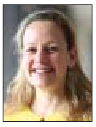
Pure Islamic finance degrees – is that the way to go in developing Islamic finance professionals?

Whether conventional finance or Islamic finance, both sectors aim to provide customers with quality products and services, beneficial to their companies and households, while being financially sustainable. A number of education programs exist in both sectors, exemplifying the need for qualified professionals to serve both the interests of their employers (financial institutions) and their clients. Education providers, though, often have a very black and white approach to teaching finance. Most are fully specialized in either conventional or Islamic finance, catering to their own very specific target group. Only very few conventional programs have dared to add a small stripe of 'exotic' color by adding perhaps an elective in Islamic finance in their mainstream curricula. DR BARBARA DREXLER and MICHAEL CRAYNE delve further.

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Frankfurt School has chosen a more multicolor approach. Since the early 1990s, Frankfurt School has offered executive and degree programs revolving around financial inclusion, and the school is well known as a premier provider of education and training in conventional microfinance. Since 2016, the school, in partnership with Islamic Relief Worldwide, has offered a highly innovative course in Islamic microfinance, an online course that allows conventional microfinance professionals, mainstream Islamic finance professionals as well as donors and investors, wherever they are in the world, the opportunity to learn the fundamentals of Islamic finance principles and how they can be applied to microfinance.

But is there a need for such programs? Should financial education institutions, such as the Frankfurt School of Finance & Management, specialize its education programs to train exclusively in Islamic microfinance, or is there merit in educational cross-breeding?

Frankfurt School has answered these questions for itself, but let us look at some of the pros and cons of having education programs that train solely in Islamic microfinance, and training programs that would train in both conventional finance and finance that is Shariah compliant.

> ***"Limiting education programs to content on Shariah compliant finance restricts innovation in products that meet financial needs"***

First off, focusing training on the principles of Shariah compliance in the financial sector allows for potential candidates, who had not considered working in the sector for religious or ethical reasons, to excel. This is positive for Islamic financial institutions, for the personal and professional development of the individuals and for the clients that will be served.

Next, training professionals solely in Islamic finance would have the ultimate aim of providing more depth to its specificities, its methods and its rules. With more focus, one can dive deeper. This, in turn, allows Islamic finance professionals to innovate more, and better. The development of Islamic finance has certainly demonstrated this, with a number of new products and services, yet herein lies the difficulty: Islamic microfinance has, thus far, not ventured very far beyond the centuries-old mechanisms of social welfare present in the Islamic tradition, blending in more structured products derived from more formalized Islamic business practices (which are often not very well adapted to the needs of the economically active underprivileged).

I do not have an answer as to why, perhaps simply more time is required. Yet, according to the World Bank's Global Findex report of 2017, more than 50,000,000 adults, in predominantly Muslim countries, do not have an account at a financial institution, objecting to them for religious reasons. Many of these people could be served, for their benefit and that of their communities, with products and services that meet their ethical requirements.

To be able to serve these people, and serve them better, I posit that limiting education programs to content on Shariah compliant finance restricts innovation in products that meet their financial needs. This is not to say that conventional microfinance is better, or worse. It probably simply has had more time to grow, test the market, fail and succeed. Indeed, while Riba, and to a certain extent Gharar, are mainstays of conventional microfinance that are unacceptable in Islamic microfinance, the industry has suffered a number of crises over the past decades (in India, Mexico, Morocco and Bosnia, to name a few) that have led the industry to launch initiatives making the products and services on offer, and the processes

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by which they are delivered, more ethical, truer to its goal of achieving a double bottom line.

The SMART Campaign and the Social Performance Task Force are two such initiatives which are, by and large, compatible with Islamic principles, with some adaptation, providing frameworks for innovation. Similarly, the European Code of Good Conduct for Microcredit Provision, an EU-funded initiative to promote self-regulation of microfinance institutions in Europe, provides a framework of good practices that Islamic microfinance institutions can use to increase efficiency of their operations and ameliorate outreach, while staying true to their essential principles.

Current and future Islamic microfinance professionals are best served by a full understanding of conventional microfinance products, services, principles, processes, business and governance models and perhaps, most importantly, experiences, to best serve their clients and their employers.

This is how Frankfurt School has approached doing its part for financial inclusion, as an education provider to the financial system: proposing online certification courses in both microfinance and Islamic microfinance, hoping that the breadth of knowledge that our participants gain will allow them to better serve the public.