

## **Hendar: Producing competitive human capital for economic empowerment**

Keynote Speech by Mr Hendar, Deputy Governor of Bank Indonesia, at the Islamic Development Bank (IDB) Seminar “Producing Competitive Human Capital for Economic Empowerment”, Jakarta, 13 May 2016.

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*Bismillahi rahmani rahiim,*

- Distinguished: Director General of Resources for Science, Technology and Higher Education , **Prof. Ali Gufron Mukti**;
- Distinguished: Director General of Islamic Research and Training Institute-Islamic Development Bank, **Prof Azmi Omar**;
- Distinguished panelist, ladies and gentlemen

***Assalamu’alaikum Warrahmatullah Wabarakatuh,***

***A very good morning to all of you.***

1. Praise to Allah the Almighty, the Most Gracious and the Most Merciful, for His Blessing so that we are able to take part on this meeting in good health and high spirits. Prayers and peace be upon the Last Prophet of Allah, the prophet Muhammad, his family, his companions and followers.

2. ***First of all, allow me to warmly welcome all of you in this seminar on Human Capital Development in Jakarta, and welcome to Bank Indonesia.*** It is an honor for Indonesia to be the host of the 41st Islamic Development Bank Group Annual Meeting, which formally will be held in the next few days. In conjunction with the IDB Group Annual Meeting, there are series of side events organized by the IDB Group in collaboration with various institutions in Indonesia. Our seminar today is the first program among those events. This seminar is organized by Bank Indonesia in collaboration with the Islamic Research and Training Institute (IRTI), a member of the IDB Group which takes the theme: ***“Producing Competitive Human Capital for Economic Empowerment”***.

3. ***Muslim population has a huge potential to develop Islamic economic and finance globally.*** In the last two decades, we have seen so much development which takes shapes in terms of outreach, financial products, business volume, and financial subsectors. ***However, if we want to see the Islamic economic and finance stand equally with its conventional counterpart and serve as the other formidable economic pillar to sustain the national economic development, more progressive actions needs to take place.*** This forum demonstrates our commitment towards better quality of Islamic human capital. Therefore, the theme of ***“Producing Competitive Human Capital for Economic Empowerment”*** is very relevant for us to think through the future directions of the human capital development.

***Distinguished Guests, Ladies and Gentlemen,***

4. ***We have witnessed significant global growth in Islamic Economics and Finance.*** Since the global financial crisis, the islamic finance institution has grown at double digit rates, outpacing growth of the conventional sector. Based on Islamic Financial Services Industry Stability Report 2016, the global Islamic financial services industry has reached an overall total value of USD1.88 trillion in 2015.

5. ***Despites those achievements, the industry still suffers from certain technical flaws namely relatively low operational efficiency, availability of full range of financial products to entertain the customers, and appropriately designed regulatory***

**framework.** In most instances, *these lacks are associated with the low quality of human capital involved in the development of Islamic finance industry.* Poor promotion strategy that leads to misperception in understanding Islamic economic and finance results in unnecessary burden to the industrial development program. ***I am of a view that we should pay more attention on improving low quality of human resource.***

6. ***This unfortunate phenomenon has been a common fact in many countries including Indonesia.*** The lacks of adequate number of universities, available high quality reading material, and dedicatedly designed curriculum have prevented the industry from achieving progressive developments. We realise that the quality of human resources cannot be developed over night. This requires very deep and comprehensive analysis and implementation program. In order to maximise its benefits, the human capital development program should be able to cover all segments in the society besides the level of education. The organization of this seminar that is aimed at exchanging information is very important and timely.

7. ***Allow me to offer three basic ingredients that can be adopted when developing human capital in Islamic economic and finance. First is 'link and match'.*** The universities that offer Islamic economic program should be able to provide teaching materials that has relevance to the current challenges. The graduates produced by the educational institutions, formal as well as vocational, should be ready for fierce competition and understand all the requirements demanded by the market. The combination between Islamic economic specific and fluency in general knowledge is very important. ***Second, technology based development program.*** Now is era of digital technology. There so many development and invention by young entrepreneurs using information technology. In area of financial technology (fintech), many startups provide financial services with lower cost and easier requirements. Some startups also begin using Islamic finance as their business model. In my views, the graduates of should acquire certain level of knowledge in the area of technology considering that the financial industry has become technologically intensive. Failure in acquiring certain level of technology would fail the economic agents in winning the competition. ***Third, establishing solid platform for cooperation among the educational institutions globally as well as domestically.*** With the technology in hand, the cooperation between different parties may be conducted more easily.

5. Islamic Development Bank has involved in many education development project conducted in any countries. IDB intervention in Indonesia has been conducted in terms of the physical development of university building. ***I hope that further intervention may also cover the development of curriculum so that the universities offering Islamic economics and finance may equip young generation with the knowledge and skills which relevant to the market requirement.***

***Distinguished Guests, Ladies and Gentlemen,***

6. In this occasion, ***allow me to share Bank Indonesia initiatives in the area of Islamic economics and financial development, especially in the human capital development.*** In my opinion, when driving Islamic economics and finance as an inclusive system in the national economy, human capital serves as the main pillar. ***Therefore, we support the development in three components of human capital in the market that consist of academics, practitioner and society.***

7. ***First, at academic side, Bank Indonesia has enhanced the collaboration and cooperation with universities,*** particularly in the area of research, public lecture, scholarships and research grant. In addition, Bank Indonesia has published a number of books on Islamic Economics and Finance serving as academic references to the academics. The most recent book launched by Bank Indonesia entitled "The journey of Islamic Banking in Indonesia: Institution, policy and challenges". Beside universities, Bank Indonesia also allocated its resources to human capital development on earlier education including Islamic Boarding Schools or "Pesantren". Currently, Bank Indonesia is preparing a set of lecture

modules which cover the area of: i) Islamic social finance, including zakat and waqf; ii) Empowerment of Micro and Small Enterprise; and iii) Entrepreneurship development. Expectedly, these materials are ready to launch by next July and adopted by 5 universities. Moreover, in order to encourage and foster research activities in the area of Islamic Economics, Monetary and Finance, Bank Indonesia has launched Journal of Islamic Monetary Economics and Finance. The latest volume has just been issued in February 2016. We hope that this journal will be a bridge between theory and practice in the area Islamic Economics, Monetary and Finance.

8. ***Second, at practitioners' side, Bank Indonesia also continuously conducts capacity building programs to enhance the competence of human resource in Islamic Finance industry.*** We maintain good cooperation with local and international institutions, for facilitating expert visit to Indonesia, conducting seminars, workshop and facilitating joint research activities on Islamic Economics and Finance. Next week, we will organize Sukuk Master Class Workshop to develop the competence of practitioner of Islamic banking and finance community, particularly in sukuk issuance. In our views, corporate sukuk should be encouraged along with the development of sovereign sukuk.

9. ***Third, at society's side, in order to enhance awareness and commitment of stakeholders in supporting Islamic economic acceleration, Bank Indonesia organize Indonesia Sharia Economic Festival since 2014.*** This event provides intellectual discussions and business avenues among industry practitioners, business leaders, regulators and Shariah scholars to spur the future growth of Islamic finance.

10. In terms of organization, after sharia banking department moved to OJK, Bank Indonesia has established new department on Shariah Economics and Finance. It is our commitment to strengthen some initiatives to achieve Indonesia as regional center of Islamic Economic and Finance.

***Distinguished Guests, Ladies and Gentlemen,***

10. ***Please allow me to end my speech by expressing appreciation and sincere gratitude to all speakers and participants, particularly the willingness to attend this special event.*** I also would like to wish you all a productive discussion and deliberation in this important event. I am confident that supported by all participants in this room, we can achieve significant outcomes that are beneficial to promote human capital development in the area of Islamic economy and finance.

11. Finally, allow me to thank all the hard-working and dedicated staff, both from Bank Indonesia and IRTI-IDB, for making this seminar possible. However, we fully understand that the seminar one way or another is still far from perfect. In this respect, therefore, we would like to seek forgiveness for any inconveniences occur in this seminar. I once again welcome you to this seminar and wish you every success in your deliberations.

*Thank you very much.*

*Wa billahi tawfiq wal hidayah.*

*Wassalamu'alaikum warahmatullahi wabarakatuh*