

ISLAMIC BANKING AND FINANCE EDUCATION: A COMPARATIVE STUDY OF SAUDI ARABIA AND THE UK

Khalid Abdullah Alotaibi¹ & Fayaz Ahmad Lone²

***Abstract:** Educational programmes related to IBF (Islamic Banking and Finance) are necessary to be introduced in universities in order to produce experts and professionals for this sector. Saudi Arabia has played an important role in its development and same path is now being followed by the United Kingdom. Although IBF related degrees have good job market but there is still shortage of Human Resources in this field. This paper not only examines the IBF courses in Saudi Arabia and the UK but also tries to explain the status of these universities where the courses are taught. The intention of this paper is to explain the job market and strategies of universities in Saudi Arabia while comparing it with the UK. The main purpose of this paper is to examine the current status of Islamic banking educational institutions in both the countries, so that to mark one of them as benchmark for spreading and boosting the Islamic finance related courses and fill the gap of human resources in this field.*

***Key words:** Education Saudi Arabia, Education UK, Islamic Banking Education, Islamic Banking and Finance, IBF*

1. INTRODUCTION

Education is such an important component of Islamic Finance without which the future of Islamic banking cannot be even thought of. Development of educational system has changed the scenario of whole banking system due to modern concepts, techniques and technological innovations. Islamic banking institutions were established in many countries to boost this budding industry in the world market and for this purpose many macroeconomic as well as microeconomic measures were taken. The education of Islamic finance has witnessed a drastic increase in different regions of the world over the last few years [1]. It is worth mentioning that Islamic Development Bank of Saudi Arabia has played an important role in the development of Islamic Finance. Different banks were established to compete with the traditional banking, which was started more than a century ago, but progress made by Islamic banking in few years has changed its future outlook. It was expected that this banking will increase at snails

¹ College of Education, Prince Sattam Bin Abdulaziz University, Saudi Arabia.

² Department of Business Administration, Prince Sattam Bin Abdulaziz University, Saudi Arabia, Email: f.lon@psau.edu.sa.

speed but it has changed the future outlook by proving that ethics have more importance in this world especially in Muslim countries. Many universities and research centers were established to provide academic and research degrees to the future generation and necessary arrangements were made accordingly. No one had imagined that many big universities will establish separate departments and centers for Islamic Banking and Finance (IBF) courses. Even in the United Kingdom, there are more than ten educational institutions providing masters and research degrees and same is the case with Saudi Arabia, United States of America, Malaysia, UAE and Pakistan etc.

Development of Human resources is an important issue for the promotion of Islamic Banking and Finance (IBF) in the world. At present Islamic banking is facing the challenge of non-availability of professional IBF experts. This is a challenge throughout the world and especially in Saudi Arabia. Although higher Educational System of Saudi Arabia is developing day by day and many universities are now running the courses related to Islamic banking and finance, but still there is a great need to introduce IBF related courses in those universities of Saudi Arabia as well as in the UK universities where these courses do not exist at present. Islamic Development Bank (IDB) is always taking necessary steps to develop the Islamic banking throughout the world through research, conferences, seminars, scholarships but many universities in Saudi Arabia as well as in the UK are still lagging behind in introducing courses related to IBF. In 1990, the number of universities in Saudi Arabia were few and same was the case of the UK. In the top universities of Saudi Arabia, the courses related to Islamic banking and finance are already being taught and many of such universities have started separate departments and research centers for the same. King Saud University, King Fahad University of Petroleum and Minerals, King Abdulaziz University etc. have already started the centers and research institutions of IBF in order to develop human resources for the same. In the same way, Durham University and many others universities have introduced Islamic banking related courses in the UK for decreasing the shortage of Human Resources.

Saudi Arabia lacks legislations from the concerned bodies supervising Islamic banking. Islamic banking needs qualified and skilled cadres to improve Islamic banking which is attainable if appropriate academic programs are adopted and introduced. In addition to this, market opportunity for Islamic banking related courses are very high. The students who complete their degrees in Islamic banking and finance at both undergraduate and postgraduate levels from different universities are easily provided jobs by Islamic banks and financial Institutions (like AlRaji Bank, Bank AlBilad, Bank AlJazira, Alinma Bank) in Saudi Arabia and same is the case with the students who complete their degrees in UK are also employed in many banks at Malaysia, United Arab Emirates and in other parts of the world.

Any research on the subject which is directly related to educational institutions of Islamic banking and finance has neither been conducted in Saudi Arabia nor in any other part of the world. Although some researches have been conducted which were related to other disciplines and not with IBF [2].

To promote Islamic banking and finance education in Saudi Arabia, many research centers are currently working. With the establishment of Islamic Research and Training Institute in Saudi Arabia in 1981 [3], many universities in the world have followed suit for the promotion of Islamic banking. Many studies have been conducted in some of the countries to measure the contribution of research and academic centers for the promotion of particular courses [4] but in Middle East there is not a single research of such type.

The first Islamic finance education center was established in Saudi Arabia known as Islamic Research Centre (now Islamic Economics Institute) of King Abdulaziz University in 1977. After this, Saudi Arabia also established Islamic Research and Training Institute (IRTI) in 1981. It can therefore be said that Saudi Arabia is the first country to establish Islamic banking education and research centers in the world and after this:

- Bahrain established Bahrain Institute of Banking and Finance (BIBF) in 1981,
- UAE established Emirate Institute for Banking and Financial Studies (EIBFS) in 1983,
- UK established Institute of Islamic Banking and Insurance (IIBI) in 1991,
- Indonesia established Muamalat Institute, Bank Muamalat (MIBM) in 1992,
- Pakistan established Centre for Islamic Economics (CIE) in 1992,
- the US established Harvard Islamic Finance Project (HIFP) in 1995,
- Malaysia established Bank Islam Research and Training (BIRT) in 1995,
- Islamic Banking and Finance Institute Malaysia (IBFIM) in 2001,
- INCEIF also known as International Centre for Education in Islamic Finance in 2006 and so on [5].

2. RATIONALE

Intention of IBF experts is always to put conventional products in an 'Islamic wrapper' and for this purpose they suggest different strategies to educational institutions. One of the main suggestions is to develop such professionals who have full understanding of both conventional and Islamic banking. It is due to the fact that the modern Islamic banking started only fifty years ago whereas, conventional banking is working for many centuries. Customers are already familiar with the working system of conventional banking, but providing the same services with Islamic principles is always a challenging job for different banks. To deal with such a problem is the main thrust of the courses offered by these universities. Such courses are meant to make it easy for these professionals to convert many products of conventional banking into Islamic banking while taking the rules and principles of Islamic finance into consideration. This is the reason why most of the universities of Saudi Arabia and the UK prefer those faculty members who have both teaching as well as professional expertise. If a university successfully implements the modern requirements of job market in their

degree programs, it becomes easy for graduates and post graduates to adjust in the job market of IBF. Most of these students are easily adjusted in Islamic banking industry as Shariah experts, lending officers, internal auditors, Regulatory specialists, Risk specialists and IT specialists.

3. EDUCATION SYSTEM OF SAUDI ARABIA

The education system in Saudi Arabia is divided into five levels:

- (1) Pre-elementary,
- (2) Elementary,
- (3) Intermediate,
- (4) Secondary
- (5) Higher Education.

To administer all these types of education categories, educational administration in Saudi Arabia consists of:

- The Ministry of Education
- General Presidency of Girls' Education,
- The General Organization for Technical Education
- Vocational Training and
- The Ministry of Education.

All types of educational institutions are governed by these four agencies in this country which provide different kinds of expert and financial support through different ways and means. The higher education system encourages both public and private universities so that to increase the educational standard and scholarly thinking within the kingdom. Since Saudi Arabia is one of the members of Organization of the Petroleum Exporting Countries (OPEC) and oil is the main revenue for the country, therefore shortage of funds is not an obstacle. The educational institutions are modernized by providing all kinds of facilities, and the development of different traits is the main focus for the Ministry of Higher Education. Some universities have made tremendous progress as far as ranking of universities in the world is concerned. Saudi Arabia's vast educational policies and reform system based on Islamic principles can be judged by looking at the establishment of some of the universities.

- King Saud University was established in 1957,
- Islamic University was established in 1961,
- King Fahd University for Petroleum and Minerals was established in 1963,
- King Abdul-Aziz University was established in 1967,
- Umm Al-Qura University was established in 1967,

- Imam Muhammad Bin Saud Islamic University was established in 1974 and
- King Faisal University was established in 1975. These are few of the universities which were established many years ago.

3.1. Islamic Banking and Finance Education in Saudi Arabia

Saudi Arabia is among the pioneers, as far as IBF education is concerned. Necessary steps for the development of Modern facilities for Islamic banking were taken by this country. Although the concept of Islamic banking is as old as Islam itself, but managing the banking sector as per the modern rules and regulations of present day world was much needed. It is necessary to develop the human resources based on the need of the hour. To educate the masses from traditional banking to Islamic banking, this country has left no stone unturned to lead in this process and practically achieved the macro-economic objectives of Islamic finance. Different educational and research institutions were established to educate as well as to produce the scholars of Islamic finance in the world. For this purpose, Islamic Development Bank has established Islamic Research and Training Institute in 1981 and many other universities have also started courses related to IBF. Some of the important courses are given below:

- King Abdulaziz University has a separate and renowned 'Islamic Finance Institute' which has continuously been engaged with the education and research on Islamic economics. It was previously known as 'Islamic Economics Research Centre' and was established in 1977. The first Journal on Islamic Economics was published in 1983 by this Centre, which is the first Journal indexed in SCOPUS [6]. Also globalization' approach [7][8] was adopted by the Islamic Finance Institute, which is driven by the local engagement and global competitiveness. The institute had looked at the regional and global dimensions without compromising the local needs and contexts, while offering the courses [9].
- Effat University provides Masters in Islamic Financial Management (MIFM), which consists of 15 courses and a professional thesis, spanning a total of 18 months. To complete the MIFM, a student is required to complete the 50 credit hours from which 5 hours are for professional thesis [10].
- There are different courses on Islamic Finance in the Department of Business Administration (female campus) King Saud University. The courses are mostly bachelor program paths and are provided in economics discipline. These courses are offered by Olaysha Centre for Girls [11]. Also there is a well established centre for Islamic finance.
- In King Fahad University of Petroleum and Minerals (KFUPM), there is Center of Research Excellence in Islamic Banking and Finance. This Centre is engaged with research and development on Islamic finance in addition to

different Islamic banking courses [12][13]. The centre has organized an international conference in 2016, which is considered the best conference on Islamic finance in the history as editors of world renowned journals of finance and economics have attended the same in Riyadh.

- In order to foster development and innovation of new financial products in Islamic Finance, Al Imam Muhammad Ibn Saud Islamic University has opened two Chairs for Islamic Financial Market Studies. Alrashid Chair for Islamic Banking Studies and its SABIC Chair for Islamic Financial Market Studies. These two working for the promotion and innovation in this university [14][15].
- Islamic Research and Training Institute (IRTI) which is a member of Islamic Development Bank (IDB) and one of the famous institutes in the world, is working for the development of Islamic Finance. The center is engaged with capacity building, research, policy dialogue, training, advising and counselling. It also publishes journals and books on Islamic banking and finance. The institute offered online courses [16] and also provides scholarships as well as awards research grants in Islamic Finance [17].

4. EDUCATIONAL SYSTEM OF THE UK

To make the educational system productive in the UK, many changes have been done from time to time. Many reforms were made on the leading edge of the worldwide crusade for best quality in education sector. These changes were incorporated in government, private and vocational universities where students and scholars complete their degrees. The educational system of the UK is based on five stages which include early years, primary schooling, secondary schooling, Further Education and Higher Education. But due the high standard of many universities, students and scholars of other countries also get attracted to study and research on different topics and subjects. The UK's Higher Education is further divided into three categories, which are:

- Postgraduate courses leading to higher degrees (like Doctorate, Masters, postgraduate and diplomas).
- Undergraduate courses, which includes both ordinary and honours and
- The third category includes other undergraduate courses which include diploma degrees of different kinds.

The laws which are governing the educational and related systems are many in the UK these have been modified based on the need of the hour and law amendment by concerned agency. Important laws include:

- Education Act 1996,
- Schools Standards and Framework Act 1998,
- Education Act 2002,

- Education Act 2005,
- Education Act 2011,
- Children Act 2004 and 2006,
- Special Education Needs and Disability Act 2001,
- Education and Inspections Act 2006 and
- Academies Act 2010

4.1. Islamic banking and Finance Education in United Kingdom

In the UK there are many foreign as well as local banks providing Islamic banking services to their customers. Some banks are fully Islamic where as few have Islamic branches or windows system. The mixed banking system of the UK has unique features because of the banking system prevailing there. Based on the needs of these banks, the educational institutions have many courses related to Islamic finance in order to fulfil the demand of human resources especially Sharaiah advisors. As it is well estimated by the economists that there is a shortage of Islamic finance scholars and necessary measures are being taken by many countries to reduce this shortage. For this purpose, the UK has also played an important role by offering Islamic finance related courses in many universities.

Although the UK is not among the top countries where more IBF courses are taught but while taking the infrastructure in educational institutions into consideration, it can be rightly said that in future the UK may be one of the leading countries where Islamic banking and finance education will be provided. There are many universities right now where bachelors, masters and research degree are offered to the students but most of them are foreign students especially from the Middle East. These students after completing the degrees from UK universities find the jobs in Islamic banking related fields easily. Some important universities of the UK and the degrees offered are briefly mentioned below.

- London School of Business and Finance offers MA in Finance and Investment (Islamic Finance and Banking). There are three stages in this course with different models. Stage one consists of:
 - (1) Business and Financial Analysis (15 credits),
 - (2) Corporate Finance (15 credits)
 - (3) Quantitative Finance and Financial Markets (15 credits)
 - (4) Research Methods.Stage 2 consists of:
 - (1) Fundamentals of Islamic Finance (15 credits),
 - (2) Islamic Banking Operations (15 credits),

- (3) Islamic Portfolio Management (15 credits) and
- (4) Research Methods.

The third stage consists of Online Dissertation and Research Methods (30 credits) [18]

- University of Salford Manchester offers Islamic Banking and Finance MSc/PgDip/PgCert. There are three semesters for completing the master's degree in Islamic finance. Semester one consists of International Financial Management and Accounting and Finance. Semester two consists of Islamic Financial Markets, instruments and products. It also consists of Risk, Regulation and Compliance. The last semester consists of Dissertation, Live Project, Internship and Placement [19].
- Durham University offers MSc in Islamic Finance as well as MSc Islamic Finance and Management. Master's degree consists of courses which include;
 - (1) Islamic Banking and Finance,
 - (2) Islamic Law and Financial Transactions,
 - (3) Islamic Political Economy,
 - (4) Advanced Financial Theory,
 - (5) Econometric Methods,
 - (6) Islamic Capital Markets
 - (7) Risk Management Issues in Islamic Finance [20].

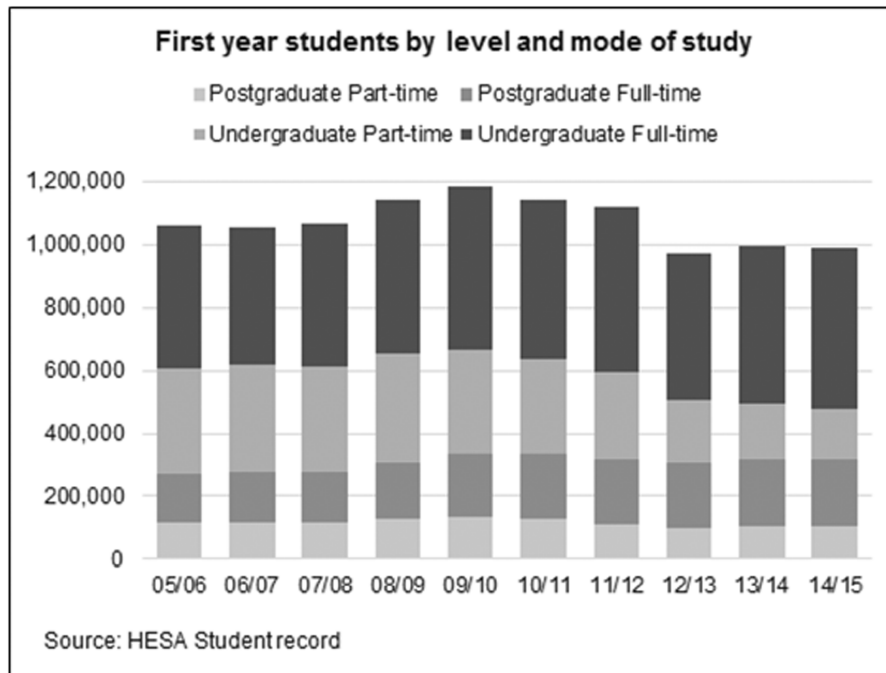
Mostly scholars prefer this university for research as there is separate and well established Centre for Islamic finance.

- Prifysgol Bangor University offers MSc in Islamic Banking and Finance. In this course, there are some compulsory and some optional modules. Compulsory modules consist of Research Methods, International Financial Markets, Islamic Finance, Islamic Banking, International Banking and Financial Econometrics. Whereas in optional models there are two subjects related to Islamic banking, one is Islamic Insurance and the other is Islamic Accounting and Financial Reporting [21]
- Staffordshire University offers MSc in Islamic Finance and Accounting. Courses in this degree are: Management Control and Audit, Advanced Corporate Finance, Financial Reporting and Analysis, Research Methods, Islamic Banking and Takaful: Products and Services, Islamic Commercial Law (Shariah), Islamic Capital Markets and Investments, investment Game, Accounting for Islamic Financial Institutions and Dissertation [22].
- University of South Wales Prifysgol De Cymru offers MSc Islamic Banking and Finance. The broad areas covered include issues relating to Islamic

financial instruments and related risk management. Main characteristics of various types of Islamic banking products. Operational features of Islamic banks focusing on their performance and how they compete with conventional banking. Service quality issues in Islamic Banking and how they compete with conventional banking. Degree of Innovations in Islamic Banking. The impact of accounting and auditing standard on the performance of Islamic are some of the key areas of this programme [23].

5. CONCLUSION AND SUGGESTIONS

In Saudi Arabia, there are 24 public and 9 private universities [24] with modern technology and developing trend towards excellence. King Abdulaziz University is among the top universities as far as ranking of universities in Arab world is concerned [25]. King Fahad and King Saud are also among the top five universities in Arab world. Comparing such a system of education with the educational system of the United Kingdom is not as easy task as far as SWORT (Strengths, Weakness, Opportunities and Threats) analysis of both the countries is concerned. It is true that the educational system of the United Kingdom is more advanced as compared to Saudi Arabia due to multiple reasons; especially the old and vast network of universities which is a recent phenomenon for Saudi Arabia. Though the network of universities in the UK has a long history, the education system in Saudi Arabia is free as compared to the system in UK. In the UK, student enrollment ration is high as compared to many years before. But education



system is free in Saudi Arabia while as the same is paid in UK. Also in UK student enrollment ratio is high especially foreigners compared to Saudi Arabia. In Saudi Arabia, as per the 2009-2010 statistics, there were 757,770 students enrolled in higher education [26]. The graph below shows the number of students in higher education at UK [27] which is very high as compared to Saudi Arabia.

But while comparing the education system related to IBF in both the countries, Saudi Arabia is ahead of the UK. Saudi Arabia is first to offered the IBF courses and is also ahead of the UK as far as research on IBF is concerned. The UK started educational courses after scanning the market opportunities of IF which Saudi Arabia has developed. The UK universities are fully providing these courses in management and economics departments but Saudi Arabian universities have separate departments for the said courses in almost all big universities. The staff strength and facilities for these courses are free of cost while the same is paid in the UK. The research centers at King Abdulaziz University and Islamic Research Training Institute (IRTI) are worth mentioning among the pioneers in Saudi Arabia but the similar types of centers do not exist in the UK yet. Although, some universities are trying to develop the Islamic banking related departments in the same pattern as Saudi Arabia has developed. It is because of these Institutions, Saudi Arabia is among the top Islamic finance product development countries [28]. In the nutshell, it can be said that general education system in the UK is better as compared to Saudi Arabia but Islamic Banking and Finance related programs are better in Saudi Arabia compared to the UK. Universities should pay attention to innovative ways and methods for developing the IBF courses. For this purpose it is not necessary to establish the separate departments at first instance but degrees can be offered in finance and economics departments which almost all universities in the world already have. Teaching faculty can be updated and necessary measures may be taken to do the same with IBF principles. Saudi Arabia can be the role model for the rest of countries in the world if more universities will start the IBF courses, otherwise UK may take its position.

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