

CHALLENGES AND RESOLVES FOR ISLAMIC FINANCE

EDUCATION: A PRACTITIONER'S PERSPECTIVE

Muhammed Ikram Thowfeek, President, First Global Academy

Till today, since 2008, given the global financial crisis after crisis, millions of people all over the world are suffering directly and/or indirectly, whilst looking for alternatives to the conventional modes of banking, financing and investments that can portray ethics and fair dealings. These millions of people who are looking for an alternative system of banking and finance are yet to explore the benefits, opportunities and the growth potentials of the Islamic banking and finance industry.

Unlike the conventional banking and finance that looks at any financing and/or investment activity mostly from an economic and financial benefits, whereas Islamic Finance (IF) goes beyond economic and financial benefits, and looks at moral, ethical, social, and religious aspects of it, which are unique propositions that can provide solutions to millions of people (both Muslim and non-Muslims) all over the world through equity participation, risk sharing & fair dealing.

The challenging question to ask is that, “if the ‘IF’ industry can provide solutions to those individuals, corporate entities and the governments at large that are affected directly and/or indirectly by the global financial crisis after crisis? Then, what is stopping the industry of becoming the main stream banking & finance system appealing to the global market to serve both the Muslims as well as the non-Muslims? Is it ‘Awareness’, ‘Education’ and/or the

‘Islamic Finance Institutions (IFIs)’ within the industry are the bottlenecks to sustain the growth of the IF industry and become the main stream global finance system.

The simple answer to this challenging question is, bring “Awareness” globally, from laymen to intellectuals, coupled with “Education” from 16+ years to the PhDs. All those who are ‘Aware’ and also equipped with education on the subject matter will definitely can make a ‘difference’ in the public domain and more specifically at the institution level too, to raise the standards in every facets of the organization to compete and to go beyond their conventional counterparts, whilst sustaining the growth of the ‘IF’ industry and making it appealing to the global market.

Let’s look at “Awareness” - what are the challenges and resolves available to take this message of ‘IF’ globally to the laymen as well as the intellectuals and to those in between, so that everyone benefits.

Three decades plus, from the birth of the modern experiments with IF in 1975, till to date, only 20% of the market opportunities and growth potentials of ‘IF’ industry is tapped. It’s, just like the tip of the iceberg, 80% is largely untapped mainly due to lack of understanding and awareness as to “what Islamic Finance is all about”?

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In most of the countries where there is an Islamic bank, two or more, the target market is confined to the Muslim community only? As if ‘IF’ is only confined to the Muslims and not for the non-Muslims, who are indeed looking for alternatives to the conventional modes of banking & finance.

Why this focus? Again due to lack of understanding, awareness and education on the subject of ‘IF’ and its enormous benefits that could accrue to all mankind, irrespective of what color, sects, race, religion or ethnic group they belongs to.

The primary challenge of some of the existing Islamic Financial Institutions (IFIs) is not attracting new Muslim customers to the Islamic finance fold, but how to retain those who are already patronizing, while some of those although not satisfied with the level of services and offerings compared with that of their conventional counterparts but still stay put, with all the bickering, mainly due to the Shari’ah layer or comfort. However, majority of them move back to conventional banking or to any new IFI that has open doors, seeking better customer services, wide range of product offerings coupled with excellent distribution channels – the pricing and returns become secondary and then comes Shari’ah compliance for them.

Today, the mandates of bringing awareness to the masses is confined to those Islamic Finance Infrastructure Institutions (IFIIs) like, IFSB, AAOIFI, CIBAFI, IIFM, IRTI, IIRA, etc., through their annual forums, conferences and symposiums held once or twice a year. This has to change from annual events to a day to day affair bringing awareness to the general public is onus on all the stakeholders of the Islamic finance industry, mainly the institutional players, practitioners, Shari’ah scholars etc., who should have planned awareness and educational events to reach out to the public every nook and corner of the country through various channels – news media, TV, satellites, social media, Q&A forums, live, online, virtual chats etc.

This needs a budget allocation by all the IFIs for planned events mainly to bring public awareness and educating the masses (not only the Muslim community but the entire humanity at large), which will definitely add value to the bottom lines of the IFIs.

More the general public, from all walks of life, understand what the ‘IF’ is all about and experiences proper conduct of IFIs, not only the Muslims are going to rally around and patronize IFIs the non-Muslims too will join the bandwagon not mainly due to Shari’ah compliance but due to excellent customer services and the ethical values portrayed in every transaction and activity undertaken by the IFIs.

That's on 'Awareness', let's come back to the 'Educational Programs' in building professionals in the field of Islamic Finance who could take this industry to yet another paradigm given the appetite and the global attractions to the Industry aftermath of the global financial crisis after crisis.

With all due respect, most of the educational institutions that are offering a certificate, diploma, a degree or a PhD level program in Islamic finance drumbeats that they are sharing practice (not theory) with students and making them ready to take up positions in the Islamic banking and finance industry.

The other day, a dear friend of mine, asked me a question, soliciting my views as a seasoned professional in the Islamic Finance (IF) industry, trying to see what I thought the prospects were for those young people looking to enter the Islamic Finance industry and 'make a difference'.

He said, "The story these young graduates keep telling me is that there are simply no jobs on offer – which seems to be at odds with the headlines that we keep seeing proclaiming that the 'IF' industry is 'growing at 20% per year.'"

My response was "Those seeking greener pastures or opportunities in the IF industry are unfortunately knocking at the wrong doors or are ill equipped - the regional and global markets are opening up for Islamic finance – so be ready".

Further, I mentioned that, "being in the IF industry over the last two decades, I strongly believe that the bigger the global financial crisis is the greater the opportunities are to all the stakeholders in the Islamic finance industry, which can provide solutions to millions of people

(both Muslims and non-Muslims) all over the world to improve their lives, financial and investment choices - through equity participation, risk sharing and fair dealings."

To get these graduates and students who are looking for a career and to fill one of those million jobs needed up to 2020, as per the researchers, need to pursue on programs that really make them professionally qualified as an iBanker (Islamic Banker) whilst retaining their specialization or their field of choice namely, ICT, human resources, Shari'ah, product development, sales, marketing, legal, financing, accounting, management etc.

Keeping in mind, these current demands for professional Islamic Bankers who can 'raise the bar' of the IFIs, in particular, and the IF industry, in general, the First Global Academy (FGA) have rolled out the iBanker Certificate, Diploma and Executive Diploma programs to the global market (both in campus and online), for those who would like to enter at different levels from 16+ years onwards.

Becoming an iBanker, in a chosen field, by following these FGA programs not only groom students to take up any entry level or a higher position in any IFI but also makes them to look at 'banking & finance' from yet another perspective. That is, as 'Entrepreneurs'.

"Islamic bankers are not mere bankers from a conventional sense, where accepting deposits and lending are the core competencies of conventional bankers to have the maximum spread between the two. Whereas the Islamic bankers and finance specialists focus on profit/loss sharing by using the funds on economic generating investing and trading activities to make a profit and share that profit with all the depositors and shareholders, whilst protecting the fabric of our society without engaging in activities prohibited and harmful to the society".

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With the mindset of grooming an iBanker to be an iEntrepreneur (Islamic Entrepreneur) too, we will be sharing only Practice, Practice & Practice of Islamic finance and our lecturers panel are geared up to do so and equipped with practical knowledge and exposure in setting up IFIs in the Middle East (ME) region from scratch. They know and very well aware what’s happening in the kitchen of those institutions and the expectations of the customers. Indeed, there is a wide gap persist between the expectations of the customers and the reality; we have to narrow down this gap to reach out to as many people as we can with Islamic finance offerings bringing benefits to all (both Muslims and non-Muslims alike) “to improve their lives, financial and investment choices - through equity participation, risk sharing and fair dealings.”

Muhammed Ikram Thowfeek (MIT) is currently the Founder of First Global Group and Group CFO of QAF Holdings Group. He is a Chartered Accountant by profession and an Islamic Banker by practice. To date, he has gained a wealth of knowledge and experience in auditing, management consultancy, financial control, strategic planning & budgeting, Islamic banking & finance, retail, commercial and investment banking, Islamic capital and global Sukuk (Islamic Bonds) market, training and career development etc., through his diverse positions held in various organizations (Ernst & Young, Kuwait Finance House, First Islamic Investment Bank, International Islamic Financial Market, Commercial Bank of Qatar, Barwa Bank, QAF Holdings Group, First Global Group).

Mr. Thowfeek is a startup specialist and has set up number of Islamic Banks (IBs) and Islamic Financial Institutions (IFIs) in the ME region, both fully fledged Islamic Banks and independent IB branches of conventional banks, from scratch.

He is an Associate Member of the Institute of Chartered Accountants (ACA) of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants (FCMA), Chartered Global Management Accountant (CGMA) of the UK, a Member of the Institute of Financial Consultants (MIFC) of the USA, a Member of the Chartered Institute of Securities and Investments (MCSI) of the UK and a Certified Islamic Banker.

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