

A PROPOSED FRAMEWORK FOR HUMAN CAPITAL DEVELOPMENT IN THE ISLAMIC FINANCIAL SERVICES INDUSTRY*

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ABSTRACT

This paper discusses the challenges in measuring the gaps and developing human capital to cater for the booming of Islamic financial services industry. While the need for highly trained manpower in the Islamic financial services industry is well-acknowledged, the root of the problem is primarily due to skills mismatch within the Islamic finance industry. This paper proposes a holistic approach to human capital development as the fundamental solution to the skills mismatch within the financial services industry, Islamic and conventional alike. The significant contribution of this paper lies in the competency model which is universal in nature. Programmes run by institutions such as INCEIF, IIUM, IIU Islamabad, IRTI are complementing each other in producing well-balanced and competent manpower for the Islamic financial services industry. Strong government support, effective regulatory agencies, good corporate governance are among the necessary prerequisites. The marriage between the industry and the academia should take the leadership role. We have at the end of the paper proposed a practical action plan. We conclude with a strong call for immediate action to leverage our richly endowed resources so that the Islamic financial services industry could once again lead the world and not remain as a follower.

“...human intellectual capital has become an important factor in sustaining the performance and competitiveness of the Islamic financial industry. Indeed, the fast pace of innovation in global financial services in general and in the Islamic financial services sector in particular, demands new expertise and skills.”

Tan Sri Dr. Zeti Akhtar Aziz¹

1. Introduction

Islamic financial services industry, defined as financial transactions and structuring of financial products that are in accordance with Islamic law and principles (*Shari'ah*), is a booming industry with total funds of approximately US\$1 trillion. To date, there are close to 300 financial institutions spread in over 60 countries which are said to be involved in Islamic financial services. These include, but not limited to, Islamic banks, Islamic insurance (*takaful*), Islamic wealth management, Islamic mutual funds, Islamic money and capital markets instruments, among others. According to the General Council for Islamic Banks and Financial Institutions, the global Islamic assets are increasing by more than 20% annually. A mere one percent share of the Islamic banking market would be worth somewhere in the neighbourhood of US\$2.6 billion. These facts are quite indicative of the potential increase in size and magnitude of Islamic funds in the years to come. While it is natural to expect

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countries where Muslims form the majority of their citizenry such as Malaysia and other GCC countries to take leadership in the growth of Islamic finance, countries like Singapore, the U.K. and the U.S. are beginning to take a closer look at this industry and provide various incentives to attract new Islamic funds to their countries. These countries have the dual advantages of excellent financial infrastructures and strong corporate governance. The fact is, competing to attract Islamic funds among institutions and/or nations will eventually lead to competing for the best brains – those who are equipped with the right knowledge and experience to conduct businesses in the conventional settings as well as under the Islamic financial services environment. Such expertise is rare because one who is competent in the conventional business is often not sufficiently exposed to the Islamic Law or *Shari'ah* and vice versa. Acute shortage of human capital in Islamic finance is currently recognized as the factor that could stifle the expansion of Islamic finance industry in the future. Thus, developing high quality manpower is one of the major challenges of today's Islamic financial services industry (Aziz, 2007; Ernst and Young, 2007).

The main objective of this paper is to provide a holistic approach to developing human capital specifically for the Islamic financial industry. In order to realize the said objective, we propose a competency model based on Al-Attas (1978) and Al-Attas and Wan Daud (2007). The noble feature of this paper lies in the proposed framework for developing human capital requirements for the Islamic financial services industry. Even though our discussions are specifically designed for the Islamic financial services industry, the competency model is equally relevant to other industries as well. The rest of the paper proceeds as follows. Section 2 provides a cursory review of the determinants of economic growth, in particular we are looking at two major strands of literature, the neoclassical and exogenous growth theories. Section 3 deals with the needs of human capital in Islamic finance. This section also provides an overview of the skills mismatch between the supply of and the demand for manpower in the Islamic financial industry. Section 4 develops the holistic approach to developing human capital for the Islamic financial industry. Section 5 provides a proposed action plan that could be implemented quite immediately. Section 6 concludes.

2. Investment in Human Capital and Economic Growth

2.1. Defining the Scope of Human Capital

It is very imperative to provide consistency in the terminology used throughout this paper. There are many definitions and concepts which describe human capital. However, for the purpose of this paper, we adopt the OECD's definition. Accordingly, human capital is defined as "*the knowledge, skills, competences and other attributes embodied in individuals that are relevant to economic activity*" (OECD, 1998: 9). This definition encapsulates four key elements namely knowledge, skills, competencies and attributes which an individual should have to play a positive role in the economy. However it must be emphasised here that the term attributes should refer to the right attitude that is inculcated through ethics and moral values. Only then we could have a balanced and holistic individual who can be a great asset to his organisation and society. This set of skills and competencies, used collectively in any organization, such as Islamic financial institutions (IFIs) will become essential asset who contribute to the increase in institutions' performances and productivities which leads to overall economic growth. Thus, any expenditure in promoting such skills and competencies should be viewed as investment rather than mere *expenditure*. This definition will not in any way reduce the concept of human capital into factors of production which only matters in producing more economic goods and services. By developing skills and competencies, we are

acknowledging the existence of *being* in human capital, which we need to nurture in order to acquire and develop skills and competencies.

2.2. Brief Review of Literature

The investigation on the determinants of economic growth is one of the widely researched areas in economics. The pioneering work of the neoclassical model states that economic growth is exogenously determined, that is, outside the model. The economy will grow so long as there is technological advancement (Solow, 1956). Since growth is technologically driven, in the long-run, all countries will converge to a steady-state. Under this theory, human capital plays limited role to the economic growth. This theory suffers from the lack of empirical evidence due to poor quality of data. The second strand of literature is due to the works of Romer (1986) and Lucas (1988). They assert that long-run economic growth is endogenously determined, that is, within the model, hence this theory is known in the literature as endogenous growth theory. At the outset, this theory states that economic growth can be achieved when the economy exhibit increasing returns in factors which include human capital, the rate of growth of the population, and government policy. Most of the studies within the endogenous growth theory, investigate the role of or contribution of investment in human capital – measured in terms of the number of schooling years – to economic growth. These investments are regarded as not only producing skilled high level manpower, but also towards preparing knowledge workers with various competencies. The contributions of knowledge workers cannot be measured in terms of producing economic goods and services to cater for the needs of the present generation *per se*, but more importantly to generate new and innovative knowledge, technological advancement, increase efficiency and productivity and preservation of integrity, dignity and civilization of mankind as a whole. This will eventually lead to sustainable growth – economic and man – without sacrificing or compromising any of man's basic principles.

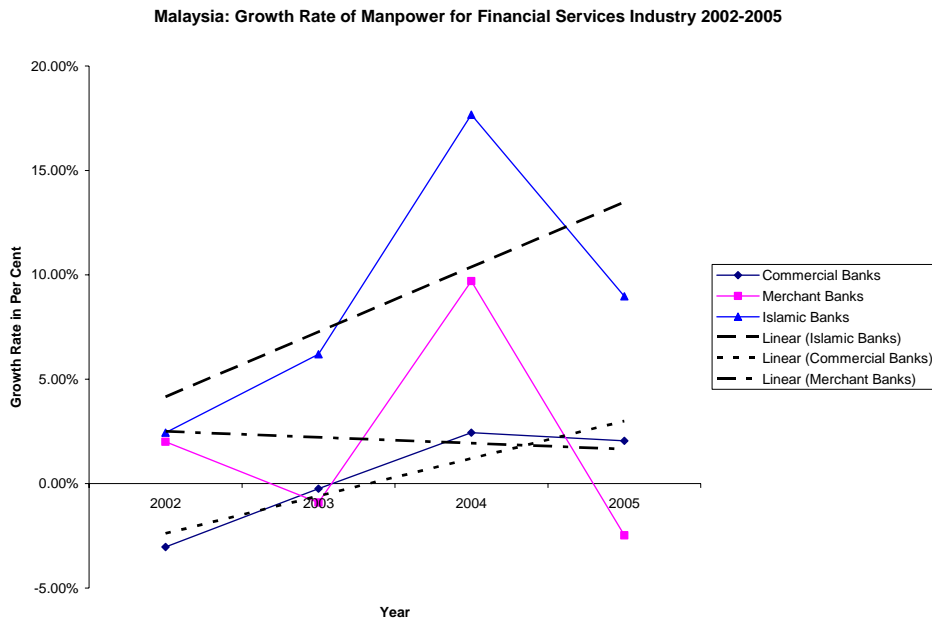
2.3. Sector Specific: The Islamic Financial Services Industry

This paper will not delve on the *raison d'être* of the growth of Islamic finance. However, it is worth mentioning that the rise of Islamic finance industry has reached the global scale because of two primary factors. First, is due to the rise of petrodollars that has since 2003, increased the budget surpluses of GCC countries. Such budget surpluses have brought about sharp increases in GDP of these countries by about 16 per cent during 2003 – 2006. The lowest and the highest growth in the GCC group were 13 and 21 per cents for Saudi Arabia and Kuwait, respectively. The double digit growth in GDP per capita certainly has a spill over effect in creating high number of wealthy individuals and steep increase in GCC countries' private sector deposits between 7 to 29 per cent for the period of 2002—2006 (Ernst and Young, 2007: 12). Prior to the unfortunate September 11, 2001 event, the world oil price after adjusting to the U.S. inflation rate was below US\$30 per barrel. It was less than US\$24 per barrel on September 11 itself. Since then, the price has skyrocketed to more than US\$60 per barrel (WTRG Economics, 2006).

The second source of the increase in demand for the Islamic financial services is due to something very fundamental and profound within the Muslims themselves. There is a strong drive for a wider manifestation of Islam as a way of life. This explains the very existence of various attempts of establishing Islamic financial institutions in the early sixties in Egypt, Pakistan and Malaysia for example. This phenomenon later on spread to other countries where Muslims form the majority such as the GCC countries, Indonesia, Iran, Sudan, and the

newly emerging countries which gained independence from the former Soviet Union. Many of the existing Islamic financial institutions established in countries such as the United Kingdom and the United States where Muslims are minorities, again, serve as manifestation of catering to the needs of Muslims to conduct their business transactions in accordance with Islamic principles. Such establishments include, for example, Lloyds TSB's *shari'ah* compliant banking service in the U.K., Deutsche Bank's Islamic window and Sukuk securities, and Islamic Bank of Britain. For the case of the United States, University Islamic Financial in Ann Arbor, Michigan, American Finance House, and Devon Bank of Chicago are some examples. Even the giants like HSBC *Amanah*, Standard Chartered *Sadeeq*, Citigroup, among others, are offering various degrees of Islamic products in countries where Muslims are the majority. According to the estimates of Islamic Finance and Business, in Europe and the Americas alone, there are more than 60 million Muslims and more than five million non-Muslims – ready market for the Islamic financial services.

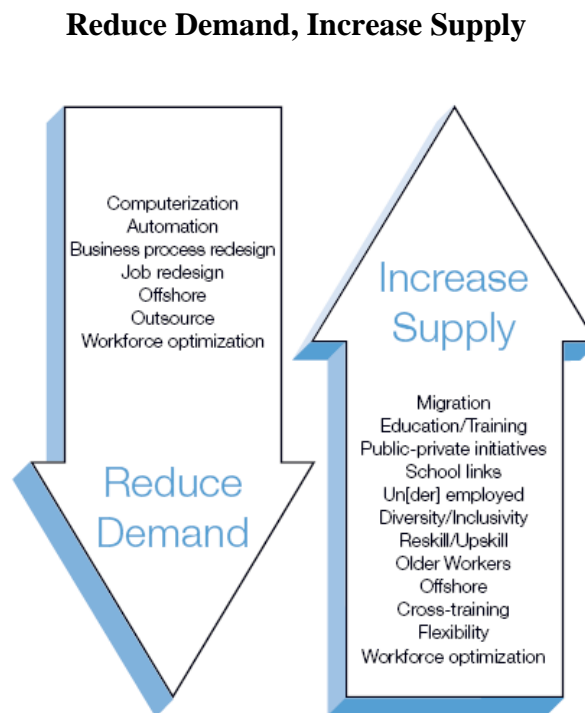
In the Southeast Asia, if we take Malaysia as an example, the number of full-fledge Islamic banks have increased from two for the 1999—2004 period, to six in 2005 and nine in 2006. The number of branches for the full fledged Islamic banks throughout the nation has increased from 120 in 1999 to 1161 in 2006 with an average growth rate of more than 18 per cent (Bank Negara Malaysia, 2006). Figure 1 provides the growth rate of manpower in the banking system for the period of 2000 to 2005. As shown in Figure 1, the growth rate of manpower is higher for Islamic bank compared to the commercial and merchant banks. This serves as a good proxy for the future needs of human capital in the Islamic financial services industry. The positive linear trend of manpower growth suggests that it can reach double digit growth for the next five to ten years – suggesting higher demand for human capital in the Islamic financial services industry.



3. Human Capital Development: The Case of Islamic Finance Industry

3.1. Identifying the Gaps

After considering the two factors affecting demand, we need now to consider the exact number of human capital requirements for the Islamic financial industry in the years to come. The primary difficulty is due to scattered data which are common to all empirical works. The unique nature of financial services industry also contributes to this difficulty. Financial industry is an ever changing industry so much so that a variety of factors such as product innovations, financial deregulations and liberalizations, urbanization and the rise of mega cities, advancement in information and communication technology (ICT), among others, directly determine the future growth of Islamic financial institutions. A continuous and sustainable economic growth will surely contribute to the growth of Islamic finance, since economic growth implies increase number of high net worth individuals (HNWIs). Economic growth also brings about the rise of new townships, the transformation of cities into mega and metro cities, increases in demand for Islamic financial instruments to finance these projects. At the same time, the rise of new townships and residential areas may also increase branches of various IFIs. However, the advancement of ICT may reduce the need of the customers for over-the-counter services. This is reflected by the increase in access to the internet per 1000 population in many countries. They can conduct most of their financial activities by the click of a mouse. How do we reconcile all these facts, in estimating the human capital requirement for the IFIs world wide? One of the ways is to identify these gaps by using the *reduce demand, increase supply* approach proposed by Manpower Inc. (2007). Figure 2 provides the schematic view of this approach.



Source: Manpower Inc., 2007.

Within the Islamic financial services industry, reduce demand may be attributed to several factors such as business process redesign, workforce optimization, merger and acquisition,

and outsourcing. On the other hand, increase in supply can be attributed to education, training, linkages with the institutions of higher learning, migration and workforce optimization. The demand-supply gaps can be viewed from the perspectives of three important players, that is, the government, the Islamic financial industry, and the individuals. Government's roles are very crucial with regards to immigration, labor union policies, educational curriculum, and other taxes and related incentives. With respect to Islamic financial industry, there must be long-term planning for human capital retention. These include job protection, clear career development and promotion, continuous on-the-job training. Industry needs to create linkages with the institutions of higher learning in order to create a right mix between the universities' curriculum and the needs of the industry. One of the critical areas within the Islamic financial industry is to establish talent value management (TVM). This TVM is very important in retaining the best brains within the organization/industry. TVM provides a comprehensive strategic approach to talent sourcing and availability throughout the employment lifecycle – to optimize on organization's human capital/talent. The final player in this group is the individuals themselves. In order to be ahead of their competitors they need to acquire the specific skills and competencies relevant to their job descriptions within their industry. They must be willing to take life-long education/training, and the ability to *un-learn* old and irrelevant and outdated skills and *re-learn* new skills and competencies.

While we are addressing the human capital gaps, it is worth noting that filling these gaps require specific time frame for action plans. Under the normal analysis, we would expect these problems to be addressed and solved either in the short-, medium-, and long-run respectively, depending on the nature of the plans undertaken. For example, in the short-term, gaps may be filled by outsourcing non-critical functions, and getting talents from off-shore. In the medium-term, institutions may go for short-term training for skills and competencies enhancement, establish linkages between the Islamic financial institutions and universities and for the long-run measures should focus more on staff retention. These include, but not limited to, institutions providing training, benefits, compensation and job protection – job package – that are very interesting for employees to stay on and build their careers within the institutions. Institutions need to address the issue of prolonged work-life within the organization, as permitted by the existing laws; and finally to focus on talent value management (TVM) as mentioned above.

3.2. Need for Standards

During the course of preparing this paper, we have conducted interviews with several financial institutions, including Islamic insurance (*takaful*) operator, conventional banks with Islamic banking scheme and Islamic bank subsidiary. The interviews were related to (i) training: included under this heading are the breakdown on training of conventional products and or Islamic products, budget on training, modules, and measuring the effectiveness of the training programs; (ii) the kinds of skills or competencies they are looking for; and (iii) the qualifications of their new recruits.

The major conclusions that can be drawn from these interviews are: (i) there exist differing standards in terms of the training programs; (ii) none of the institutions that we have interviewed revealed the monetary value spent on training;² (iii) the effectiveness of their

² Under the Bank Negara Malaysia regulations, financial institutions are required to budget for no less than 4 % of the payrolls for training of staff annually. Therefore, we may infer the monetary amount spent on training once we have the value for payrolls. Their annual reports may provide these numbers.

training programs are measured by the individuals' key performance indicators (KPIs); (iv) skills or competencies required on new recruits vary from one institution to another, some were looking for generic skills or competencies, while others go for specific skills or competencies; (v) on qualifications of new recruits, again there exist differences between institutions. Some would prefer to hire discipline-specific such as banking (Islamic and conventional), insurance, finance, investment majors, and professional qualifications, while others go for broad-based degree such as economics, human resource, international relation, political science and public administration, other branches of social sciences to hard sciences such as physics, chemistry, and engineering. How do we make sense from these findings? Differing standards are due to no 'body' or 'board' established within the industry to set the standards for Islamic financial institutions. Furthermore, each institution is driven by self interest. Therefore, all trainings are geared and designed towards achieving individual institution's goals.

Based on these preliminary findings, this paper would strongly suggest for the Islamic financial industry to establish an industry-wide standard on training and human capital development. The standard includes designing the proper curriculum that integrates the basic knowledge of finance with industry practices, the development of materials that have practical applications and the development of skills and competencies so that the candidates would be problem solvers rather than followers of instructions.

4. Modelling Human Capital Development: A Holistic Approach

In today's day and age, the most sought after employees are those with outstanding skills and competencies relevant to the industry. In this respect, we have to view human capital from a holistic perspective, that is, *a complete person* and identify what it takes to produce a well-balanced knowledge worker. Looking from an Islamic perspective, this person should not only possess the right professional qualification but probably more importantly a sound knowledge and strong commitment to the fundamentals of Islamic teachings and principles. For a non-Muslim, be a professional in his or her respective field is equally important as having good moral and ethical standard in order to function as a well-balanced knowledge worker in any organization.

A Holistic Approach to Human Capital Development

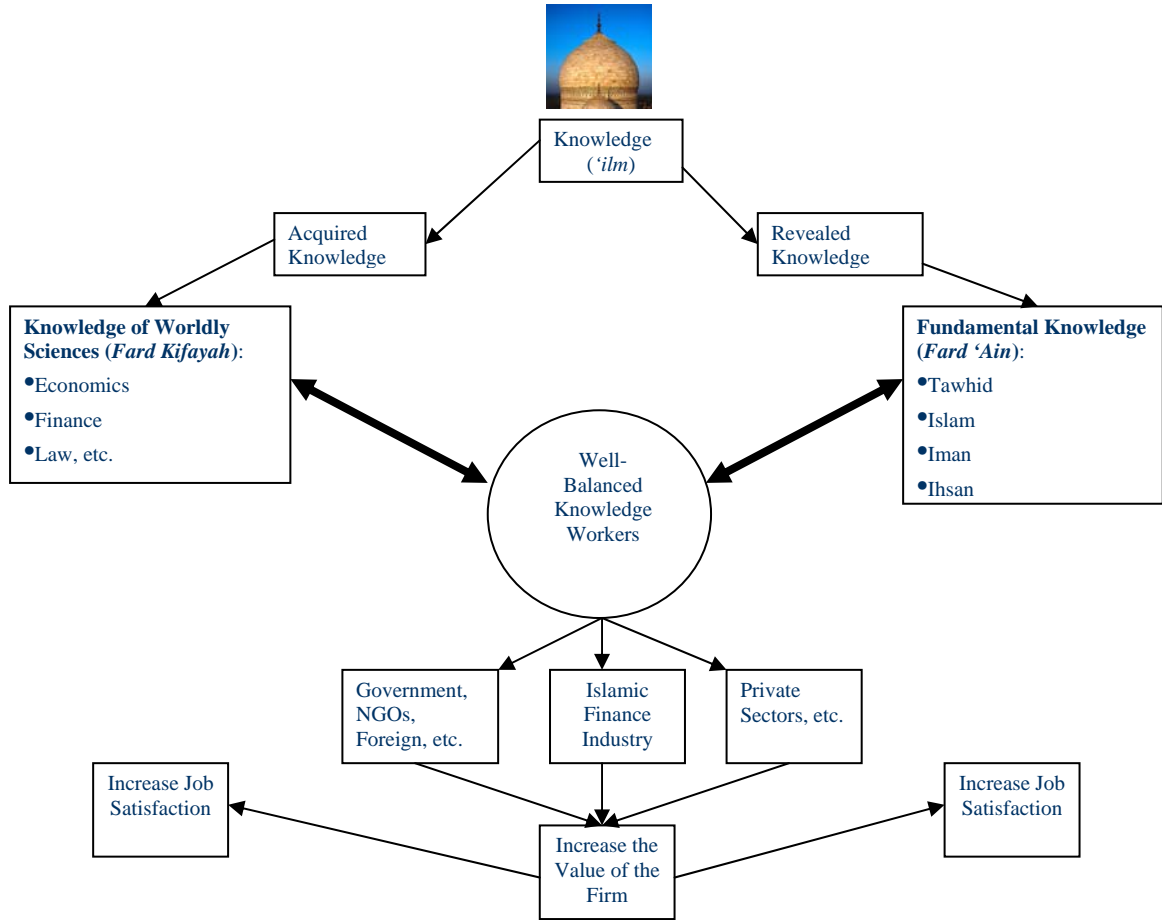
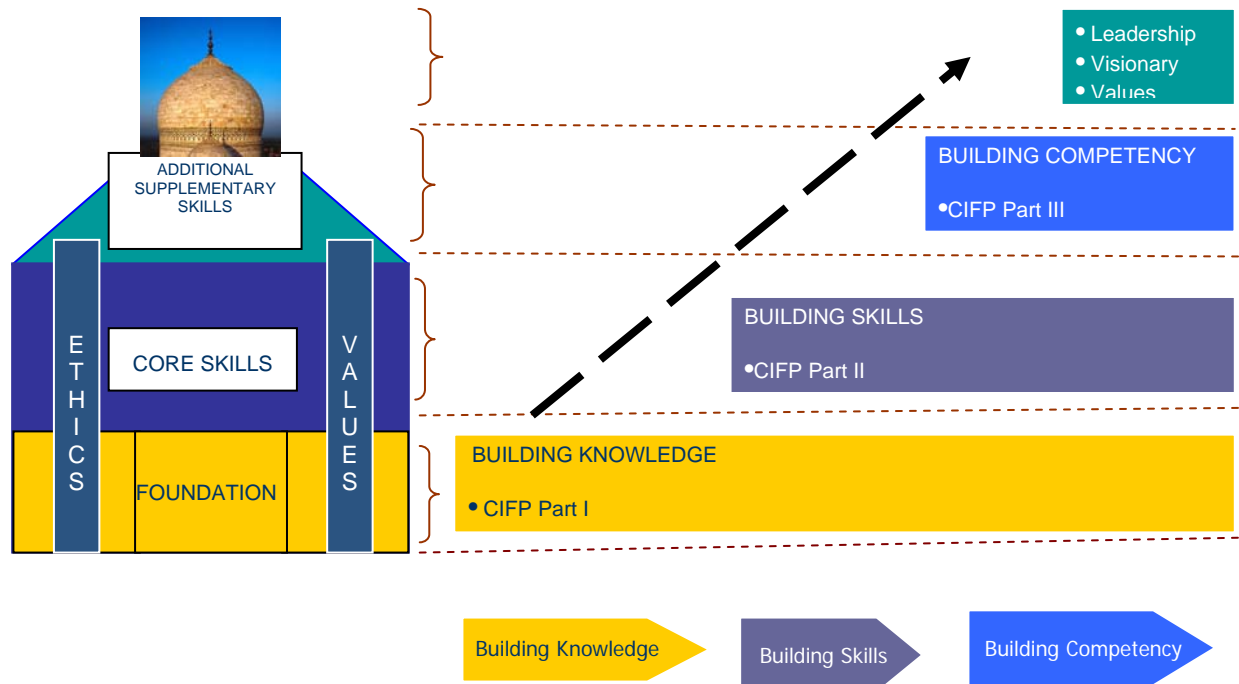


Figure 3 provides the schematic overview on producing a good man; equipped with the right professional qualification imbued with strong moral and ethical values (Al-Attas, 1978). Under this proposed scheme, the most important element that contributes toward producing a well-balanced knowledge worker is knowledge (*'ilm*). For a Muslim this knowledge comprises acquired knowledge – things that a person learns formally through education, and revealed knowledge – the primary source of knowledge as revealed by Allah Almighty. Once we have the right mix between the revealed and acquired knowledge embedded in the human capital development and training programs, we are in the process of creating a well-balanced knowledge worker ready for the industry. These knowledge workers will increase the value of the firms and the spill over effect will naturally follow, the firm will compensate these knowledge workers with better compensation or job package which in turn increases the workers' job satisfaction.

The Islamic financial services industry (and all other industries for that matter) requires knowledge worker with comprehensive skills and competencies. The greatest challenge for educational institutions which provide the formal education and training to cater for the needs of the industries is to identify the right mix between the curriculum and developing the generic and specific skills and competencies. Towards this end, this paper proposes an Islamic Finance Competency Model as shown in Figure 4 (Al-Attas and Wan Daud, 2007). The very foundation of any training for the Islamic financial services industry is the strong ethical and values standards. These ethical and values are common across cultures and religion. Having built the foundations, we then develop within the curriculum core skills in three major areas such as (i) cognitive – mental skills, (ii) affective – growth and feelings or emotional areas

(attitude), and (iii) psychomotor – manual or physical skills. The primary goals of our framework is to focus on higher order thinking skills which include analytical, synthesis, problem solver and others as spelt out in Bloom’s (1956) taxonomy . As we move higher in the hierarchy (Figure 4), we equip the candidates with universally accepted supplementary skills such as innovation, entrepreneurship, community, transformation, financial engineering, and others.

Islamic Finance Competency Model



In order to achieve such an ambitious objective in human capital development, we are proposing an integrated educational curriculum, which offers specialized curriculum but covers the depth and breadth of the discipline and or field. There are many academic and research institutions which offer the integrated curriculum as mentioned above. Such institutions include, the International Islamic University Malaysia, the International Islamic University Islamabad, Islamic Research and Training Institute (IRTI) of Islamic Development Bank, Jeddah, and of course our very own International Centre for Education in Islamic Finance (INCEIF). INCEIF is unique compared to other institutions of higher learning in many ways. First, our establishment is by the industry for the industry. Second, our curriculum is designed by experts from both the academics as well as the industry. This is to ensure the industry content is sufficient to reflect the specific requirements of the industry. Therefore, the Certified Islamic Finance Professional (CIFP) is developed by building specific and generic competencies required by the industry. The three stages of the program: First, *Building Knowledge* – where candidates are exposed to the recent development in the industry as well as bridging and building the specific knowledge required in the Islamic finance industry. Once they have completed this stage, the candidates will be inducted as *Associate Members* and they may proceed to the second level, which is *Building Skills*. Candidates are then exposed to the specific requirements of the Islamic finance industry including specialization either in the area of Islamic banking or *takaful*. Completion of this stage will entitle them to be inducted as *Proficient Member*. Finally, before they enter the specific

institutions, they are required to do a six-month industrial attachment to acquire specific competencies and skills. Once the candidates have completed the final stage, they will be inducted as *Practicing Member*.

There are a number of universities in Malaysia which offer specialized degree in Islamic finance. Among them includes, Universiti Utara Malaysia's department of banking and finance. This department offers Bachelor degrees in Islamic Finance, Islamic banking, Master's degree in Islamic banking and finance, and Ph.D. (by research) in Islamic finance. The Management Centre of International Islamic University Malaysia (IIUM) offers MBA with specialization in Islamic banking. The IIUM's Institute of Islamic banking and Finance offers Master's and Ph.D. programs in Islamic finance related areas. Some other institutions, such as *Universiti Kebangsaan Malaysia*, *Universiti Teknologi Mara Malaysia*, Monash University Malaysia, offer courses at undergraduate level in Islamic banking and finance and graduate programs by research in the same area. However, the number of graduates produced every year is less than 350, far less than what is required by the industry world wide.

The industry is thundering ahead compared to institutions of higher learning, in terms of research on product innovations and development. Most of the new financial products introduced in the Islamic financial services industry were primarily conceptualized and hatched within the industry. There is a strong need for the marriage between the industry and the academia to tap the benefits of economies of scope and economies of group – to achieve greater synergy between the industry and the academia. Ideally, the industry would be providing grants to the academia to conduct research related to the enhancement of Islamic financial services industry. The industry-academia linkage should be able to provide leadership role towards a better and well accepted Islamic financial services industry world wide..

5. Action Plan : A Proposal For Implementation

In any effort towards human capital development or capacity building for any organization there are specific strategies that need to be observed. These specific strategies include:

5.1. The Objectives of the Training Programme

The principle objective of the training programme is to produce the required number of personnel in Islamic Finance who are truly qualified to perform the various tasks expected in the global Islamic Finance industry.

Secondly, it would also be meaningful to leverage the training programme in order to establish a leading training, educating and research institution in the Muslim world instead of confining to the limited task of churning the required number of personnel in Islamic Finance.

Thirdly, it should also be useful to develop a very authoritative reference point for all Islamic Finance issues, especially in ensuring the *Shari'ah* –compliant nature of products and overall operations and processes of the Islamic Finance institutions. This is indeed very necessary if we are to produce Islamic Finance personnel who will be acceptable to all parties globally.

5.2. The Quality of the Training Programme

In any training endeavour, especially when quantity of properly trained human capital is large, as it is in this particular case where a huge number of qualified people are to be churned out within a short period, the quality of training programme must be very high indeed. There should not be any compromise in terms of standards and quality of training. Enough rigor in terms of building the right skills and competencies are very essential indeed. Over and above the acquisition of skills and competencies, it is of paramount importance in this instance, to inculcate in the trainees, a very positive attitude and strong commitment towards Islam in general and Islamic Finance in particular.

5.3. The Appropriate Curriculum

The right mix of curriculum is essential to produce the kinds of skills, competencies and attitudes of the candidates. The curriculum should be buttressed by Islamic Ethics and Values that forms the foundation for the whole training programme. As shown in the diagram earlier, Islamic Ethics and Values form the pillars of the whole body of knowledge without which the whole building blocks would crumble.

The body of knowledge then is built upon those aspects of *Shari'ah* that are relevant to Islamic Finance. This foundation is further strengthened by the core or hard knowledge of economics, finance, banking, *takaful* and management. Once the candidates have gone through the foundation and the core subjects they are provided with the skills and competencies that are most currently needed by the industry. It is to be noted that issues pertaining to Islamic Ethics and Values as well as *Shari'ah* will continuously be pursued from the beginning till the end of the programme. It is highly recommended that the curriculum contains all these elements so as to have a good balance between the various concepts which are well treated academically, combined and integrated with the technical and professional elements as practiced in the industry. This combination is very essential to ensure that the candidates are industry ready the moment they complete the programme. Whatever training that will be required in the future will be more of an improvement or advancement in nature to ensure currency of knowledge of the candidates.

5.4. The Right Type of Trainers

The trainers should be well tested. They must have excellent track records in training so that we can be very certain of obtaining the desired outcome of such training. The most ideal would be having trainers who are well-versed in the academic and conceptual knowledge as well as having rich industry experience. The acute shortage of such trainers may require a good mix of expertise from the academic as well as the industry. Trainers with industry experience are very essential indeed to provide the trainees with the required industry practices.

The strategy in this case should also include the required number of such effective trainers so that the required number of trainees can be churned out at the right time.

Indeed, to ensure that there will be excellent trainers in the required numbers there may be a need to have a special training of trainers. By having such a programme, the acute shortage of

well-trained trainers could be reduced if not overcome. It will also help to reduce the training period. In other words we might be able to train enough personnel within a foreseeable future.

5.5. The Right Type of Candidates to be Selected for Training

In the first place the selection of the candidates to be trained must be those suitable for the task. They must not only have the potential to acquire the required skills and competencies but more importantly the right attitude towards performing the required task in the right and most efficient way. This is essentially because the old adage “People are the most important asset” is so wrong. People are not the most important asset. The *right* people are. In this particular case the candidates to be accepted for training must be those who are sincerely committed towards understanding and appreciating the relevant *Shari’ah* principles in order to fully implement them in their future tasks.

These candidates should have obtained a first degree in any field of study. Industry experience has shown that background in relevant fields such as Economics, Banking, Finance, Accounting, *Shari’ah*, or Law are not real advantage. In some cases they are a disadvantage because they tend to refuse to unlearn what they have learnt. What is more important is their ability to understand the concepts and perform the required tasks. Indeed the most important is that the candidates must have the right type of attitude in tandem with the demands for the Islamic Finance industry.

By allowing admission of graduates of all discipline will certainly enrich the Islamic Finance industry in the future. The industry is one of service in nature and hence would require tremendous amount of interpersonal skills to attract customers as well as to be competitive in the future global market place.

5.6. The Target Number of Candidates for Training

Based on estimates quoted by specialists in the area, the Gulf countries alone will require about 30,000 personnel in Islamic Finance within the next decade or so. Even if we assume that about 50% of that number constitutes the executives and above, the total number of officers and those of higher levels required within the next decade is already 15,000. If one were to take into consideration the requirements in Indonesia, Pakistan and other Southeast Asian countries, the total number of officers at the level of executives and above could rise up to more than 50,000.

A cursory review of the possible number of graduates produced by various institutions of higher learning does not exceed 1,000 per year. Within the next decade it would be very safe to estimate a total of 15,000 graduates in Islamic Finance produced by the various institutions of higher learning. Whilst the number of graduates produced is considerable the main problem is how industry ready are these graduates.

This leaves at least another 35,000 personnel in Islamic Finance that need to be produced within the next decade or so. It implies that, on the average, at least 3,500 trained personnel in Islamic Finance need to be produced every year.

5.7. The Teaching and Learning Model

In order to accommodate the large number of trainees to be trained it is proposed that we should adopt a Teaching and Learning Model that is akin to distance learning but with Information and Communications Technology (ICT) as the enabler. The rationales for this model are as follows:

- Distance Learning using ICT as enabler is becoming more effective and popular especially among matured students who are most likely working people.
- This model will also allow extensive reach to a larger number of students. What the students need is a computer with internet access to be able to access education and training.
- Matured students would find it more convenient and comfortable to study from home. It reduces the hassle and risks of travel and allows students to study at their own convenient time.
- ICT has proven to be more education-oriented providing much improved ways that make teaching and learning more effective.
- However, 100% e-learning would completely eliminate interpersonal interaction between the facilitator (trainer) and the learner as well as among students. It is the face-to-face method that effectively provides such enriching experience of social interaction. Hence, this model embraces the face-to-face facilitation method to leverage the advantages that would otherwise be completely missing.

Conceptually the model consists of two main parts namely the e-learning and the face-to-face components. The e-learning component will allow students to access all the materials through the web. They send assignments, receiving the corrected versions of the assignments, taking quizzes, participate in dedicated discussions and group discussions through the web. These activities can be done mostly at their own pace and time. However the dedicated discussions and some online quizzes will have to be done at specific times.

The face-to-face tutorials are conducted at the Regional Centres by qualified tutors to enhance learning of the subject matter. For this purpose, Regional Centres are established at strategic towns, complete with classrooms, computer laboratories, resource centre, recreation facilities and other physical facilities for administrative and social interaction. After all it is well-known that personal interaction is of great value for human development. This does not mean we need to build such centres. It would be sufficient if we can work with existing institutions of higher learning or appropriate training centres that already have such facilities instead of building one from scratch.

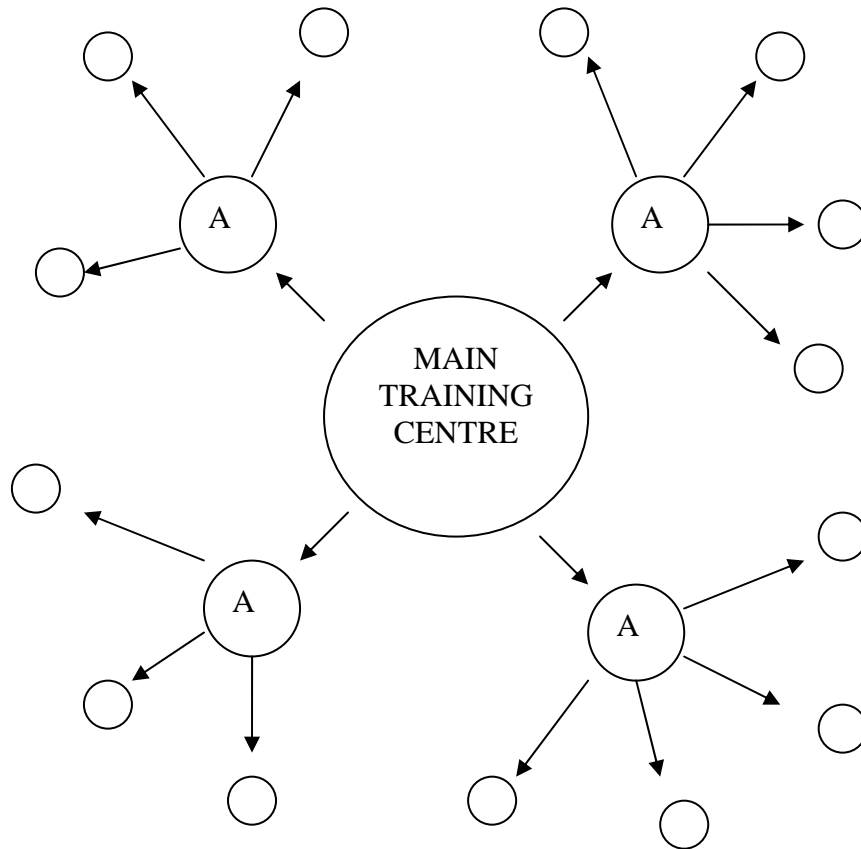
The idea of having Regional Centres is to reduce cost for students. At the same time they have the opportunity to physically interact with the trainers and fellow students. They have the option of course to choose which Regional Centres they would like to be associated with. They may choose to be associated with the one away from home or nearest to their own home.

5.8. The Training Framework

Based on the proposed teaching and learning model, one possible way of formulating the training framework is to consider an approach that will be independent of the actual number to be trained. In this way we are not particularly concerned whether the estimates are erroneous or not. The concept here is not to train say 1,500 candidates each year for 10 years. Rather, we should first of all train the trainers. Upon completion of the training they will be employed to train other candidates at different locations.

If we refer to **Figure 5: Concept of Training Framework**, the circle in the centre shows the Main Training Centre. It is here that the main training of the trainers is done. The number should not be too big but big enough to accommodate a reasonable number from various parts of the world so that they would become a sizeable group of trainers upon completion of their training.

Concept Of Training Framework



A = Regional Centres ○ = Islamic Financial Institutions

Once they complete training they will be distributed to the various Regional Centres represented by circles designated as *A*. These Regional Centres could be located in strategic countries whose demand for personnel in Islamic Finance is very high. These Regional Centres could be some institutions of higher learning in various countries. There is no point in investing on buildings because there will be many institutions of higher learning that could accommodate this training. Moreover, such institutions are normally endowed with human resources and equipment that could be organized without heavy investment.

Apart from institutions of higher learning we could also identify other training organizations such as the banking sector including the Central Bank of various countries which normally have their own training centres. If the demand for such training is high, we could establish more Regional Centres in the same country or region. This is why we are not that concerned about the actual number of trainees required because our model is very flexible. We can go on having more Regional Centres as long as there is demand. What we need to do is to train more trainers.

The smaller circles outside those designated as *A* represent Finance institutions such as commercial banks and *takaful* companies. They would receive the graduates of Regional Centres designated as *A* to work with them. These graduates would be able to provide hands-on or on-the-job training to those staff who are already employed by these institutions. In this case there is more than one small circle for every circle designated *A*. This implies that the graduates of circle designated *A* would be directly employed by various Islamic Financial institutions and would also be able to provide on-the-job training to others working in the same institution.

Since quality and uniformity of learning is also very pertinent in this case, it is proposed that quality assurance is managed by the Main Training Centre. This means that the materials to be covered by the programme should be the same. The examination questions should also be the same for all students. This implies that the examinations should be conducted at the same time. The papers will be marked by trainers at the Regional Centres but moderated by the trainers at the Main Training Centre. The materials for references and extra reading should also be made available through the web or physically at various Regional Centres.

The trainers at the Main Training Centre will also double up as special tutors at the Regional Centres whenever necessary.

5.9. The Time Line to Fully Implement the Action Plan

Judging from the unprecedented rate of increase in global interest and expansion in Islamic Finance there is clearly no time for us to delay this project. We have already seen how aggressive the Singapore and London players are trying to outdo the Muslim dominated countries in their efforts to attract the petrodollars belonging to the Muslim nations and individuals to their territories. We have also seen specialized Islamic Finance courses being developed by institutions in Shanghai etc.

We need to implement this project immediately and we should flood the global market with our own trainees who have the strong commitment and ability to create advancements in product creation and market penetration so as to dominate the global market in the shortest possible time. This is very important and essential for us to ensure that we determine the

standards based on *Shari'ah* that is authoritatively interpreted by us and not by others whose main intention is simply to generate more wealth and most probably at the expense of *Shari'ah* principles.

Based on the above arguments we could be guided by 35,000 as the target number of trainees to be produced. Suppose the duration of the training programme is one year. If we work on the basis of 100 students undertaking training at the Main Training Centre, we should be able to produce at least 20 groups of trainers at the end of the year if at least 5 persons are needed to form an effective teaching group. Of course in this case we should be careful to engage the right number from various locations such that they will be able to form a sizeable group after completing the training in order to provide training themselves. If each of these groups could further train at the Regional Centres at least 30 candidates per year we would then produce about 600 students. This process could be replicated so that we could train at least 600 people plus 100 at the Main Training Centre which becomes 700 per cycle in all. If we can assume that each of the trainees who graduated from the Regional Training Centres will be employed by the Islamic Financial Institutions and are able to provide on-the-job training to at least two other trainees per year then the total number of trained graduates could be further expedited.

Table I below provides the indication of how the 35,000 personnel could be produced within the next decade based on the following assumptions:

- The duration of training is one calendar year
- At least 6 trained personnel will form an effective training group. Then for every 100 trained personnel there will be 20 groups
- Each training group will effectively train 30 trainees per year
- Each graduate from the Regional Training Centre will be able to provide on-the-job training of 2 trainees per year

Number of Trainees By Training Centres From 2008 - 2020

YEAR	2008-2010	2011-2013	2014-2016	2017-2020	TOTAL
LOCATIONS					
Main Training Centre	300	500	500	700	2,000
Regional Centres	1,200*	3,000	3,000	4,200	11,400
Islamic Financial Institutions	2,400*	6,000	6,000	8,400	22,800
Total	3,900	9,500	9,500	13,300	36,200

* There will be a one year lag for the trainees in the first year to graduate before they can become trainers the following year.

5.10. The Leading Institution(s) That Would be Responsible for the Implementation of The Action Plan

In order to attract the students we should design the training programme of one year duration culminating in a Master of Islamic Finance that allows the holders to be admitted to the membership of a Professional Body provided the candidate has fully satisfied a period of internship for not more than six months. The medical fraternity has been following this path successfully. We think this is possible.

The above objective coupled with the need to hasten the implementation requires us to identify an existing institution that is ready to immediately take up the task. It is also necessary to realize that the existing institution so identified must have the capability to perform the required tasks and at the same time has the potential to expand and take up heavier load in the future. We strongly believe that the decision to identify the institution who would take ownership of this gigantic task is necessary and should be immediately done.

Once we have identified the institution and the Professional Body we should be able to make arrangements with other institutions in the Muslim world to act as Regional Centres. This would require some six (6) months to finalize the arrangements so that we could immediately implement the second stage by the middle or end of 2008. We firmly believe that this is the right way to succeed and be in control of our own wealth instead of allowing others to enjoy and reap the harvest that rightfully are ours.

6. Conclusion

We at the International Centre for Education in Islamic Finance are very confident that the framework proposed to develop the Human Capital in Islamic Finance in this paper has both academic and practical value. We also believe that with close co-operation among institutions in the Muslim World this plan could be easily achieved. The most important ingredient for any plan to be well executed is to quickly identify an implementer designate. We earnestly hope that a decision towards appointing the implementer designate is quickly made to ensure we are able to achieve what we plan for in the next decade.

What is also very pertinent here is the fact that we need to make the immediate decision of implementing the action plan so that we lead the industry. We cannot allow others to lead us anymore. This is probably one gift from Allah the Almighty to allow us to rise up through financial strength as He has endowed the Muslim world with rich minerals and resources all this while. We have not utilised such rich resources to our advantage yet. We need to do it right away.

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