

Development of Islamic finance and the problem of qualified personnel availability in the industry

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Abstract

Islamic finance is now an integral part of global finance. Assets, geographical coverage, and set of offered Islamic financial services and products are growing. Islamic finance is gaining recognition outside the Muslim world, including international financial institutions. However, the shortage of qualified specialists may hinder further development of the industry. On the one hand, higher educational institutions have an opportunity to fill a new niche. A growing number of educational institutions around the world offer training programs in Islamic finance and banking. On the other hand, there are difficulties associated with the mismatch of skills and abilities with the requirements that are necessary for the industry. Analysis of staff training for the development of Islamic finance by different higher education institutions in the world will allow us to draw conclusions about the peculiarities and emerging difficulties of training specialists for Islamic finance.

Keywords: Islamic finance, higher education, staff training.

Introduction

The Islamic economy as a segment of the global economy is growing rapidly today. DinarStandard estimates that the number of Muslim consumers worldwide in 2019 was 1.9 billion people. Cumulative consumer capacity in major sectors of the Islamic economy as of 2019 is estimated at US\$ 2.02 trillion. This would potentially rise to US\$ 2.4 trillion by 2019, which, given the epidemic, would increase to US\$ 2.4 trillion by 2024. This represents a compound annual growth rate (CAGR) of 3.1% by 2024.

Being closely linked to the real economy, Islamic finance serves more than just areas operating under Shariah ethics and norms. Islamic finance is already part of global finance and has demonstrated steady asset growth, geographic expansion, financial product lines, regulatory improvements and more over several decades.

In 2019, Islamic finance assets increased by 14% to US\$ 2.88 trillion, the highest since the global financial crisis began. They are projected to reach US\$ 3.7 trillion in 2024. The average annual growth rate in 2020 and 2021 is expected to slow due to the pandemic to 5%.¹

Islamic banking accounts for the bulk of Islamic financial assets (73%), followed by Islamic securities (sukuk) in the amount of 17%, then Islamic funds (3%); Islamic insurance (takaful) completes the list (2%).

In recent decades, the Islamic finance industry has begun to spread rapidly around the world. Being concentrated primarily in the Muslim countries of the Middle East and Southeast Asia, Islamic financial services began to appear outside the Muslim world: in Europe, North America, and a number of African countries.

In terms of the regional structure, the Cooperation Council for the Arab States of the Gulf (GCC) countries dominate and have prospered through economic transformation and diversification policies (Shkvarya and Frolova, 2019). They account for 46% of the world's Islamic financial assets, followed by other countries in the Middle East and North Africa, and Southeast Asia (approximately 25% and 24%, respectively). Europe accounts for about 5%. South Asia accounts for a slightly smaller share. Sub-Saharan Africa and North America follow with very modest shares.²

Today there are 1462 Islamic financial institutions in the world, the value of sukuk in their circulation has reached 536 billion dollars, and 137 billion dollars are managed by Islamic funds. The leading countries as to their Islamic financial assets are Iran (US\$ 698.2 billion), Saudi Arabia (US\$ 629.4 billion), Malaysia (US\$ 570.5 billion), the UAE (US\$ 234.2 billion), and Qatar (US\$ 143.2 billion). Qatar (US\$ 143.9 billion), Kuwait (US\$ 132.3 billion), Indonesia (US\$ 99.2 billion), Bahrain (US\$ 95.6 billion), Turkey (US\$ 62.9 billion), and Bangladesh (US\$ 44.9 billion).³

Islamic financial institutions (banks, investment funds, insurance companies) have been repeatedly tested by crises. As a result of the 2008 global financial crisis, attention to Islamic finance has increased markedly on the part of Western financial circles and international financial organizations (Knight, 2007).

The concept of Islamic finance is based on the Quran and Sunna (examples of the life and actions of the Prophet Muhammad), knowledge of the legal framework (Shariah and Fiqh), as well as knowledge in the sphere of Muslim belief ('aqidah). The study of 'aqidah enables a deeper understanding of the reasons and logic of certain decisions in the commercial sphere.

The ijma and qiyas formulated by Muslim legal doctrine also comprise the norms that are referred to when regulating Islamic finance. Ijma are norms formulated on the basis of the opinions of authoritative jurists, i.e., mujtahids, scholars entitled to draw independent conclusions from the Koran (Qur'an) and the Sunna (Sunnah), and fakikhs, experts in fiqh or Islamic jurists. Qiyas, an inference by analogy, allows one to resolve issues in a specific

¹ Islamic Corporation for the Development of the Private Sector, available at: <https://icd-ps.org/en/news/refinitiv-icd-2020-report-global-islamic-finance-assets-expected-to-hit-369-trillion-in-2024>

² The City UK, available at: <https://www.thecityuk.com/assets/2019/Report-PDFs/7357b6cb9c/Global-trends-in-Islamic-finance-and-the-UK-market-2019.pdf>

³ Salaamgateway, available at: <https://cdn.salaamgateway.com/reports/pdf/2df5b5106072e6319d06888481e8faf3e3297e09.pdf>

situation similar to that described in the Qur'an and Sunnah.

The key principles that distinguish the system of Islamic finance are the following:

Riba (prohibition of lending interest). Islam welcomes commercial activity and profit-making, while requiring the principle of social justice. The mark-up must be related to the return on investment, the cost of labour, time and knowledge, and reflect the real contribution of the lender and the borrower. Therefore, the principle of profit and loss sharing is central to the Islamic model of finance.

Gharar (prohibition of excessive uncertainty and randomness). Gharar arises because of the asymmetry of information. A striking example is financial derivatives (options, futures), lack of actual price or commodity description, etc.

Maisir (prohibition on gambling), i.e. random income that does not arise as a result of investment of labour and capital, without creating real wealth.

Haram (prohibition to conduct activities that are forbidden by Shariah). It is forbidden to sell alcohol, tobacco, weapons, etc.

Such bans aim to create a financial system that functions on the basis of principles of justice, equity, responsibility, morality, objectivity, contributing to real economic growth and the welfare of society. It is obvious that from the economic point of view, the principles of Islamic financial system functioning do not contradict the foundations of the market economy, and from the socio-cultural point of view there is no serious disagreement with the traditional European values.

The progressive growth of the global market of Islamic finance requires an inflow of new personnel. Qualified human capital is a prerequisite for the development of any industry. The development of Islamic finance may require more than 50 thousand new jobs⁴. One of the difficulties in meeting the demand for specialists is the constant development of theories, concepts and practices of doing business under Shariah rules and the lack of a unified approach of interpretation in the world. Therefore, the training of qualified specialists is essentially a prerequisite and a factor for the further development of Islamic finance. This shows the need to pay special attention to the field of education.⁵ Another difficulty is caused by the fact that in spite of special rules, Islamic finance exists and develops in the global world in interrelation with other financial systems. Therefore, a specialist in this sphere should not only understand Islamic finance, but also be a specialist in traditional finance, as well as have knowledge in both Islamic and secular sciences. Thus, universities and educational institutions are entrusted with a serious task: to develop, implement, promote and implement training according to the modern requirements of the Islamic and financial global market.⁶

Methodology and Data

The analysis of universities that offer programs in Islamic finance has been

⁴ Islamic finance calls for more talents. URL: <https://www.nst.com.my/opinion/columnists/2017/11/306947/islamic-finance-calls-more-talents>

⁵ Olorogun, L. A., Ogunbado, A. F. & Abubakar, S. Y. (2017). Developing Islamic Finance Education in Nigeria Tertiary Institutions. *Proceedings of the 1st Inspirational Scholar Symposium (ISS)*, 33-43.

⁶ Asmyatullin R.R. Higher education as a driver for Islamic finance industry development. // The 13th International Scientific Conference Analysis of International Relations 2020. Methods and Models of Regional Development Winter Edition. P. 16-28. Katowice, 09 January 2020

conducted. This paper uses a comparative analysis of educational programs to identify the peculiarities of personnel training for the industry of Islamic finance. The levels of education and the content of educational programs were analysed. The methods of generalization, analysis and synthesis were also used. The sources of information were the websites of educational institutions, international reports; in particular, they are included into the Reuters Islamic finance development report 2014-2019, Salaamgateway, the City UK.

Results and Discussion

The number of universities and countries where it is possible to get an education in Islamic finance is constantly growing in 2012 it was possible to get such an education in more than 50 countries, and now there are almost 80 of them. At the same time the number of educational institutions is growing.

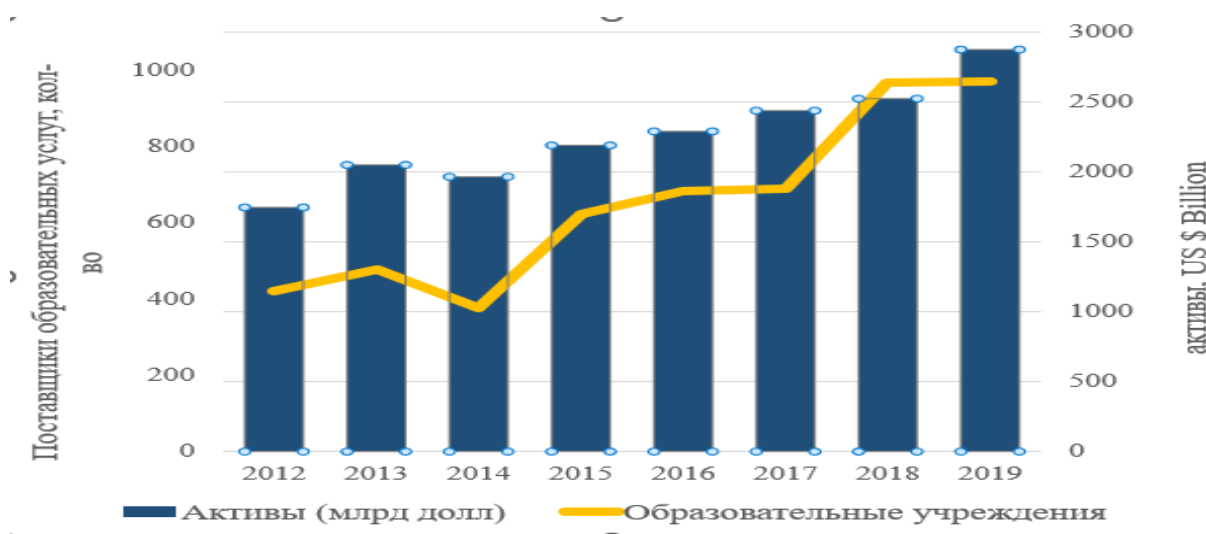


Figure 1. Providers of Islamic finance education and Islamic finance assets

Source: compiled from Reuters Islamic finance development report.

During the seven years from 2012 to 2019, the number of educational institutions implementing programs on Islamic finance has increased from 420 to 972, respectively. It is worth noting that most of the programs are implemented as part of additional education (refresher courses, trainings). The share of higher education programs accounts for slightly less than a third of the global market of education in Islamic finance, namely 29% or 202 courses.

A study of the countries offering academic degree programs showed that most of the higher education in Islamic finance can be obtained in member countries of the Organization of Islamic Cooperation, including the Arab countries. The leading countries have both internal and external attractiveness factors⁷. Internal factors include the high quality of education, offering programs in English and/or Arabic, and also highly developed financial markets where Islamic banks and other financial institutions are represented, and also Shariah councils operate.

Indonesia, Malaysia, the United Kingdom, Pakistan and the Cooperation Council for the Arab States of the Gulf (GCC) countries are the traditional leaders in the number of

⁷ Belouafi, A., Belabes, A., & Daoudi, M. (2012). Geo-education of Islamic finance in the global space. *Procedia-Social and Behavioral Sciences*, 46, 5335-5339.

educational programs. Indonesia and Pakistan are the largest Muslim populations in the world, both countries accounting for nearly a quarter of the world's Muslims. Indonesia, Malaysia, and the Persian Gulf are developed financial centres with a developed sphere of Islamic banking.

Among the Gulf countries, Bahrain can be distinguished; it is one of the first to establish the Islamic finance sector; the country has proposed the regulation and standardization of Islamic financial activities, and it became the headquarters of the leading international and regional Islamic financial system organizations. In addition, the country is also known for the high quality of its educational system and qualified human capital (Aydrus, Ryazantsev, etc. 2019).⁸

Britain's leadership is due to the fact that the country is the world's leading financial centre. The first Islamic bank in the West was opened in London. The share of the Muslim population is growing now, which creates a demand for the services of Islamic banks. Universities in Great Britain are at the top of the world rankings, and the country is the second-largest exporter of educational services.

The demand for qualified staff leads to the development of education in Islamic finance outside the traditional boundaries of the Islamic world, where they are beginning to introduce programs in Islamic finance granting its graduates with both an academic degree and certificate.

An analysis of QS ranked universities showed that the world's leading universities are in the top 100, 300 and 400 (Table 1).

Table 1. *Leading Universities Implementing Islamic Finance Programs*

Educational institution	Program	Degree level	Country	QS 2022 ranking
Durham University Business School	Islamic Finance and Management	MSc	UK	82
Heriot-Watt University	Islamic Banking and Finance	MSc	UK / Dubai	270
University of Dundee	Islamic Finance, Islamic Banking and Finance, and International Business	MSc	UK	322
La Trobe University	Islamic Finance	Certificate	Australia	362
Philipps-Universität Marburg	Economics of the Middle East (+ Islamic finance)	MSc	Germany	701-750

Source: compiled by the authors according to the official websites of universities and QS 2022 ranking

In addition, a number of universities are engaged in research in this area. For example, the Oxford Centre for Islamic Studies was established at Oxford University; it is engaged in research on the industry of Islamic finance, conducts seminars and workshops.

Massive Open Online Courses offers on Islamic finance also contribute to the development of educational infrastructure. Thus, on the EdX platform, the Islamic Research

⁸ Irina A. Aydrus, Sergey V. Ryazantsev, etc. Bahrain's higher education system: trends and development prospects // Ponte Academic Journal, May 2019, Volume 75, Issue 5. P. 93-103.

and Training Institute (IRTI) offers eight different courses: Islamic Finance and Banking, Islamic Banking: Principles, Practice and Risk Management, Islamic Finance and Banking: Modes of Finance, Understanding Islamic Insurance and Investments, Islamic Finance and Capital Markets: Structure and Trading of Sukuk, Islamic Money Markets and Sukuk, Islamic Finance and Capital Markets, Principles and Practices of Islamic Insurance.

As it was mentioned above, the knowledge and skills of a specialist in the field of Islamic finance are based on a combination of two directions, i.e. religious and secular.

It should be noted that the market of Islamic finance develops not only as a financial market (focusing on the supply and demand ratio), but also as a legal field. Since the correct use of these or those financial instruments must have a religious justification, it is extremely important to study fiqh, in particular the section called muamalat, which regulates commerce, trade, and transactions.

Secular knowledge means the traditional sciences that are necessary for any specialist in finance, such as economics, finance, law, accounting, and others. The study of management is also important because Islamic financial instruments are often project-based, requiring competent management. Studies show the importance of learning critical thinking skills, the lack of which can hinder the development of the industry.⁹

At the junction of these two areas, there are special professional knowledge, skills and abilities, in particular Islamic banking, Islamic insurance, Islamic capital market, etc. This group of disciplines determines the specificity of Islamic finance.

In addition to the above-mentioned disciplines, we can add knowledge of foreign languages. Arabic is also at the junction of religious and secular sciences, because we need to deeply understand the terminology and religious texts that are the basis for decision making in Islamic finance. English is also important in international finance. Combining all the areas of religious and secular knowledge necessary to obtain the necessary qualifications, we felt it necessary to visualize it in the diagram below.

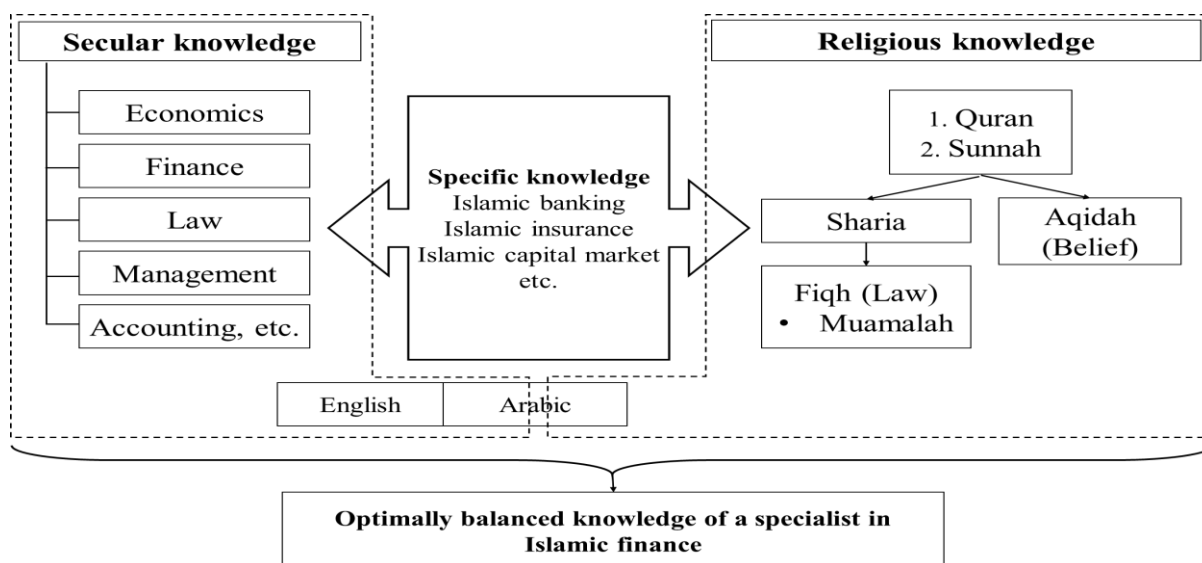


Figure. 2. Formation of knowledge and skills of a specialist in the field of Islamic finance
 Source: Asmyatullin R.R. Higher education as a driver for Islamic finance industry

⁹ Olorogun, L. A. (2017). Infusion of Critical Thinking in Islamic Finance Educational Curricula: A Case Study of BWSS2013 "Philosophy of Islamic Finance and Banking". *Proceedings of the 1st Inspirational Scholar Symposium (ISS)*, 44-55.

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The comparative analysis of higher education programs in the field of Islamic finance showed that in the Muslim world the education in the field of Islamic finance is broader and includes various academic areas. Education focuses more on the legal aspects of Islamic finance (principles of Islamic finance, Islamic economics, fiqh, ethics of Islamic finance, etc.). In countries outside the Islamic world, Islamic finance is studied more narrowly mainly from a financial point of view, without paying due attention to the legal aspects, and including religious knowledge. But Islamic finance is not just a set of alternative instruments. It is important to understand and frame these tools with ethical and moral norms, because the ultimate goal of the Islamic model of economy and finance is to achieve social justice. This becomes even more important in cooperation with Muslim countries.

In terms of levels of education in both Muslim and non-Muslim countries, education is primarily at the master's level. The most extensive offerings are in Malaysia and Indonesia, where education in Islamic finance covers all levels of study from undergraduate to MBA and PhD.

At the same time, analysing the content of educational programs, we can conclude that general programs prevail, rather than highly specialized and niche ones. The research confirms that even employees already working in Islamic banks need to develop and deepen their skills and knowledge.¹⁰

It is worth noting that the educational programs are very heterogeneous, there is no unified approach to understanding what a specialist in Islamic finance should be able to do. There is an urgent need for clarification and systematization of educational programs on Islamic finance. (Alhabshi, 2017)¹¹

JEL-code

I25 Education and Economic Development
F65 Finance (Economic Impacts of Globalization)
J24 Human Capital • Skills • Occupational Choice • Labor Productive

Conclusion

Over the past decades, Islamic finance has shown progressive development, increasing the geographic coverage of the countries where Islamic financial institutions operate. One of the key problems hindering the development of the industry is the lack of qualified specialists. As the market expands, the demand for qualified employees will increase.

Despite the growing supply of educational programs in the world, there are a number of

¹⁰ Bahrul Ilmi, M. (2018). The analysis of the effect of Islamic financing and labor relationship development toward nonperforming financing in Islamic banks. *Journal of Islamic Accounting and Business Research*, 9(4), 648-660.

¹¹ Alhabshi, S. M. B. S. J. (2017). Exploring Multi-Domains of Islamic Finance Education Curriculum. *Al-Shajarah: Journal of the International Institute of Islamic Thought and Civilization (ISTAC)*, 215-232.

difficulties:

The predominance of additional education courses.

Lack of a unified approach to the qualification of specialists in Islamic finance and standardization of educational programs.

The prevalence of Bachelor programs among the levels of higher education.

Lack of unified approaches to the interpretation of certain types of financial activities, etc.

Close interaction between the sphere of education and the industry, namely the banks, funds, insurance companies themselves, along with such international organizations as the Islamic Development Bank, the Organization of Accounting and Auditing of Islamic Financial Institutions, the International Islamic Financial Market, the Council of Islamic Financial Services, the Council of Islamic Banks and Financial Institutions can promote the creation of universal academic programs of higher quality, combining the fundamental scientific and applied basis. With an increase in the number and quality of bachelor's and master's programs, the task of long-term development of Islamic finance will be solved, while professional retraining and advanced training provide partial short and medium term solving to this problem.

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