

HIGHER EDUCATION AS A DRIVER FOR ISLAMIC FINANCE INDUSTRY DEVELOPMENT

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Abstract: *The Islamic finance industry is currently showing the rapid growth and is rightly becoming a full-value sector of the global financial system. A special interest towards the Islamic finance began to arise during the global financial crisis when the industry revealed its stability and vitality. It provides a wide range of services, which are in demand not only in the Muslim world. Skilled and trained labour is an important factor for the industry development. More and more educational institutions all around the world are offering Islamic finance and banking education programs. However, one of the key problems is the lack of skilled staff, as well as the mismatch of skills and abilities with the industry needs. This article analyzes the problem of education and training for the development of the Islamic finance industry. For that purpose, the educational program offers in various countries were analyzed in their relationship with the Islamic finance industry development. The Islamic finance skills set is based on a combination of two areas: religious knowledge (Sharia) and knowledge in the sciences necessary for a financial specialist, especially economics, finance, law, management, etc. In Muslim countries, much attention is paid to the legal aspects of Islamic finance, meanwhile in other countries the industry is studied mainly from a financial point of view.*

Key words: *Islamic finance, Islamic banking, education, labour*

JEL codes: *F65, I25, J24*

1. Introduction

Over the past decades, the Islamic finance industry has spread rapidly around the world. Concentrated primarily in the Muslim countries of the Middle East and South-East Asia, Islamic financial services began to appear outside the Muslim world – in Europe, North America and in a number of African countries. The total assets of Islamic finance in 2017 amounted to \$ 2.4

trillion. By 2023, the market is projected to grow to \$ 3.8 trillion (www2). Such an active growth of the global Islamic finance market requires the constant development of theories and practices, and therefore special attention should be paid to the field of education (Olorogun, Ogunbado & Abubakar, 2017).

Basic framework of Islamic finance

The concept of Islamic Finance is based on the provisions of the Quran and Sunnah (examples of the life and actions of the prophet Muhammad). The key principles that distinguish the Islamic Finance system are the following:

- Prohibition on loan interest (Riba). Islam welcomes commercial activity and profit-making, and at the same time demands respect for the principle of social justice. The margin should be linked to return on investment, labour inputs, expenditures of time and knowledge and reflect the real contribution of the lender and borrower. Therefore, the principle of sharing profit and loss is central to the Islamic model of finance.
- Prohibition of excessive uncertainty and randomness (Gharar), which occurs due to the asymmetry of information. Clear cases are financial derivatives (options, futures), the absence of the actual price or description of the goods, etc.
- Prohibition on gambling (Meysir), i.e. random income that does not arise as a result of investment of labor and capital, without creating real wealth.
- Haram means a prohibition on the conduct of activities that are prohibited by Sharia: trade in alcohol, tobacco, weapons, etc.

The aim of such prohibitions is to create a financial system functioning on the basis of the principles of justice, equality, responsibility, morality, objectivity, contributing to real economic growth and improving the welfare of society.

The main sectors of Islamic Finance are Islamic banking, capital market (Sukuk), insurance (Takaful), Islamic funds.

Basic framework of Human capital development

The theory of human capital originated in the second half of the XX century. Its founders were Theodore Schultz and Gary Becker, who associated this concept with formation, education and health. Investments in education and knowledge have become perceived as important drivers of economic growth, prompting many countries to increase spending on education and health. Many researchers see human capital as synonymous with the knowledge and skills enshrined in the individual (Beach, 2009).

The modern understanding of human capital is interpreted much more broadly. (Koritsky, 2010) sums up that factors of formation of the human capital are not only education, but also motivations, production experience, natural abilities, social position; moreover, good education and a state of health can be consequences of other reasons.

However, the key factors are the knowledge, education and skills. The focus of the current article is on this component of human capital. (Goldin, 2016) defining human capital as stock of productive skills, abilities, health and experience of the workforce, concludes that the most important factors that increase productivity and human capital are education, training and health.

Human capital in Islamic finance industry

Skilled human capital is a necessary condition for the development of any industry, including the sphere of Islamic Finance. The growth of interest in Islamic Finance around the world at the same time with the growth of market volumes require appropriate professionals. The development of the Islamic finance industry may require more than 50 thousand new professionals (www1).

Taking into account the peculiarities and principles of Islamic Finance functioning, as well as its existence in the global world in conjunction with other financial systems, a specialist in this field should understand the differences between Islamic Finance and conventional Finance. Thus, the specialist must have knowledge and skills in two areas: both in Islamic Sciences and secular Sciences.

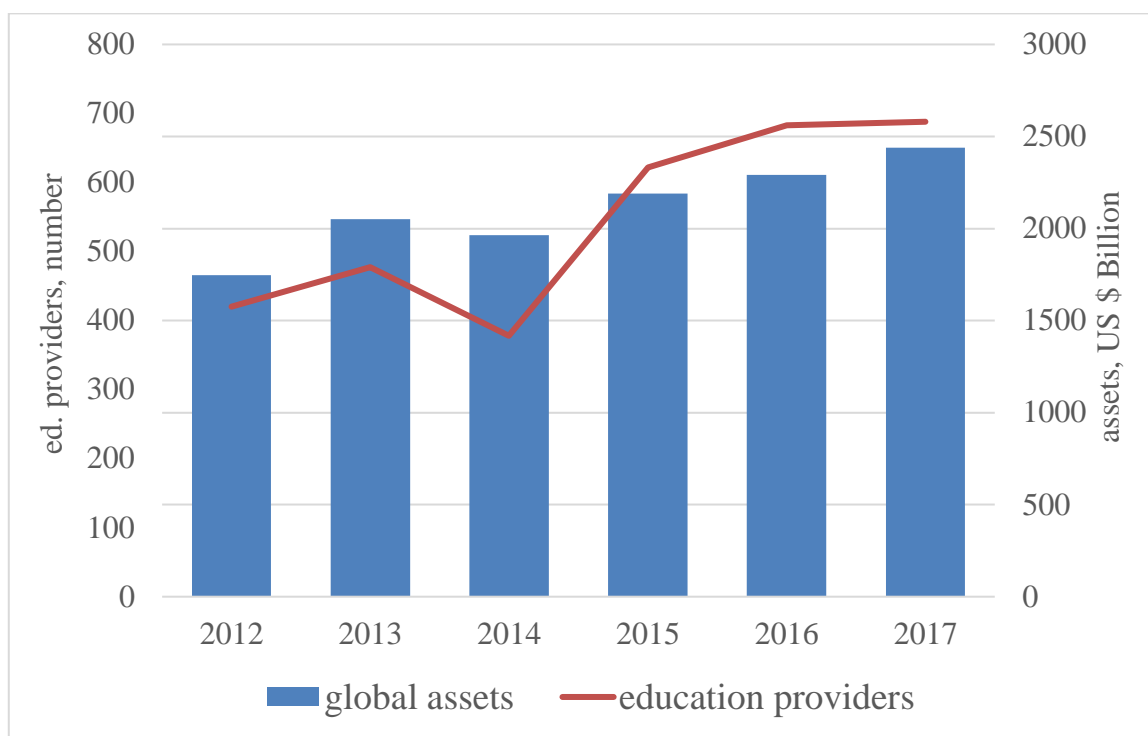
2. Methodology and Data

This article uses a comparative analysis of educational programs to identify the features of training for the Islamic Finance industry. The levels of education, the curricula and syllabi are analyzed. Methods of generalization, analysis and synthesis are as well used. Sources of information were websites of educational institutions, international reports, in particular Reuters Islamic finance development report 2014-2018.

3. Results and Discussion

The number of universities and countries providing education in the field of Islamic Finance is constantly growing: in 2012 more than 50 countries offered such education, nowadays this number is almost 80. At the same time, the number of educational institutions is growing (Figure 1).

Fig. 1 Number of providers of Islamic Finance education and Islamic financial assets



Source: own elaboration based on (www2)

Within six years, the number of educational institutions providing programs on Islamic Finance increased from 420 in 2012 to 688 in 2017. The Majority of programs fall is professional trainings and certificates, the share of higher education programs (with an academic degree) accounts for 29% (202 courses).

Most of the countries that have higher education programs in Islamic Finance are Muslim and Arab countries. These countries are of educational interest due to their internal attractiveness. The leading countries on Islamic finance education have external competitiveness in addition to their internal attractiveness (Belouafi, Belabes & Daoudi, 2012).

The traditional leaders in the number of educational programs are the United Kingdom, Malaysia and the GCC (Gulf Cooperation Council) countries.

The leadership of the UK has several explanations: first, the Kingdom is the world's largest financial center; second, UK is the leading country (after the USA) on the world market of educational services; thirdly, a growing number and share of Muslim population influences the demand for Islamic financial services and the development of the industry. Malaysia and the Gulf are developed centers of Islamic banking with a significant Muslim population.

The relevance of the development of Islamic Finance education is confirmed by the fact that many leading educational institutions in the world are beginning to offer programs on Islamic Finance both with an academic degree and a certificate (Table 1).

Tab. 1 Some universities providing programs in Islamic Finance education

Educational institution	Program	Degree level	Country	QS 2020 ranking
Durham University Business School	Islamic Finance	MSc	UK	78
	Islamic Finance and Management	MSc		
University of Dundee	Islamic Finance	MSc	UK	302
	Islamic Banking and Finance	MSc		
	Islamic Banking, Finance, and International Business	MSc		
Heriot-Watt University	Islamic Banking and Finance	MSc	UK / Dubai	314
La Trobe University	Islamic Finance	Certificate	Australia	400

Source: own elaboration

Knowledge and skills of a professional in the field of Islamic Finance are based on a combination of two: areas both religious and secular ones (Figure 2).

Religious knowledge is based primarily on the Quran and Sunnah, meaning not only knowledge of the legal foundations (Sharia and Fiqh), but also knowledge in the field of Muslim belief (Aqida). The study of Aqida allows to understand better the reasons and logic of certain decisions in the commercial sphere.

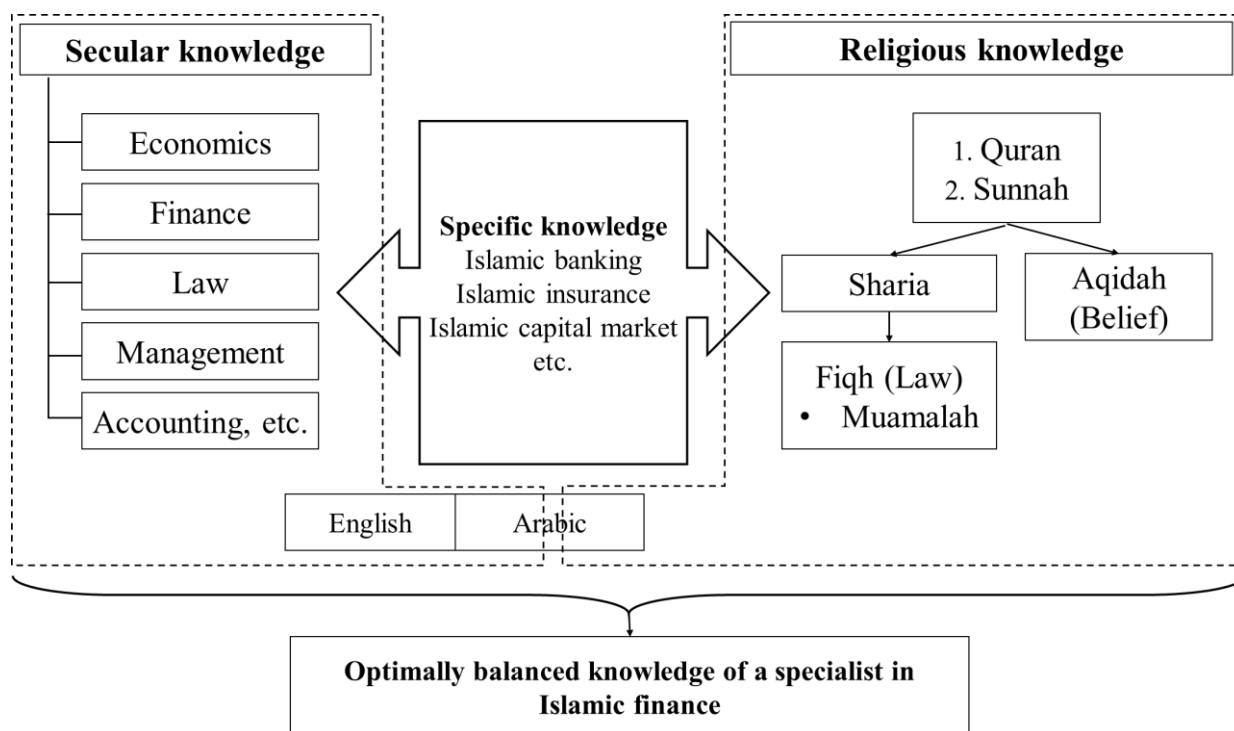
It should be noted that the Islamic Finance market is developing not only as a financial market (varying according to the ratio of supply and demand), but also as a legal field. Since the correct use of certain financial instruments must have a religious justification. Therefore, it is extremely important to study Fiqh, in particular the section called Muamalat, which regulates commerce, trade and transactions.

Secular knowledge refers to the traditional Sciences necessary for any specialist in the field of Finance, such as Economics, Finance, Law, Accounting and others. It is also important to study management because Islamic financial instruments are often for project financing that require careful management. The study of Olorogun (2017) shows the importance of teaching critical thinking skills, a lack of which can inhibit the development of the industry.

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 specifics of Islamic Finance.

In addition to the abovementioned disciplines, we can add knowledge of foreign languages. Arabic is at the intersection of religious and secular Sciences, as it is necessary for a deep understanding of the terminology, religious texts on which decision-making in the field of Islamic Finance is based. English is also important in the field of Finance.

Fig. 2 Formation of knowledge and skills of a Islamic Finance professional



Source: own elaboration

The comparative analysis of higher education programs in the field of Islamic Finance has shown that in the Muslim world, the Islamic Finance education is broader, reflecting different aspects of science. Also, compared to other countries, more attention is paid to the study of the legal aspects of Islamic Finance (principles of Islamic Finance, Islamic Economics, Fiqh, Ethics of Islamic Finance, etc.). In countries outside the traditional region of the Islamic world, Islamic Finance is studied more narrowly, mainly from a financial point of view, without paying due attention to legal aspects (religious knowledge). However, Islamic Finance is not just a set of alternative financial instruments. It is important to understand and frame these instruments 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 economic and financial cooperation with Muslim countries.

Education curricula in Islamic finance in both Muslim and non-Muslim countries are primarily at the master's level. The broadest offer is in Malaysia, where education in Islamic Finance covers all levels of study from undergraduate to MBA and PhD.

Having analyzed the content of educational programs, it can be concluded that the basic level of programs prevails. At the same time, studies confirm even for employees already working in Islamic banks, there is a need to develop and deepen their skills and knowledge (Bahrul Ilmi, 2018). It is worth noting that educational programs are very heterogeneous, there is no unified approach to understanding what a professional in Islamic Finance should be able to do. (Alhabshi, 2017) speaks about the need to clarify and systematize educational programs on Islamic Finance.

4. Conclusions

The global Islamic finance market is growing rapidly, more and more countries are becoming part of this market. One of the key problems for the development of the Islamic finance services industry is the training of skilled professionals. With the expansion of the market, there will be a shortage of personnel, which opens up new opportunities for universities to expand their supply. Meanwhile, for effective training it is necessary to develop a unified approach to the qualification of a professional in the field of Islamic Finance, thus a standardization of educational programs is expected. This is also necessary because of the prevalence of basic-level programs. Close cooperation between the education sector and the industry is necessary to create higher-level and advanced programs. While professional training courses and certifications solve this problem in the short and medium term, the higher education with an academic degree in Islamic Finance will play an important role for the strategic development of the Islamic finance industry.

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