

# Human Resource & Capacity Building for Islamic Financial Institutions

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1.

- A recent Gallup poll indicates Muslim masses in several Muslim countries would like to have *shari'ah* rule in their society and state:
  - In Jordan, 54% men and 55% women want Shari'ah as the only source of legislation.
  - In Egypt, 70% men and 62% women favor shari'ah as the only source of legislation.
- John Esposito, *Who Speaks for Islam: What a Billion Muslims Really Think*, New York, Gallup Press, 2007, p48

2.

- A phenomenal rise in Islamic Banking, Islamic Investment, *Takaful* and Islamic Businesses in the past four decades confirms a desire of the people to go for *halal* and avoid *haram* in their financial matters.

3.

- The collective conscience of the Muslim Ummah, in the past fifteen centuries, never felt comfortable with interest-based economy, even in the so-called *dar-ul-harb* context.

4.

- The issue today is not viability of Islamic businesses and finance. Even the hardcore capitalist world has resorted to Islamic windows in its conventional banking and financial institutions.

5.

- The real problem is the workforce, or the human capital, needed for *shari'ah*-compliant management of business and finances of the people.
- The human resource produced by the conventional academic and capacity-building programs cannot satisfy the demands and challenges of the Islamic financial institutions.

6.

- We need highly-competent, motivated and involved persons with required knowledge of conventional banking and finance as well as knowledge of Islamic *shari'ah*.

7.

- In a recent survey of over 60 banks in Karachi, 75% of senior bankers needed qualified staff in Islamic banking and finance, and 88% wanted their staff to be trained. 92% considered the organization benefited from training of their staff, while 90% indicated that training enhanced their capacity. 66% of respondents showed willingness to absorb candidates with MBA in Islamic Finance and Banking in their organization.

- Survey conducted by Riphah Center of Islamic Business, July 2008.



## 8. What needs to be done?

1. A multi-dimensional and inter-disciplinary human resource strategy is needed for the education and training of the existing conventional financial managers as well as for the future leaders in this field. Continuing education institutes with full academic recognition are needed at national and international level for proper professional education and training of Islamic financial managers and leaders.

2. In order to meet the modern challenges, institutional framework such as a center for Islamic business and finance appears indispensable. This center should address academic as well as applied issues faced in day-to-day transactions and dealings in Islamic business and finance.
  
3. The center should address issued such as:
  - Why interest is prohibited in Islam
  - What are current Islamic financial instruments (*mudaraba*, *musharaka*, *murabaha*, *ijarah*, *ijara-wa-iktina*, *qard hasan*, etc)
  - What is *takaful* and how it differs from conventional insurance
  - What is the role of shari'ah experts in Islamic financial institutions

- Do existing resource of *fiqh* of all five major schools of thought provide satisfactory response to modern financial problems
- How to maximize efficiency and quality assurance in Islamic financial institutions
- In what sense customer service is different in Islamic financial institutions
- What should be the policy for HR recruitment, retention, motivation, promotion, career planning and change management
- How to develop global networking of Islamic financial institutions

## 9. Basic Requisites for Islamic Managers

1. Working knowledge of Arabic needed for understanding of the Qur'an, the *sunnah* and *fiqh* literature.
2. Knowledge of *ayat* and *ahadith* that deal explicitly and implicitly with financial matters
3. Knowledge of Islamic jurisprudence, the methodology of *usul-al-fiqh* and the objectives of *shari'ah* as well as the *qawaid-al-fiqhiyyah*
4. Knowledge of *fiqh al-Maal* and *al-Milkiyyah* (property and property rights)
5. Knowledge of *fiqh al-Buyu'* (Islamic laws relating to market and exchange)

6. Knowledge of application of *shari'ah* in financial transactions with particular emphasis on Islamic contracts of exchange as a method of financing, such as *mudarabah* (agency, trust financing), *musharaka* (partnership, profit-sharing), *ijarah* (leasing), *bai' murabaha bi saman 'aajil* (markup leased trading with deferred payment), *bai' istisna'* (construction contract), *bai' salam* (forward sale), etc.
7. Knowledge of contemporary innovations in the use of sale of contracts as tools for financing, such as *sukook*.
8. Skills needed for customer satisfaction
9. Knowledge of views of contemporary Muslim thinkers on financial matters
10. Competence to conduct *ijtihad* in development of new Islamic products

# 10. Conclusion

- The success of Islamic banks, financial institutions and businesses is directly related with highly-qualified business and finance managers with communication skills, knowledge of *shari'ah* and present-day international business and finance.
- This can be achieved through Islamic research and training institutes of continuing education fully accredited with recognized universities.
- It is an uphill but promising and rewarding enterprise, no less than a gift to humanity.

- The existing workforce in Islamic business and finance institutions must enhance its capacity through short-term courses developed by various academic institutes in a modular form. Similarly, fresh human resource is to be developed as future leaders in Islamic finance.
- Islamic financial institutions should consider pooling their resources and networking for establishment of state-of-the-art continuing education institutes in Islamic banking and finance.