of the Islamic Financial Services Industry (IFSI). According to the Malaysia International Islamic Financial Centre (MIFC), Islamic Finance in Malaysia contributes 11% of total employment to the IFSI worldwide, with an estimation of one (1) million professionals required by 2020.

Despite much effort spent on Islamic Finance education and training, there remains numerous challenges to be addressed, particularly in integrating education and training with the requirements of the IFSI, as well as streamlining the standards between academic and training programs (Krishnan et al., 2017).

As it stands, the Islamic finance sector remains a demand-driven market with scarce supply. This is more pronounced in Asia than other countries due to the extent of its growth in the region. More so as the economic integration of the ten-member bloc of the Association of Southeast Asian Nations (ASEAN) into the Asean Economic Community (AEC) is seen as a pivotal moment that will create large opportunities for Islamic finance in the entire region, and this should compel the industry to act. If these issues remain unresolved, the growth in Islamic Finance could be short-lived (Ismail, 2011).

This study is conducted to gain some insights on the prospect of the need Islamic talent through the sustainability of current Islamic Accounting Finance education in order to prepare them for the human capital needs of the industries. The objectives of this study are to:

1. Identify the need to re-energize the Islamic talent in the industries
2. Explore the challenges and way forward facing by the industries in

fulfilling the human capital needs through education.

THE NEED TO RE-ENERGIZE THE ISLAMIC TALENT

As Islamic financial industry continued to experience growth, there is a dire need in highly skilled and talented human capital workforce that can drive the future developments and innovations of the industry. In a survey conducted by FAA-IFN Human Capital Development (2016), 80 percent believed that the number of people currently working in the Islamic Financial Institutions (IFIs) is insufficient to meet the growing needs of the industry while more than 50 percent believed that their own organization does possess certain competency levels.

However, Shariah expertise, Islamic finance knowledge and Islamic finance practical expertise are still highlighted as significant gaps (Aminudin et al., 2017). Nonetheless, according to the industry estimates, globally, the Islamic financial industry requires approximately 1 million professionals by 2020, whilst Malaysia alone needs a total of 22,400 individuals to support the Islamic financial sector, comprising 40% of the additional 56,000 workforce needed for the wider financial industry.

In Malaysia, the growing momentum of IFSI suggests that a significant portion of the remaining workforce of 56,000 to be employed by the Financial Services Industry (FSI) by 2020 will comprise Islamic Finance professionals, as reported by Bank Negara's Financial Sector Blueprint. Studies conducted by The Capital Market Regulators Forum revealed that 82% of the surveyed countries are experiencing shortage of talent in the IFSI areas, such as Shariah and Takaful.

The studies also revealed that another 60% of Islamic finance professionals require further training and skills development. The scarcity of talent poses a significant impact on the industry as the contribution to the growth of Islamic financial assets will be greatly affected.

SUSTAINABILITY OF ISLAMIC ACCOUNTING FINANCE EDUCATION IN MALAYSIA

The role of sustainability education in Islamic Accounting Finance courses at universities has been a contentious issue with seemingly large gap between what research has defined as best practice and what is currently being taught around the world (Gray and Collison, 2001). The important challenge for sustainability education is in the context of the emerging field of ecological economics and its new understanding in the business role and function of society. Islamic talent represents the main precondition in meeting these challenges successfully.

Moving forward, evolving regulations and standards to further standardize Islamic finance products and development have also enhanced the needs for more expertise in the areas to ensure proper implementation. Moreover, as the global finance centre operates in a overall operations to ensure compliance with Shariah principle.

This is consistent with study conducted by Ridhwan et al. (2018) mentioned that the talent required to fill in the above roles to have a knowledge combination of finance, accounting, economics and Shariah principles, while being dynamic, innovative and creative enough to lead the industry world.

To complement the efforts to create a sustainable and comprehensive Islamic financial system, consumer education and awareness on Islamic banking and finance should be extensively undertaken. Concerted efforts between the governments and Islamic financial fraternities should be engaged to develop such a consumer education programs.

Such programs would increase transparency on the virtues and availability of Islamic financial instruments offered by the Islamic financial institutions. How consumers can expect to benefit will depend on how well informed they are about the financial services being provided.

Barriers across geographical boundaries can be removed by leveraging upon the advances on Information Communication Technology to create an integrated internet platform as means for the knowledge sharing on research findings, conference discussions, Shariah rulings and other vital information on Islamic banking and finance. Improvements can be made to the existing internet portals to be more comprehensive with linkages to other useful information providers.

Equally important is the consumer protection infrastructure. An international financial information dissemination body should be set up to disseminate the development of Islamic banking and finance worldwide. In addition, with greater disclosure and transparency on the manner in which Islamic financial transactions are being conducted and the risk and return profiles of the products, the role of market discipline in driving Islamic financial institutions towards ensuring Shariah compliance will be strengthened. This will ensure operational efficiency, strengthen risk management infrastructures and institute sound and dynamic risk management practices.

As part of the process of enhancing inter-linkages with the rest of the world in the area of Islamic finance, Malaysia is also encouraging the domestic Islamic financial institutions to be more global by expanding beyond the domestic shores. With the experience that has been acquired in Islamic banking and finance that has been accumulated over more than three decades now, it is timely and desirable to extend this experience beyond our own borders.

The domestic Islamic financial institutions would need to undertake feasibility studies and in-depth groundwork to identify new markets to expand their business operations, in particular with economies in which there is potential for greater economic linkages and integration.

Key Islamic finance jurisdiction such as Malaysia has approximately 20 percent per annum growth on its Islamic

banking industry output in monetary terms, but nonetheless employment is expanding at less than half of the rate although an additional 22,400 jobs are needed to support the growth. Therefore, several strategies have been undertaken in the recent decade to develop Islamic financial services professional across the various levels, from the entry level for graduates to the leadership level for senior management and board of directors. This is one part of sustainability initiative than enabling platform from which further institutional and infrastructure arrangements for the

development of human capital in the industry can be made (Aminudin et al., 2017).

Taking into account the extensive institutional infrastructure that has been put in place and the future needs of the financial sector, the vision moving forward is to ensure a steady stream of capable and accomplished talent pool for a robust and innovative financial sector. Figure 1 below highlight among few of the established organizations that helping to sustain the Islamic talent through their education programs.



Figure 1: Established organization for Sustaining Islamic Accounting Finance through Education
 (Source: Global Takaful Insight, 2016).

To address the human capital needs of the Islamic finance industry, the Malaysian government has taken a number of initiatives which could put the country on track to become a global leader in the supply of human capital in Islamic finance. For example, Bank Negara Malaysia also established three

sister organisations to further promote Islamic banking and finance namely Islamic Banking and Finance Institute Malaysia (IBFIM), International Centre for Education in Islamic Finance (INCEIF) and International Shariah Research Academy for Islamic Finance (ISRA).

IBFIM was established in

February 2001, 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. To further promote the development of skilled human capital to positively shape the future of the financial services industry, Bank Negara Malaysia became the pioneer regulatory body to introduce the first fully-dedicated global Islamic finance university in 2005, named the International Centre for Education in Islamic Finance (INCEIF).

The global Islamic finance university was established to develop professionals and specialists in the field to sustain market competitiveness and take on the future challenges in the industry.²⁰ In 2011, INCEIF was awarded by the Global Islamic Finance Awards as the "Best Islamic Finance Education Service Provider", and in 2012, three of INCEIF students won an award for "Best Islamic Finance Deal" from an international Islamic finance news provider.

The win was especially noteworthy to INCEIF as it reflected the meaningful contribution made by students during their internship as well as subsequent fulltime placement at local financial institutions for outstanding international graduates.

Malaysia is also keen to develop a pool of Shariah experts knowledgeable in both Islamic law of contracts and business aspects of Islamic financial operations. In this regard, the International Shariah Research Academy (ISRA) was established as a dedicated international research house for applied Shariah research in Islamic finance to develop Shariah experts in areas including contemporary Shariah issues relating to risk mitigation, liquidity management and hedging. ISRA also provides a number of scholarships to talented individuals with a Shariah background in order to develop skills required for providing services to the Islamic finance industry.

Apart from the scholarships,

through its talent development programme, ISRA established the in-house Shariah management training programme for fresh graduates. Through the programme, fresh graduates will learn on how to conduct research works, relate Shariah with contemporary issues in Islamic banking and finance, understand the needs and constraints of the industry, able to structure products and comprehend Shariah review and audit processes.

Malaysia has also pioneered to introduce Islamic capital market (ICM) human capital development programmes through the SIDC. SIDC is the leading capital market learning and development solutions provider for industry participants in Malaysia and the growth and emerging markets that include market professionals, company directors and regulators. SIDC's involvement in the development of human capital for the Malaysian capital market is comprehensive and end-to-end.

SIDC work closely with the Securities Commission Malaysia (SC) to establish competency standards for the industry - developing, maintaining and administering the SC Licensing Examinations and the mandatory Continuing Professional Education (CPE) programme as part of the licensing regime for Malaysian capital market intermediaries. In addition, SIDC also contribute to the capital market talent pipeline through the fitfor-purpose graduate development programmes. In support of the SC's investor protection mandate, SIDC also conducts public investor education programmes on behalf of the SC with the aim of creating informed and prudent capital market investors.

SIDC's extensive experience and track record in producing high-calibre programmes for a wide range of target audiences have earned them a reputation synonymous with professional excellence, acknowledged by international institutions such as the International Organization of Securities Commissions (IOSCO), the Asian Development Bank (ADB), the Asia-

Pacific Economic Cooperation (APEC) and ASEAN.

Finally there is also the Financial Sector Talent Enrichment Programme (FSTEP) that offers an intensive 1-year training programme for entry level executives covering the four banking/insurance streams namely conventional banking, investment banking, Islamic banking and insurance/takaful.

Curriculum and Training Task Force on Islamic Finance has been set up in Malaysia, led by the International Islamic University Malaysia (IIUM), and members representing key stakeholders of the Islamic finance education sector in Malaysia.⁴⁰ This initiative targets to specifically address gaps in the Islamic finance curriculum and talent development in order to meet the high demand of the thriving Islamic finance industry.

And more recently in 18th December 2013, the International Council of Islamic Finance Educators (ICIFE) was established, from an initiative known as an Entry Point Project (EPP) ⁷ under the Malaysia government's Economic Transformation Programme (ETP). In this establishment, both IIUM and Central Bank of Malaysia play the leading role as Co- Leaders for EPP⁷. IIUM leads in respect of academic development (Talent & Curriculum) involving key institutions such as Universiti Utara Malaysia (UUM), Universiti Sains Islam Malaysia (USIM), Universiti Kebangsaan Malaysia (UKM), Universiti Sains Islam Malaysia (USIM) and other related stakeholders as National Task Force Members while Central Bank of Malaysia plays the leading role for the industry. Overall ICIFE was established with the purpose of developing an internationally acceptable curriculum and talent for Islamic finance education.

CHALLENGES AND WAY FORWARD

The Islamic finance industry is confronted with multiple challenges in an accelerated growth scenario. Demand driven with limited supply of human

resource, capacity building, lack of standardization, product innovation, liquidity management and enabling legal and regulatory is among the major challenge (Hasan, 2009).

However, in maintaining the sustainability of Islamic talent is challenged on many fronts in meeting the evolvement of the marketplace. Some of the challenges are, to a certain degree, intertwined but all of them are essential to restore the health and sustainable growth of the industry. Research suggests that the lack of cooperation between the academia and industry to develop a wholesome curriculum in Islamic Finance has resulted in a mismatch between the graduates produced and the skills required by the industry.

Graduates go through a system which is more theoretical than practical and are therefore, not suitably equipped for the industry. Bank Negara Malaysia (BNM) in its comments on 'Talent development in Islamic finance over the next decade' highlighted that a more comprehensive approach and close collaboration between the industry and the academia are essential to meet the highest standards of employees required in the workforce. This would ensure a steady stream of competent and versatile talent to support greater innovation and dynamism of the Islamic finance industry.

Additionally, new systems and technologies will provide the bedrock for the Islamic Finance Services Industry (IFSI) to become more competitive and efficient to deliver value, and ultimately to restore confidence and trust. The Islamic finance services industry is a specialised field and acquiring the right competencies and skills sets is critical to sustain and further its growth.

The importance of globally benchmarked standards for Islamic Finance and Training cannot be over emphasised. It outlines the required activities and tasks that are necessary to successfully identify, define, select, apply, and improve benchmarking for the training programs offered to IF

practitioners.

In simpler terms, it is a published document that establishes specifications and procedures designed to ensure the reliability of the training programs, products, methods, and services used by professionals and institutions that seek to improve their practices.

According to Talib et al. (2014), the absence of these protocols that can be universally understood and adopted decreases the compatibility and interoperability of IF services, which is the very core that fuels the development of the industry.

Another challenge that is more visible now is the unavailability of an international accreditation body for Islamic finance. Accreditation is a significant achievement pronouncing high quality learning as well as an enhancement process for the IFSI in terms of quality and performance of employees.

There is no similar setup that deals comprehensively with accreditation standards for industry-based learning programs in Islamic Finance to show evidence that the training programs lead to the development of competencies needed in the marketplace. Acquiring document proof of employee training such as accredited program is essential for any regulated industry such as the Islamic Finance which should not differ across economies and jurisdictions as they are derived from Shariah (Ridhwan et al., 2018).

Diversity of regulations and operations across borders require careful studies and review before a common understanding can be achieved for best practices. This is particularly so in the Islamic financial industry where understanding of Shariah and practices could differ from different practitioners and countries. The absence of an Islamic Finance Qualification structure or framework can lead to fragmentation, whilst a framework forms a uniform approach to quality assessments of learning standards and accreditation processes that enhance competencies of

IFSI employees.

As it stands, the Islamic finance sector remains a demand-driven market with scarce supply. This is more pronounced in Asia than other countries due to the extent of its growth in the region, and this should compel the industry to act (Shafii et al.2014).

If these issues remain unresolved, the growth in Islamic Finance could be short-lived. As such, the sustainability of Islamic talent with deep understanding of Shariah should remain the ongoing focus of the regulators and industry players.

Lastly, most recent challenge is Islamic finance must embrace the tech revolution to power up innovation. Fintech is rapidly changing the facets of the global financial industry, reshaping the expectations of consumers and businesses on financial services. For Islamic finance, there are large opportunities in fintech to develop financial solutions that can help drive Islamic finance to deliver even greater, wider and deeper positive impact particularly in realising its promise in risk sharing and providing support for genuine and productive economic activities.

An example is the Investment Account Platform in Malaysia, which is a multi-bank online platform that connects investors to viable economic ventures, mainly SMEs. Technology can also widen access to and increase outreach of social financing instruments through digitisation of collection and disbursement of its proceeds. Fintech start-ups such as Launch Good and Skola Fund are already making their name in social impact initiatives, which is a promising start. The reality however is that Islamic fintech is still in its infancy and growing - and there is plenty of catching up with conventional peers to do.

What is required in making this leap is for leaders to think far across and beyond the industry that we are familiar with today. The transition can be accelerated by challenging conventional wisdom on competition to create new

value curve and market spaces. Through this, the Islamic finance industry can strategically leverage on technology to deliver innovative solutions that can create sustainability, including financial inclusion solutions that can help bridge the “digital divide” (Demirguc-Kunt et al, 2018).

The industry can certainly take inspiration from the agility of the non-financial services industry to adopt, adapt and collaborate with fintech players in developing the sustainable future talent.

Islamic finance must invest in capacity for the future, in particular in talent for long term sustainable value creation. The journey ahead is one that is long and complex. This calls for the industry to fight the war for talent relentlessly. The industry can go far if it broadens its talent sphere, by providing top talent careers that are not just financially rewarding but also intellectually stimulating and socially meaningful.

This is a win-win strategy. For the industry, attracting quality talent with a passion in creating greater good through Islamic finance helps in building a more sustainable business model. Such top-notch talent is essential in driving and executing innovative business strategies that will realise the full potential of Islamic finance. For the talent themselves -such career opportunities will increase their engagement and commitment- hence driving their productivity to achieve tangible results. With a more demanding future ahead of us, greater talent preparation is also required to effectively provide and implement solutions to real world problems.

A much broader set of competencies that go beyond knowledge in the application of Islamic finance principles provides a stronger foundation to achieve this aim. This includes wider skills and knowledge ranging from green financing to conducting holistic assessments of credit linked to value-based intermediation.

Knowledge of behavioural finance can also be used to “nudge”

customers into making good financial decisions. Only with constant renewal and transformation of Islamic finance professionals that we can remain ahead of the curve.

CONCLUSION

As Islamic finance advances forward to become an important integral component of the international financial system, efforts need to continue to strengthen further both the international architecture and to enhance international cooperation and collaboration as well as to develop the domestic financial system to meet the changing requirements of a highly dynamic and rapidly evolving environment.

Malaysia will continue to play an active role in this process. As part of supporting the future growth of Islamic finance, it is vital for these available gaps on human capital to be properly filled in. To address these gaps, various initiatives have been introduced in various jurisdictions to develop a fully equipped Islamic finance workforce.

But of more importance, to ensure the sustainability of Islamic talent, it is imperative for the human capital to be equipped with comprehensive and appropriate skills and competencies. This can be achieved by identifying the right mix between the curriculum and developing the generic and specific skills and competencies as long-term investment for the industries.

The issue of sustainability is a matter of grave concern for the global community. If sustainable development takes a backseat, the global landscape in the future will look very different. We might see the gains that we have built and enjoyed over the decades erased. The clock is ticking, and the world has to act now. On its part, Islamic finance must contribute towards generating solutions to this challenge.

In this endeavour, steadfast commitment from the Islamic finance industry to innovate; to embrace fintech; to invest in talent; and to play a greater role in international trade is crucial.

Islamic finance must be a force for global good, proving that the sustainability agenda isn't just good for the world, but is good for business. It must prove the dictum "doing well by doing good". This is what Shariah calls us to do is to benefit the people and planet; and bringing greater prosperity to the ummah.

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