

Shariah study lures non-Muslim students

Demand for Islamic finance training from non-Muslims rose more than fourfold in the past seven years

JAKARTA • Demand for Islamic finance training from non-Muslims rose more than fourfold in the past seven years as students seek to enter an industry whose assets are set to double to US\$3.4 trillion (RM10.88 trillion) by 2018.

Malaysia's International Centre for Education in Islamic Finance had 2,000 people enrolled on its courses this year, of whom about 14% are from nations with small Muslim populations, its CEO Daud Vicary Abdullah (picture) said in Kuala Lumpur last Wednesday. That compares to 3% in 2007, he said.

While students from South Korea, Japan and the US dominate the enrollees, those nations have yet to introduce Shariah-compliant legislation. The UK became the first western country to sell sukuk this year,



Pic by Hafzi Mohamed

while Hong Kong and South Africa also plan to debut in the market in 2014. Ernst & Young LLP forecasts Islamic lenders will have 70 million customers by 2018, up from 38 million last year.

"Islamic finance is becoming less and less of a niche," Daud Vicary said in a phone interview. "The Koreans and the Japanese see this as a business

proposition and given the potential, they can't afford not to participate."

Malaysia, Indonesia and the six-member Gulf Cooperation Council are the world's main Shariah-compliant industry centres, with Hong Kong, Singapore and the UK all vying to become regional hubs since introducing Islamic finance laws.

Australia has considered employing such legislation since at least 2010, while plans in South Korea met with opposition from Christian groups. Japan has no rules of its own but allows subsidiaries of its lenders and insurers to offer Islamic financing overseas. The US has no laws that permit the sale of sukuk although it does provide Shariah-compliant services.

Shariah law bans investment in companies involved in activities deemed as unethical such as gambling, prostitution and alcohol. Scholars are employed to vet products and services to ensure they comply with religious tenets, including a ban on interest payments.

The industry needs one million people with Islamic finance knowledge

by 2020 as Shariah-compliant assets are set to reach US\$6.5 trillion by then, according to a November report from the Malaysia International Islamic Financial Centre.

Rodney Wilson, who used to teach Shariah-compliant banking at Durham University in the UK and is now an Emeritus Professor, said he's taught students from South Korea at Malaysia's National Centre for Socio-Economic Information and Forecast (NCEIF) and non-Muslim Europeans at the England-based institution.

"Islamic banking and finance is now accepted by mainstream bankers and finance professionals, who see it as an opportunity," Wilson said in an Aug 5 email interview. "Sukuk are becoming more popular as the issuance in non-Muslim countries illustrates."

Global offerings of Shariah-compliant bonds rose 27% in 2014 from a year earlier to US\$26.9 billion, data compiled by Bloomberg show. A decade ago, full-year issuance amounted to US\$5.6 billion. Malaysia, the world's largest sukuk market, accounted for 69% of sales last year,

followed by Saudi Arabia with 12%, the United Arab Emirates with 6% and Indonesia with 5%, Bank Negara Malaysia (BNM) data show.

Many students from non-Muslim nations are sponsored by state agencies, such as their foreign and finance ministries, said Daud at Malaysia's INCEIF, who is also on the steering committee of the Royal Award for Islamic Finance organised by BNM and the country's Securities Commission. More education is needed to clear up misperceptions about the Shariah-compliant industry that some people have, he said.

Hong Kong plans to sell as much as US\$1 billion of sukuk in its debut offering this year, according to an emailed statement in April. Maybank Kim Eng Holdings Ltd and law firm Clifford Chance LLP began training staff in the city in preparation for this and future sales. Hong Kong, Japan, South Korea, the US and UK were home to less than 0.4% of the 1.6 billion global Muslim population in 2010, according to the website of the Washington-based Pew Research Centre. — Bloomberg