

## **PROSPECTS OF ACCOUNTING GRADUATES IN ISLAMIC FINANCE**

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### **ABSTRACT**

Islamic finance currently represents one of the growing sectors of the global financial system. The industry has experienced robust expansion of growth, which lead to a dire need in highly skilled and talented human capital workforce. As reported, eighty percent believed that the number of people currently working in the Islamic financial institutions (IFIs) is insufficient to meet the growing need of the industry. As accountants are a support and lynchpin for business across all sectors, it is relevant to help develop the Islamic Finance industry by enlarging the current talent pool. Therefore, this study is carried out to identify the prospects and opportunity for accounting graduates in Islamic finance industries. Previous literatures will be reviewed to find out what are the knowledge and skills to be acquainted by the graduates to fill up the needs of the industry besides to understand the challenges faced by the higher learning education sectors in fulfilling the insufficiencies.

**Keywords:** *Accounting education, Islamic finance, human capital, Accounting talents*

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### **1. Introduction**

The booming in the Islamic Finance since 2009 in Malaysia, has resulted Islamic financial industry experiencing robust expansion in economic. Due to this expansion, it is estimated that the Islamic financial industry requires approximately 1 Million professionals by 2020. Whilst Malaysia alone needs a total of 22,400 individuals to support the Islamic sector comprising 40% of the additional 56,000 workforce needed for wider financial industry (MIFC, 2015). For Malaysian Institute of Accountant, it is the Institute's vision to promote the growth and prospects for Professional Accountants in Business (PAIBs) by identifying opportunities for accountants in Islamic finance in order to explore the many areas that they can contribute their skills and expertise to help develop the Islamic finance industry (Abdullah, A., 2012). Since there are not many accountants who have a good blend of knowledge in Islamic finance and if there are, most of them are in their golden age.

Therefore, new young accountants need to be trained in Islamic Finance (Abdullah, A., 2012). There are plenty of job opportunities / career available for accountants in Islamic finance. However, most of the major problems faced by almost all Islamic banks in Malaysia are the lack of human capital.

This study is conducted to gain some insight on the prospect; the knowledge and skills that the accounting graduates need to equip themselves in order to prepare them for the human capital needs of the industries. The objectives of this study are to:

1. Identify the prospect of accounting graduates in Islamic finance industries.
2. Explore the knowledge and skills that can be contributed by accounting graduates in Islamic finance industries.

This study will review the findings of the previous literatures on the prospects, the skills and knowledge required to fill up the needs of the Islamic finance industry. Hence, to understand the challenges faced by the higher learning institutions to prepare the graduates for the labor market.

## **2. Discussion on Previous Literatures**

### **2.1 Who are on the league?**

According to the Islamic Finance Development Report 2014, 71% of Islamic finance degrees are offered by universities through undergraduate and postgraduate studies with related subjects of Islamic capital market, Islamic financial systems, Islamic banking operations, Islamic corporate governance, fiqh muamalat, zakat, awqaf and public finance, accounting and auditing, takaful, Islamic economics and Shariah (Wiaam, 2015). Therefore, the opportunity in the IFIs is not only restricted to Islamic finance graduates but it can be grabbed by accounting graduates or economic graduates.

### **2.2 The Opportunity in IFIs**

The courses in money and banking hedged with relevant fiqh positions are sufficiently integrated with those in mainstream economics, management and accounting. The students completing the program are well received in the job market (Hasan, 2008).

Razak & Saad (2014) believe that financial institutions are the main component of economic institution which plays a role in educating the society. Islamic financial institutions comprise of banks, takaful operators, Islamic wealth management, zakat & waqf institutions, Baitul Mal and other related Islamic finance agents, which are responsible in educating the society through theoretical and practical knowledge related Islamic finance. Strategic partnership between academic institutions and Islamic finance institutions will benefit both parties in developing the human capital talent for the industries.

This is in line with the effort of AIF, IBFIM, INCEIF, ISRA SIDC and FSTEP which have undertaken several initiatives to develop Islamic financial services professional across the various level from the entry level for graduates to the leadership level for senior management and board of directors (MIFC, 2015). At academic institutions level, ICIFE has

developed an internationally acceptable curriculum and talent for Islamic finance education in Malaysia to enrich the initiatives of human capital development.

The involvement of academic educational programs is important in developing the human capital within the Islamic finance as it is crucial for the academia to work closely with the industry players and vice versa. The symbiotic relationship between academia and industry in designing academic and training curricular for Islamic finance programs and courses would help the educational provider in supplying high quality talent to fulfill the needs of industry (Wiaam, 2015).

Several studies argue that IFIs reflect unique characteristics that carry Islamic values in their transactions thus, require application of Islamic based accounting standards on their financial reporting. One main role of Islamic financial institutions is responsible for ensuring that the IFIs code of conducts in business must be in accordance with the principles of the Shari'ah (S). Therefore, all their activities should be made transparent in disclosing all activities and therefore specific financial reporting is required (El Khatib & Nizami, 2015).

To Talib et al. (2014), financial reporting based on Syar'iah is very important to ensure the reliability and usefulness of information reported to the users of accounting information. Their study showed that there was a high degree of awareness among the academicians who agreed SbA is needed to account for Islamic products. In fact, majority of the respondents agreed that SbA should be offered at higher learning institutions to cater syar'iah-based financial market and services.

### **3. The Findings**

The findings on previous literatures on the prospects of accounting graduates were sought from Grant Thornton (2010), Abdullah, A. (2012), Syafii et al (2012) and Talib et al (2014). Abdullah, A. (2012) in her paper "Prospects for Accountants in Islamic Finance" had interview few key personnel in Islamic Finance Industries. The followings points need to be considered by the accounting graduate:

- Accounting talent have to grasp business fundamentals – capital-raising, investment & operation (President of INCEIF).
- All aspects of accounting standard skills sets – Basic understanding on the application of Shariah contracts in Islamic Finance (CEO of IBFIM).
- There are ample job opportunities & careers available to accountants & finance professionals in Islamic Finance at all departments in any organization (CEO of IBFIM).
- Specific skill sets relate to an in-depth understanding of the application of Shariah principles & rulings in Islamic finance & their implications on financial reporting are essential (CEO of AIFLC).
- Willingness to integrate principles of accounting with the principles of Islamic finance is the most challenging factor of the industry (CEO of AIFLC).
- Accountants need to equip themselves with knowledge on Islamic banking & shariah requirements (CEO, FSTEP).

- Accounting graduates should be able to understand Islamic finance concepts & apply the accounting standards on accrual basis, substance over form, probability & time value of money (CEO, Kuwait Finance House (M) Bhd).
- Job opportunities available for accountants as a business units are Treasury, Corporate banking, Investment banking & Retail & consumer banking, while as a support unit – Finance & Internal Audit Departments (Abdullah. A, (2012).

From the Syari'ah perspectives, Syafii et al. (2012) and Talib et al. (2014) believes that accounting graduates should be able to equip themselves with the Shariah Auditing knowledge as part of the requirement of labour market for Islamic Finance Industries. Furthermore, Syari'ah-Based Accounting (SbA) principles need to be exposed to future accountants to cater for Islamic Capital Market of IFIs.

Although the Syari'ah knowledge on accounting is increasing in demand especially in IFIs, the concerns on accounting policy, internal control or compliance and financial reporting complexity should always be a primary focus of any private and public organizations (Grant Thornton, 2010).

Besides the technical skills discussed above, the graduate is expected to improve on the requisite soft skills across the accounting and finance career continuum. This is including the emotional intelligence, time management, critical thinking and problem solving; and negotiation and communication (Grant Thornton, 2010).

### **3.1 Issues and Challenges**

There are few challenges and issues that need to tackle in developing Islamic finance talent in the labor market:

1. Quality programs – The quality of the training program should be improved across border (FAA-IFN Human Capital Development Survey, 2014). The major concerns of area that need to be improved are; program contents, practical components and applications, lack of input from industry practitioner.
2. Lack of interaction between industry and educational providers – university curricular on Islamic finance have little relevance to the ever changing needs of the industry because the industry was not consulted in the design of the curricula. Strategic partnership is a great opportunity for educational providers and IFIs to enable the graduates to explore opportunities before training in the workplace.
3. The absence of a subject-specific and professional accreditation body for Islamic finance – there is currently a high level of dissatisfaction with the provision of training. An improvement is necessary in terms of practical components where specific approach to local and sector needs.

## **4. Conclusions and Recommendations**

The prospect of accounting graduates in Islamic Finance is very promising due to acute shortage of talent (Abdullah, A., 2012). Therefore, the graduates should equip themselves with emotional intelligence, time management, critical thinking and problem solving; and

negotiation and communication (Grant Thornton, 2010). Besides, from the Syariah perspectives of IFIs, Shariah-Based Accounting (SbA) principles and Shariah Audit knowledge should be exposed to the accounting graduates in the curriculum besides the conventional core accounting knowledge.

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