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Designing Islamic Finance Programmes in a Competitive Educational Space: The Islamic Economics Institute Experiment

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Abstract

This paper aims at exploring the experiment of the Islamic Economics Institute (IEI) of King Abdulaziz University in the design of the first ever Islamic finance higher educational programme at a Saudi Public University. An evaluative analytical framework has been utilized to meet this goal. Results show that the Institute has pursued a ‘glocalization’; thinking globally and acting locally approach in designing the programme. This approach aims at providing learners with ‘cutting-edge’ skills that will enhance their chances for employment at the local as well as regional markets. What are the advantages of this approach? And how can the Institute preserve its ‘distinctive research’ positioning that it has gained over the years, at the same time, being able to provide ‘world-class’ educational programmes?

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1. Introduction

Latest reports and studies, about the development and growth of Islamic finance (IF) industry, show that the educational aspects, of this newly emerging industry, are gaining momentum and attracting more attention. For instance the newest report of ICD & Thomson Reuters (2013: 42) reveals that there are over 533 institutions offering degrees or courses in IF. And between 2010 and 2012, there were 655 published researches globally in this field. Seizing upon this momentum and in recognition of the importance of education for human capital

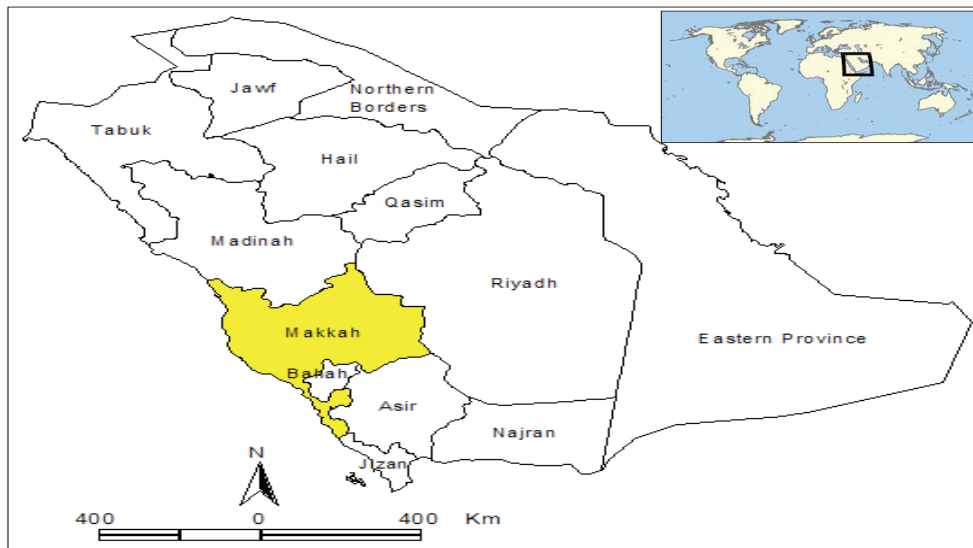
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development for the furtherance of the industry the IEI of King Abdulaziz University (KAU) created, in 2010, a special research program designated to the follow-up and analysis of IF higher education programmes all over the globe. The outcome of this program has been manifested in many facets; a book documenting the developments and prospects of IF in Western higher education (Belouafi *et al.*, 2012a), and a paper presented at a Cambridge University conference in the summer of 2012 comparing and contrasting six IF higher educational programmes in GCC countries (Belouafi *et al.*, 2012b). This research is an expansion to the horizon of the 2010 special programme by providing an account and analysis of the executive master programme that the Institute is launching in the 2nd semester of the academic year 2013/2014. The remainder of the paper is constructed as follows. Section 1 extrapolates at the genesis of IF in the Province of *Makkah*¹. Section 2 examines the status of Jeddah as a ‘capital city’ of IF education in Saudi Arabia. Section 3 explores the design methodology of the Executive Master in Islamic Finance (EMIF) at the IEI. Section 4 concludes.

2. Genesis of Islamic Finance Education in Makkah Province

In its communiqué; the first International Conference on Islamic economics² organized by KAU in *Makkah*, from 21 to 26 February 1976, called upon stakeholders to support the activities of Islamic banks. A special reference, in this regard, was made to education at the University level in the Arab and Muslim countries (Ahmad, 1980: 354). As a result two important developments took place: the first was the establishment of the International Centre for Research in Islamic Economics (ICRIE), in 1977, at KAU, and in 1985 the name of the Centre has changed to the Islamic Economics Research Centre (IERC) and, the second, was the launch of an Islamic economics educational programme at *Umm Al-Qura* University in *Makkah*. With this educational programme, IF has made its first entry into the Saudi higher education system through the following courses: jurisprudence of financial transactions, teleology of legal contracts, contemporary financial transactions, money and Islamic banking. Over the past three decades or so, the Province of *Makkah* has gained a clear competitive advantage over other regions of the Kingdom of Saudi Arabia in IF research and education (Fig. 1).



Source: Authors

Fig. 1. Map of *Makkah* Province and the other regions of the Kingdom

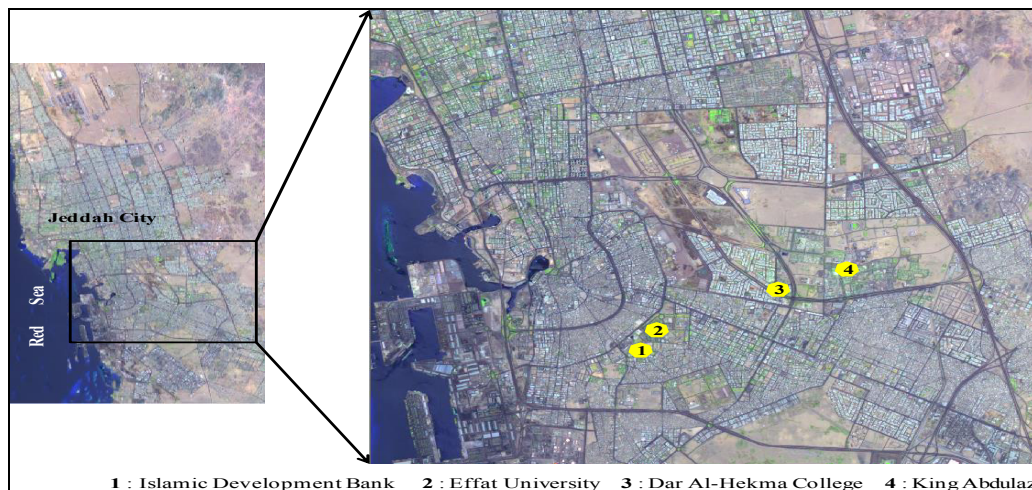
¹ The Province of *Makkah* is the most populous province of Saudi Arabia. Its capital is the sacred city of *Makkah* and its largest city is Jeddah, which is also Saudi Arabia's main port city. The province is divided into 12 governorates.

² This conference is regarded as a landmark conjecture in the emergence of IEs as a distinct discipline. And it is still considered as the most prestigious and distinguished event in IEs and finance symposia. Its ninth edition (9 ICIEF) was held, in early September of last year in Istanbul in Turkey

In spite of that advantage the launch of a programme entirely dedicated to IF education, within the province of *Makkah*, was only envisaged in 2008. The IERC set up an initiative in launching an IF master's programme in collaboration with the department of economics at KAU. The project has never been materialized for various reasons. The paramount among these reasons is related to the IERC status as a Centre. This status did not qualify it to provide educational programmes due to legal and regulatory constraints governing the work of Centers at Saudi public Universities. Upon its upgrade, in 2011, from a 'Research Center' to an 'Institute', it has become possible to provide, in addition to research, educational and training programmes. And in 2012, a significant initiative took place at *Umm Al-Qura* University; a well versed institution located in the sacred territory of the province of *Mahkkah*. It was the establishment of a dedicated Faculty for Islamic Economics and Finance. This is the first faculty of its kind in the Kingdom. To reflect the growth and evolution of the IF industry, locally and globally, the faculty has created three specialized departments; finance, banking and insurance.

3. Jeddah: The 'Saudi Capital' of Islamic Finance Education

Within a few years, the city of Jeddah, has become the 'Saudi capital'³ in IF education. This is manifested by the various initiatives taken by academic and professional institutions operating in the City (Fig. 2). In addition to what have been covered in the previous section there are other well-received and recognized initiatives as well. For instance, a master degree in Islamic Financial Management was launched, in 2009, by *Effat* University, a private institution of higher education for women. In 2011, an E-learning based Master's programme in IF and banking, was launched by the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank group (IDB), as a share of a new learning activity that aims at supporting the development and dissemination of knowledge in the field of Islamic economics, finance and banking. On its part *Dar Al-Hekma* College, a private institution for women as well, provides an elective IF course in its MBA programme, and the college is in the process of creating a designated stream for IF in the same programme. The Faculty of Economics and Administration of KAU provide two IF courses at its Bachelor and Master degrees. The dynamism and attractiveness of the city of Jeddah in IF education is related to its proximity to *Makkah* (the cradle of Islam), the quality and reputation of its higher education institutions, the importance of its student population, the quality of infrastructure, the attraction of living, the job opportunities offered by the local banks as well as the IDB and its affiliates; the IRTI, the Islamic Corporation of the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the newly created Centre for the Development of Islamic Financial Products.



Source: Authors, SPOT 5 Image Fig. 2. Satellite Image of Institutions Offering IF Education in the City of Jeddah

³ It has to be acknowledged that other Cities and Universities are engaged as well in IF education. To the best of our knowledge none has a dedicated degree in IF, let alone a department or faculty dedicated to this field. Their initiatives are in the form of centers of excellence, chairs and courses introduced through existing programmes.

4. Design Methodology of the Executive Master in Islamic Finance at the IEI

Based on the ‘glocalization’ approach (Mok & Lee, 2003; Bassett & Maldonado-Maldonado, 2009), driven by global competitiveness and local engagement (OECD, 2007), the IEI curriculum committee has completely ‘revitalised’ the development process of educational programmes in IF both in the form and substance in comparison to the ‘accustomed’ and ‘routinely’ pursued approach. The committee was not limiting itself to the study of the existing IF programmes on the local, regional and international level, it has also studied the ‘best’ conventional financial programmes according to some well-known rankings; the Financial Times (2011) ranking of masters in finance. It should be noted that among the Top 10 masters in finance offered by the higher education institutions, six of them offer an elective course in IF (Belouafi *et al.*, 2012a: 93-96).

In addition, the curriculum committee has incorporated the standards of the National Commission for Academic Accreditation and Assessment developed by the Saudi Ministry of Higher Education, as well benefitting from the insights of the Association of Masters in Business Administration (AMBA). The EMIF was developed in close collaboration with the local financial community in the framework of an integrated development approach in 'Research-Education-Innovation' (REI). The development of research contributes to the spread of education and innovation. This REI triangle contributes to the emergence of a new model of territorial competitiveness. It is an integrated approach whose pilotage is exercised at the level of a discipline (IF in general), a theme (entrepreneurial finance for example)⁴. The idea is to break down barriers between the worlds of research, education and innovation on one hand, and to create synergies at the local territory on the other. In this process, the openness to international environment will become a decisive factor for the attractiveness of the city of Jeddah in IF education. This welcoming attitude is assessed within higher education institutions through the share of foreign students in the programme, the ability to teach courses in English, the international collaborations to facilitate exchange programmes for both incoming and outgoing students. The EMIF is taught in both English and Arabic; this latter is utilized mainly for courses relating to IF principles and their jurisprudential underpinnings and applications. Due to the very short time of launching the programme and its start in the second semester of the academic year, the first admitted batch of learners includes only Saudis; 20 students have selected from 95 applicants (IEI internal memo). With regard to hosting foreign students, the IEI has welcomed students of the IE Business School Master in Finance⁵ during the last two academic years. In addition, a delegation of students of the University of Strasbourg EMBA in IF was received in 15 February 2014. One of the peculiarities of the EMIF⁶ compared to the ‘accustomed’ approach of programmes designing related to Islamic economics, is the fact that it is structurally associated to the research strategy developed at the IEI. It enjoys synergies between pedagogic and research aspects as explained before. The second feature is that the proportion of elective courses (table 1) is significantly diversified and it is considerable in number if compared to existing programmes in GCC higher education institutions (Belouafi *et al.*, 2012b). This has been the case in order to provide an equal footing to learners in relation to their educational and professional backgrounds (economics, management, finance, law, Islamic sciences). Students are requested to choose four elective courses from a wide spectrum of fourteen electives. Looking at the diversity of the courses it can be easily spotted that these courses provide different routes; legal, financial and *Shari'ah* perspectives. Thus students may end their degree with a concentration in one of those areas, or may choose to end with a broader specialization. The third feature is the fact that the provided material has been built on both the substance and the form to ensure an appropriate balance between conventional courses and those related to the ethics of Islam.

⁴ See the case of the Business Development Center (*al-Masfaq*) launched by the Jeddah Chamber of Commerce and Industry Chairman Saleh Kamel.

⁵ IE Business School holds the No. 3 position worldwide in finance according to the 2013 Ranking of Masters in Finance published by Financial Times, <http://rankings.ft.com/businessschoolrankings/masters-in-finance-pre-experience-2013>

⁶ The course comprises of 42 credits: 27 compulsory, 12 electives and 3 for the research project.

Table 1. List of Compulsory and Elective Courses of the EMIF

Compulsory Courses	Principles of IF, Supervisory Laws of Islamic Financial Institutions, Accounting and Auditing Standards in Islamic Financial Institutions, Financial Analysis, Corporate Financing from an Islamic Perspective, Research Methodology, and Research Project.
Elective Courses	Computational Finance, Entrepreneurial Finance, International Finance, Investment Analysis, Economics of Markets, Islamic Financing Institutions, Islamic Capital Markets, Dispute Settlements in IF Contracts, Marketing of Islamic Financial Products, Maxims and Purposes of Financial Jurisprudence, Readings in Islamic Economics and Finance, <i>Shari'ah</i> Supervision & Audit, IF & Policy of Islamic Law, Economic and Transaction Jurisprudence Terminologies.

5. Conclusion

In this research the experiment of IEI at KAU, in developing and designing an executive master in IF, has been thoroughly documented and explored. The analysis shows that, in its development and design processes, the institute has departed from the 'routinely' followed 'accustomed' approach that does not take into consideration the 'glocalization' dimension in the construction of educational programmes. The institute had looked at the regional and global dimensions without compromising the local needs and contexts. As for the concern of the institute losing its 'renowned' research status, which it has gained over the years, through this expansion the authors do differ with this view. Yes, there are challenges that lie ahead, but there are opportunities as well. This is simply because the institute cannot remain indifferent to the expectations of the local financial industry on the need of 'properly' qualified and trained human capital, especially since it had undeniable strengths that should enable it to consolidate its position locally and globally, strengthening the attractiveness of the province of *Makkah* and the city of Jeddah in the furtherance of this newly emerging and promising discipline.

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