

Zeti Akhtar Aziz: Talent development in Islamic finance over the next decade

Keynote address by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the Launching of IBFIM's Islamic Finance Qualification Framework & Progression Route (IFQFPR) "Talent development in Islamic finance over the next decade", Kuala Lumpur, 14 December 2011.

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In a highly dynamic, rapidly changing and challenging environment, talent development for the financial services industry has become an even more important agenda to ensure that its growth and development is supported by the necessary skills and capabilities. This is particularly important for Islamic finance given that it has become the most rapidly growing segment in our financial system. With the increased pace of the internationalisation of Islamic Finance, this growth momentum is also taking place in several other jurisdictions. This current global financial crisis which has highlighted the importance that the growth of the financial sector should correspond with the growth of the economy and for risk management and governance practices to be strengthened to ensure its stability and sustainability has also prompted increased interest in Islamic finance. These are the very principles and foundations inherent in Islamic finance.

Talent as a thrust for industry advancement

The development of the Malaysian Islamic financial system, has now evolved our Islamic finance industry into a progressive, comprehensive and competitive component of the overall financial sector. The market share of Islamic banking assets of total banking industry has grown from only 6.9 percent in 2000 to 22 percent in 2011. The contribution of Islamic finance to the Malaysian economy has also been growing significantly, accounting for 2.1 percent share to the country's GDP in 2009, as compared to only 0.3 percent in 2000. This has led to greater job creation where employment in Islamic financial industry accounts for 11 percent of total employment in the financial sector.

On the international front, greater liberalisation of the Islamic financial system has seen greater foreign presence and participation in our Islamic financial system. There has also been an increasing trend in foreign participation in the domestic Islamic banking and takaful industry, as well as the Islamic capital market. Moving forward, it is envisaged that Islamic financial institutions in Malaysia will also expand beyond national boundaries to increase economic and financial linkages with other parts of the world.

This rapid internationalisation of the financial system and technology advancement will demand a corresponding increase in quality skills and expertise of the industry. Talent upscaling will be even more important in the next decade, to steer the industry's advancement in the increasingly complex and competitive financial ecosystem. A strong and dynamic workforce will be one of the important pillars for the industry to remain stable and competitive. It will also serve as a catalyst to spur innovation. In terms of talent demand for the overall financial sector, it is anticipated that over the next 10 years, a workforce of about 200,000 employees would be required, which is an increase of 56,000 people from the current 144,000 employees. There will therefore be strong demand across the financial sector, particularly for specialised skills in high growth and niche areas such as wealth management, Shariah advisory, corporate finance and investment advisory services.

Human capital development as key growth area

In Malaysia, several dedicated institutions for human capital development in Islamic finance have been established. Contributions by tertiary education institutions, training and research institutions, and private training providers have been important to the development of professionals and expertise in Islamic finance. There are now more than 5,800 students enrolled in Islamic finance related academic courses in Malaysian higher learning institutions. The International Centre for Education in Islamic Finance (INCEIF), established in 2006 to develop qualified professionals in Islamic finance, has now produced 265 Chartered Islamic Finance Professional holders; while approximately 2,000 students from more than 75 countries are currently enrolled at different stages of completion of the Islamic finance programs. In terms of industry training, IBFIM has to date trained 32 percent of the total Islamic finance industry workforce.

Critical components in talent development strategies

The vision moving forward for human capital development in Islamic finance is to ensure a steady stream of competent and versatile talent to support greater innovation and dynamism of the Islamic finance industry. This will require the approach to be comprehensive, meeting the highest standards and in close collaboration with the industry so that the learning solutions will continue to remain relevant.

The breadth of talent development solution

Human capital development needs to be comprehensive and holistic in meeting the requirements for all levels. The horizon of talent development solutions has to be widened towards attracting, developing and retaining talents with required skills and expertise for the industry. It must also meet the specific requirements of the workforce career progression, from the pre-employment stage, during employment and up to the leadership positions. Talent development solutions must also be for beyond the circle of the financial services community, to include other business communities, such as legal fraternity, Government officials and IT solution providers. The advancement of the industry is also dependent on these parts of the private and public sector. Their training needs must also be met through structured training programmes to facilitate their understanding of the specificities of Islamic finance and its value propositions.

Raising standards of training and education programmes

The education and training programmes in Islamic finance also needs to achieve the highest quality, be credible and globally recognised. The qualifications developed need to fulfill the expectations of the industry. To ensure the standards, the required infrastructure for standard setting and accreditation for Islamic finance training and education has now been put in place. The Asian Institute of Finance (AIF) is ready to provide accreditation to training programmes offered by training institutes following a rigorous assessment under the new Assessment and Accreditation Framework and to ensure the highest standard of the trainings offered. The Association for Chartered Islamic Finance Professionals, a body entrusted to raise the quality standards and professionalism of Islamic finance practitioners, would also contribute to achieve this objective. This will centralise the setting of standards in Islamic finance and provide the assessments to ensure that the standards are being met.

Partnerships and collaboration between the industry and academia

There needs to be greater partnerships and collaboration between the industry and academia to align training and development with the requirements of the industry. Greater

involvement by the financial institutions is needed in designing the academic and training curriculum, and providing real business exposure and training through internship and sharing of experiences. Industry-universities partnership can also take the form of “summer school” programmes that emphasise on practical aspects of Islamic finance via business operation simulations. This move would provide value-added practical knowledge and hands-on experience to improve the technical competency of the graduates. More structured continuous learning programmes are also needed for practitioners to sustain their professional competencies. For top executives, the ICLIF Leadership and Governance Centre offers programs that aim to develop future business leaders for the financial industry.

Focus on applied research

Research is also an important investment for long-term competitiveness of the industry and is a key driver for greater innovation. Research institutions together with the industry must continuously strive towards introducing innovative solutions which will add vibrancy and diversity to the market. Joint research initiatives should extend beyond geographical boundaries, with cross-border initiatives and convergence of ideas. Research by academic faculties and research agencies can also contribute to the knowledge repository of Islamic finance. In addition to research that have been issued by universities in Malaysia, The International Shariah Research Academy (ISRA) has been established as a dedicated international agency for applied research in Islamic finance. Further in-depth research on contemporary Shariah issues relating to risk mitigation, liquidity management and hedging would facilitate the generation of new ground-breaking developments in Islamic finance. Greater involvement of the industry is essential not only to provide funding support, but also to give perspectives that contribute to the implementation of the research output.

The launch of IBFIM’s flagship programme today – the Islamic Finance Qualifications Framework and Progression Route – is part of this strategy for upgrading the skills and competencies of the existing talent in the industry. It is an innovative training framework that provides a progressive structured route to the acquisition of the relevant knowledge for the different levels throughout the career of the workforce in the industry. Successful completion of the comprehensive series of programmes would lead to qualifications at three different levels. The modules of the programmes have been developed with extensive consultation with the industry. The framework also offers flexibility in learning, as participants can complete the modules at their own pace. Important in the offering of these programs is that there needs to be clarity in the qualification that is earned so that it avoids confusion with other qualifications offered by other centres of learning to those practitioners aspiring to gain qualifications in Islamic finance. Our resources for investment in human capital development for the industry must be optimised. This would enhance Malaysia’s potential to become a centre of excellence for education in Islamic finance.