

# ISLAMIC FINANCE TALENT DEVELOPMENT: AFRICA



The growing potential in Africa is expected to create more opportunities for Islamic finance, in light of its robust economic prospects and rising consumer base. As Islamic financial industry continued to experience growth, there is a dire need in highly skilled and talented human capital workforce that can drive the future developments and innovations of the industry.



## Africa: Human Capital Development in Islamic Finance

Global Islamic finance development, in the past five years between 2010 and 2015, has shown a robust expansion recording a 17.3% Compounded Annual Growth Rate (CAGR)<sup>1</sup> with total global financial assets of the Islamic financial industry estimated to be at USD2tn and anticipated to surpass USD3tn by 2018.<sup>2</sup>

The contribution came mainly from 23 countries that scored higher than the global average - 30% (7) MENA, 22% (5) GCC, 17% (4) South Asia, 13% (3) Southeast Asia, 9% (2) Europe, 4% (1) North America, and 4% (1) Africa.<sup>3</sup>

While the share of African countries to Islamic finance industry is relatively small, Africa is widely viewed as a new emerging jurisdiction for Islamic finance with promising potentials.<sup>4</sup> For example, Egypt and Sudan are in the top 20 countries with high Islamic finance assets valued at USD 12,086 mln and USD 8,034 mln respectively.<sup>5</sup> Apart from Egypt and Sudan, other African countries recognised for Islamic finance among others include Tunisia, Morocco, Algeria and Sub-Saharan Africa (SSA) such as South Africa, Nigeria, Senegal and Kenya.<sup>6</sup> Likewise, countries

such as Botswana, Gambia, Guinea, Liberia, Niger, Mauritius, Djibouti and Tanzania are also reported to have Islamic banking activities with an intensive plan to expand into takaful and capital market.<sup>7</sup>

### Quantitative Development Indicator Landscape

Ranking	Country	Assets (USD mln)
1	Malaysia	423,285
2	Saudi Arabia	338,106
3	Iran	323,300
4	United Arab Emirates	140,289
5	Kuwait	92,403
6	Qatar	81,027
7	Bahrain	64,644
8	Turkey	51,161
9	Indonesia	35,629
10	Bangladesh	18,938
11	Pakistan	14,647
12	Egypt	12,086
13	Sudan	8,034
14	Jordan	7,430
15	Switzerland	6,575
16	Brunei Darussalam	5,526
17	United States	4,537
18	United Kingdom	4,305
19	Thailand	3,834
20	Yemen	3,576

Source: Islamic Finance Development Report 2014

<sup>1</sup> IFSB Stability Report 2015

<sup>2</sup> MIFC and ISRA estimates

<sup>3</sup> "Harmony on the Horizon", Thomson Reuters Islamic Finance Development Report 2014

<sup>4</sup> "Harmony on the Horizon", Thomson Reuters Islamic Finance Development Report 2014

<sup>5</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

<sup>6</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

<sup>7</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

### Tapping the potentials

The presence of Islamic finance in Africa is expected to have positive impact, specifically in terms of being the intermediary of financing for the natural resources in Africa. It is recognized that Africa is a major producer of both agricultural and mining commodities.<sup>8</sup> As at 2010, the region accounts for 10% of the world's oil reserves, 40% of gold reserves, and 80-90% of chromium and platinum metals reserves.<sup>9</sup> In addition, 60% of the world's uncultivated arable land is located in parts of Africa.<sup>10</sup>

Similarly, the halal industry, encompassing food, travel and lifestyle products has great potentials in Africa. Sub Saharan Africa has a large share of Muslim population at 29.6%, comparable to 24.8%

in Asia where as the East African region in general and the East African Community (EAC) in particular, has a total population of 306 mln people, of which Muslims constitute over 60mln.<sup>11</sup> The EAC economy is growing at an average 6% per annum, and the total GDP of the five EAC nations is approximated at USD100 bln.<sup>12</sup>

Overall, many countries in Africa are now evolving as economic hubs for trade and investment.<sup>13</sup> These countries are regarded as new and emerging jurisdictions that present manifold opportunities to investors. Therefore investors who prefer the Shariah-compliance alternative are now waiting for Islamic finance opportunities in the region.<sup>14</sup>

### Islamic Finance in Africa: Growth Drivers

ECONOMIC GROWTH	DEMOGRAPHIC	INFRASTRUCTURE FUNDING GAPS	INCREASING AWARENESS
Stronger growth supported by improving fundamentals, domestic demand and stronger regional integration.	A continent of 1 billion people. Africa's middle-class population is expected to increase and this will boost demand for retail banking, takaful and Islamic funds.	Significant wealth investment needed in the medium-run, with the funding gap estimated at USD48 bln a year, mostly in the power sector.	Improving financial literacy across the continent, including Shariah-compliant products amidst policymakers' renewed interest in the sector as a means of supporting financial inclusion.

### Various Islamic Finance Activities in Africa

Generally, Islamic finance can play a role in Africa through investments and funding for infrastructure., especially in countries which intend to diversify their sources of funding. With that, Islamic finance in Africa continues to draw attention from industry practitioners and regulators in the region.

Islamic finance has made notable progress in some parts of Africa, spurred by demand from both Muslim and non-Muslim populations.<sup>15</sup> For example, in Nigeria, the country now has one full-fledged Islamic bank, which serves the Muslim-dominated population of 173.6mln, suggesting potentials for more Islamic banks to be established.<sup>16</sup> In addition,

<sup>8</sup> "Lions on the move: The progress and potential of African economies", McKinsey Global Institute (June 2010)

<sup>9</sup> "Lions on the move: The progress and potential of African economies", McKinsey Global Institute (June 2010)

<sup>10</sup> "Commodities: Destination Africa", Financial Times (November 2013)

<sup>11</sup> "Africa: The Next Frontier for Islamic Finance", MIFC (11 February 2015)

<sup>12</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

<sup>13</sup> "Africa 2015 Making choices", EY Attractiveness Survey Africa 2015

<sup>14</sup> "Africa: The Next Frontier for Islamic Finance", MIFC (11 February 2015)

<sup>15</sup> "Africa: The Next Frontier for Islamic Finance", MIFC (11 February 2015)

<sup>16</sup> "Islamic Finance: Prospects and Challenges", MIFC (28 August 2015)

the IDB Islamic financing facility has been utilised by more than 10 African nations, including Morocco, Senegal, Burkina Faso, Uganda, Niger, Cote d'Ivoire, Mozambique, Gambia, Egypt and Tunisia.<sup>17</sup>

Moving to Islamic capital market, the year 2014 paved the way for Africa to tap into the sovereign *sukuk* market. Senegal issued its debut *sukuk*, valued at USD208m, to finance energy projects, and South Africa followed by issuing USD500m *sukuk* with a 5.75-year term in international markets.<sup>18</sup> In addition, the state of Osun, Nigeria, issued USD62m *sukuk* to fund school and road-building projects.<sup>19</sup> The new elementary schools built with the funds would provide space for 900 students per school, while

the middle schools would cater to 1,000 students per school.<sup>20</sup>

While there is a lot of promise for the development of the Islamic financial industry, certainly, as an emerging industry, Islamic finance is also expected to further enhance the richness of its products and services so as to properly cater to the development of Africa. It is noteworthy to inform that this is a task lined with various challenges, which requires commitment from regulators, industry, educational institutions and training providers which supply human resources. Overall, sufficient talent is necessary to fuel and sustain growth in the industry.

### Potentials of IF Talent Development in Africa

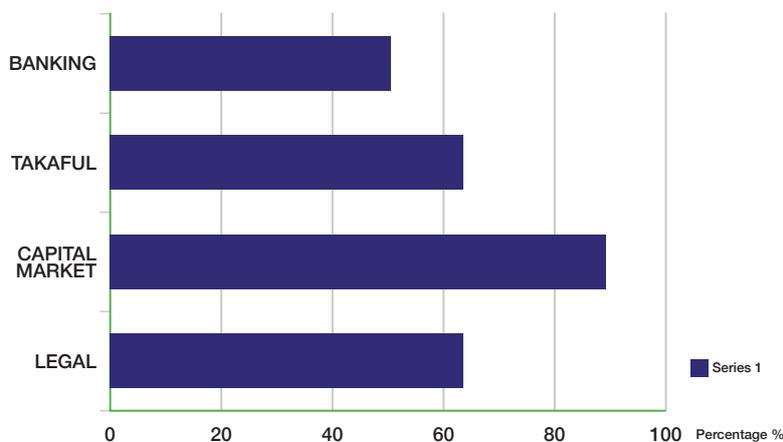
The talent required to fill in the roles of Islamic finance is expected to have a knowledge combination of finance, economics and Shariah principles, while being dynamic, innovative and creative enough to lead the industry forward.<sup>21</sup>

The human capital challenge in Africa should not be underestimated as it would contribute to

employment and economic growth. Three Islamic financial institutions in Kenya, for instance, employ over 700 people.<sup>22</sup> Of these, less than 3% have degree-level qualifications in Islamic finance.<sup>23</sup>

Globally it is observed that there is a shortage of experts in the current financial industry workforce who understand the principles and depth of Islamic

### Shortage of Islamic Finance Professionals by sector



Source: The Islamic finance task force of the COMCEC capital market regulator 2013

<sup>17</sup> IFIS, MIFC 2015

<sup>18</sup> Center in Islamic Finance for Africa" EY (2015)

<sup>19</sup> "Africa: The Next Frontier for Islamic Finance", MIFC (11 February 2015)

<sup>20</sup> IFIS, MIFC 2015

<sup>21</sup> "Islamic Finance Talent Development: Global Initiatives" MIFC (3 December 2015)

<sup>22</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

<sup>23</sup> "New markets and Frontiers for Islamic Finance" 11th IFSB Summit, Mauritius, 21-22 May 2014

financial markets, and potentially drive the industry forward while maintaining its growth impetus. It is estimated that the global Islamic finance industry is poised to require one million professionals by 2020 in various job functions and roles to meet the human capital needs of Islamic financial institutions.<sup>24</sup>

In a survey conducted by FAA-IFN Human Capital Development 2014, about 80 percent of global Islamic finance industry players believed that the number of people currently working in the Islamic financial institutions are insufficient to meet the growing needs of the industry while more than 50 percent believed that their own organisation does possess certain competency levels.<sup>25</sup>

Moreover, the Islamic finance task force of the COMCEC (Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation) capital market regulator reported significant percentage of shortage of talent in Islamic finance practices whereby the Islamic capital market is the most affected area at 88 per cent, followed by legal and *takaful* sectors, both at 63 per cent and banking sector is the least affected at only 50 per cent.<sup>26</sup>

### Islamic Finance Education Provider

As Islamic financial industry continued to experience growth, there is a dire need in highly skilled and talented human capital workforce that can drive the future developments and innovations of the industry. Many countries and regions have seen the proliferation of Islamic finance training centres that offer courses and skills as well as qualifications to create a large talent pool required to advance the Islamic finance sector.

Some of the expertise where Islamic finance talent is needed among others includes Shariah-expertise, academicians, educators and/or trainers, researchers who intensively do research on Islamic finance, and skilled employees.<sup>27</sup> Finally, in order to fill in all of the highlighted gaps above, several initiatives have been introduced across the globe which can be emulated and adopted in developing human resources for Islamic finance in Africa.

Over the next decade, it is important for the talent development of the Islamic financial services industry to be an important agenda for the African countries. Hence, a strategic and systematic effort has to be established.

Following the example of other countries who have excelled in developing the IF industry by strengthening their talent development and capacity building, the following are initiatives underline key milestones to strategize the development of Islamic finance industry in Africa.

According to the Global Islamic Finance Education 2013 Special Report, there are 742 Islamic Finance Education & Knowledge Services Providers (IFEKSP) across the globe. It is reported that, Sub-Saharan Africa hosts about 6% of the global Islamic finance education and knowledge service providers, while Asia hosts about 43%, Europe (22%), MENA (19%), North America (8%), and Oceania (2%).

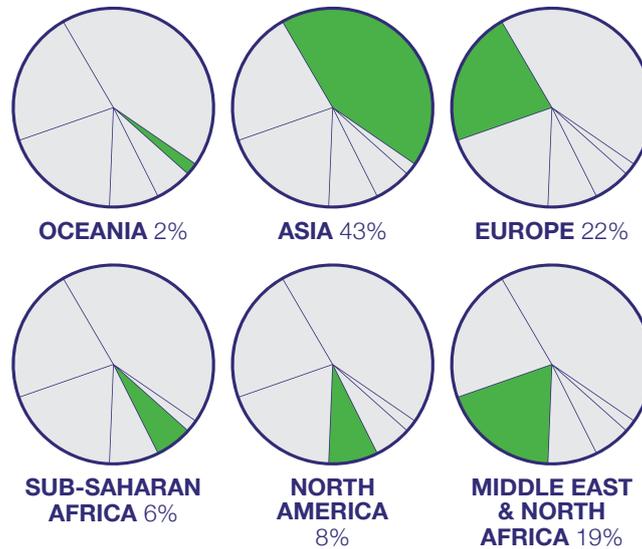
<sup>24</sup> The Malaysian Reserve; "Human Capital Development: Sustaining the Growth of Islamic Finance" MIFC (15 December 2013)

<sup>25</sup> FAA-IFN Human Capital Development Survey 2014

<sup>26</sup> Report of the Islamic finance task force of the COMCEC capital market regulator, September 2013

<sup>27</sup> "Islamic Finance Talent Development: Global Initiatives" MIFC (3 December 2015)

**Distribution of Islamic Finance Education & Knowledge Services Providers by Region**



Source: Global Islamic Finance Education Report 2013

**Curriculum and Research Development**

For a better development of human resources in Islamic finance, programmes should be designed with a comprehensive curriculum combining knowledge and skills. It is widely recognized that there is a lack of cooperation between academia and industry to develop a wholesome curriculum in Islamic finance.<sup>28</sup> University curricular on Islamic finance have very little or no relevance to the ever-changing needs of the industry because the industry was not consulted in the design of these curricular.<sup>20</sup>

This has resulted in a mismatch between the graduates produced and the skills required by the industry. Graduates go through a system which is more theoretical than practical and are therefore not suitably equipped for the industry.

The Islamic finance services industry is a specialised field and acquiring the right competencies and skills sets is critical.<sup>30</sup> A lack of qualified Islamic finance

graduates with the required skills could impact industry growth. Currently, only 15% of the global Islamic finance educational initiatives are potential contributors of research and development, signifying a profound gap in the Islamic financial industry for its sustainability and growth.<sup>31</sup>

It is also important to develop a research and knowledge hub in Africa. The hub will aim at producing quality research on topics with developmental impact, knowledge store and database, knowledge dissemination through seminars and workshops and capacity building of human resources.

The existence of Islamic finance research and knowledge hub would bring significant impact to the development of Islamic finance in the region which would place Africa in a competitive standing in the global Islamic financial market.

<sup>28</sup> FAA, Special Focus: Assuring Quality of Human Capital in the Islamic Finance Services Industry, in Global Islamic Finance Report 2014

<sup>29</sup> Report of the Islamic finance task force of the COMCEC capital market regulator, September 2013

<sup>30</sup> FAA, Special Focus: Assuring Quality of Human Capital in the Islamic Finance Services Industry, in Global Islamic Finance Report 2014

<sup>31</sup> Yurizk, Global Islamic Finance Education 2013 Special Report

## Establishment of Accreditation Agency

It is important to note the importance of assuring quality of human capital in Islamic finance through a specific accreditation body to ensure the quality assurance in human development in Islamic finance industry. The accreditation agency would establish framework and quality assurance criteria; accredit programmes and institutions that provide education in Islamic finance; and maintain and ensure quality of Islamic finance training providers and/or accredited learning programmes and qualifications.<sup>32</sup>

The aspects of accreditation would involve all aspects that would drive competency of African Islamic finance industry. This, among others, might include:<sup>33</sup>

- 1) The curriculum design and delivery (programme design, teaching and learning methods, programme management and linkages with stakeholders);

## Strategic Partnership

Islamic finance is a complex industry undergoing rapid product innovation and the number of people familiar with Islamic finance mechanisms is very small, highlighting the importance of building technical knowledge and skills.<sup>34</sup> Islamic finance in Africa is a relatively new industry. To catch up with global development of Islamic finance industry, a strategic partnership with countries that have experienced in developing Islamic finance is needed.

Collaboration and exchanges could be beneficial to help countries trying to develop Islamic finance and develop infrastructure and framework to build capacity with best practices and standards.

- 2) Educators assessment (assessment on principles, methods and practices of learning);
- 3) Learner training and support (justification of training, information to learner, learner's entry arrangements and progression plan);
- 4) Educational resources (research and publications, educational exchanges, physical resources, and affiliation arrangements);
- 5) Programme monitoring and review (monitoring and review methods and programme enhancement measures); and
- 6) Continual quality improvement (evaluation of practices and capacity building).

Malaysia has approximately 20 percent per annum growth on its Islamic banking industry output in monetary terms, and employment is expanding at less than half of that rate – although an additional 22,400 jobs are needed to support the growth.<sup>35</sup> Malaysia have undertaken several initiatives in the recent decade to ensure a steady stream of capable and accomplished talent pool for a robust and innovative financial sector.

<sup>32</sup> FAA, Special Focus: Assuring Quality of Human Capital in the Islamic Finance Services Industry, in Global Islamic Finance Report 2014

<sup>33</sup> FAA, Special Focus: Assuring Quality of Human Capital in the Islamic Finance Services Industry, in Global Islamic Finance Report 2014

<sup>34</sup> Enrique Gelbard, Mumtaz Hussain, Rodolfo Maino, Yibin Mu, and Etienne B. Yehoue, "Islamic Finance in Sub-Saharan Africa: Status and Prospects", IMF Working Paper August 2014

<sup>35</sup> Bank Negara Malaysia Financial Sector Blueprint 2011-2020

Established Institutions for Islamic Finance Agenda within the Financial Sector



Enhance human capital development in the financial sector

One-stop Islamic finance reference centre for the industry and academia and training provider for Islamic banking institutions

Build talent and skills in Islamic finance for practitioners and graduate programmes

Promote applied research in Shariah and Islamic finance

Capital markets education, training and information resource provider in ASEAN

Managed by Institut Bank-Bank Malaysia (IBBM), offers an intensive 1-year training programme for entry level executives covering the four banking/insurance streams: Conventional banking, Investment banking, Islamic banking, and Insurance/Takaful.

Source: Global Takaful Insight, 2014

**Conclusion**

Overall, Africa is considered as the new frontier for Islamic finance. To support the development of Islamic finance in the region, it is important to establish a larger and competent talent pool of trained Islamic finance professionals.

The current shortage of qualified staff working in Islamic finance sector will be exacerbated if enhancements of the infrastructure and review of the industry initiatives are undermined. Therefore, a comprehensive strategy to develop human resources in Islamic finance is needed.

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