



**“ISLAMIC BASED SYSTEMS: STIMULI FOR ECONOMIC GROWTH”**

**THE ROLE OF  
BUSINESS SCHOOLS OF ISLAMIC COUNTRIES  
IN PROMOTING ISLAMIC BASED SYSTEM**

By

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## FLOW OF PRESENTATION

- i. Multi billion dollars industry
- ii. Gap between knowledge and Islamic based system
- iii. Governance of IF and halal industry
- iv. Scopes and roles of universities in promoting Islamic based system
- v. Challenges faced by the universities in promoting Islamic based system



## **ISLAMIC BASED INDUSTRY IS MULTI-BILLION DOLLARS INDUSTRY**

- The Islamic finance industry's assets are estimated to have amounted to \$1.8 trillion as at end-2013, recording an over 16% y-o-y growth.
- Leading the growth has been the Islamic banking sector which represented an almost 80% share of the global Islamic banking assets in 2013.
- Among the largest global Islamic banking jurisdictions (excluding Iran) in 2013 are Saudi Arabia which captured 18% of global Islamic banking assets, followed by Malaysia (13%), UAE (7%), Kuwait (6%), and Qatar (4%).

Source: Saudi Gazette, 2014



- The global industry for halal food and lifestyle products is estimated to be worth hundreds of billions of dollars and is multiplying as Muslim populations grow.
- Malaysia exported \$9.8 billion worth of halal products in 2013, the Oxford Business Group said.
- U.S. manufacturers, such as Kelloggs and Hershey, plan to build halal-compliant plants in Malaysia.
- The Oxford Business Group says Indonesia, with the world's largest Muslim population, plans to establish a center for the halal industry in 2015.
- In Thailand, more than a quarter of food factories are already making halal products.

[Source: Aya Batrawy](#) (Associated Press)



# GAP BETWEEN KNOWLEDGE AND ISLAMIC BUSINESS SYSTEM



Professor Cedomir Nestorovic of the ESSEC Business School in Singapore said:

*“None of the top 10 business schools in the world teach Islamic business exclusively. In older universities, there are Middle-Eastern Studies and Southeast-Asian Studies, but not Islamic business and management,”*



Professor Pervaiz, of Monash University Malaysia said:

*“Many companies used the prefix “Islamic” in front of their product without understanding the principle of Islamic business”.*

*“These are conventional products which use the word ‘Islamic’ but there is no actual value-added quality, no difference”.*



The Symposium on Islamic Business organized by Monash University realized:

*“There is a gap in academic knowledge concerning Islamic business, and this gap needs to be addressed if economies are to capitalise on this billion-dollar market potential”.*





## Recent IFN reports (2013)

Some of issues repeatedly raised on current scholars system

- i. An absence of standardized qualifications
- ii. The limited numbers of scholars/over concentration
- iii. Scholars with limited banking and finance experience



# **THE PRACTICE OF ISLAMIC BASED SYSTEM: OVERVIEW OF SHARIAH GOVERNANCE IN ISLAMIC FINANCE AND HALAL INDUSTRY**



Few Global Islamic finance standard setting bodies

1. AAOIFI
2. IFSB



## ▪ **Malaysia Islamic banking system:**

BNM has issued Shariah Governance Framework (SGF) consists of four elements:

Permanent Shariah Secretariat to evaluate

- ❖ Shariah compliance
- ❖ Shariah Research
- ❖ Shariah Review
- ❖ Shariah Audit

SGF limits the appointment as Sharia advisor: One scholar is only entitled to be a Sharia advisor for one Shariah Committee for same industry.



# SHARIAH GOVERNANCE IN GOLBAL HALAL INDUSTRY

## FEW INSTITUTION GIVING THE RECOGNISED HALAL CERTIFICATION:

- ❑ Adelaide Mosque Islamic Society of South Australia, Australia
  
- ❑ Supreme Islamic Council of Halal Meat in Australia Inc. (SICHMA), Australia
  
- ❑ Islamic Centre of The Argentine Republic (Centro Islamico de La Republica Argentina) Islamic Foundation Bangladesh (Baitul Moqarram National Mosque) Bangladesh
  
- ❑ Federation of Muslims Associations in Brazil

Source: JAKIM website (2014)



## MALAYSIAN EFFORT:

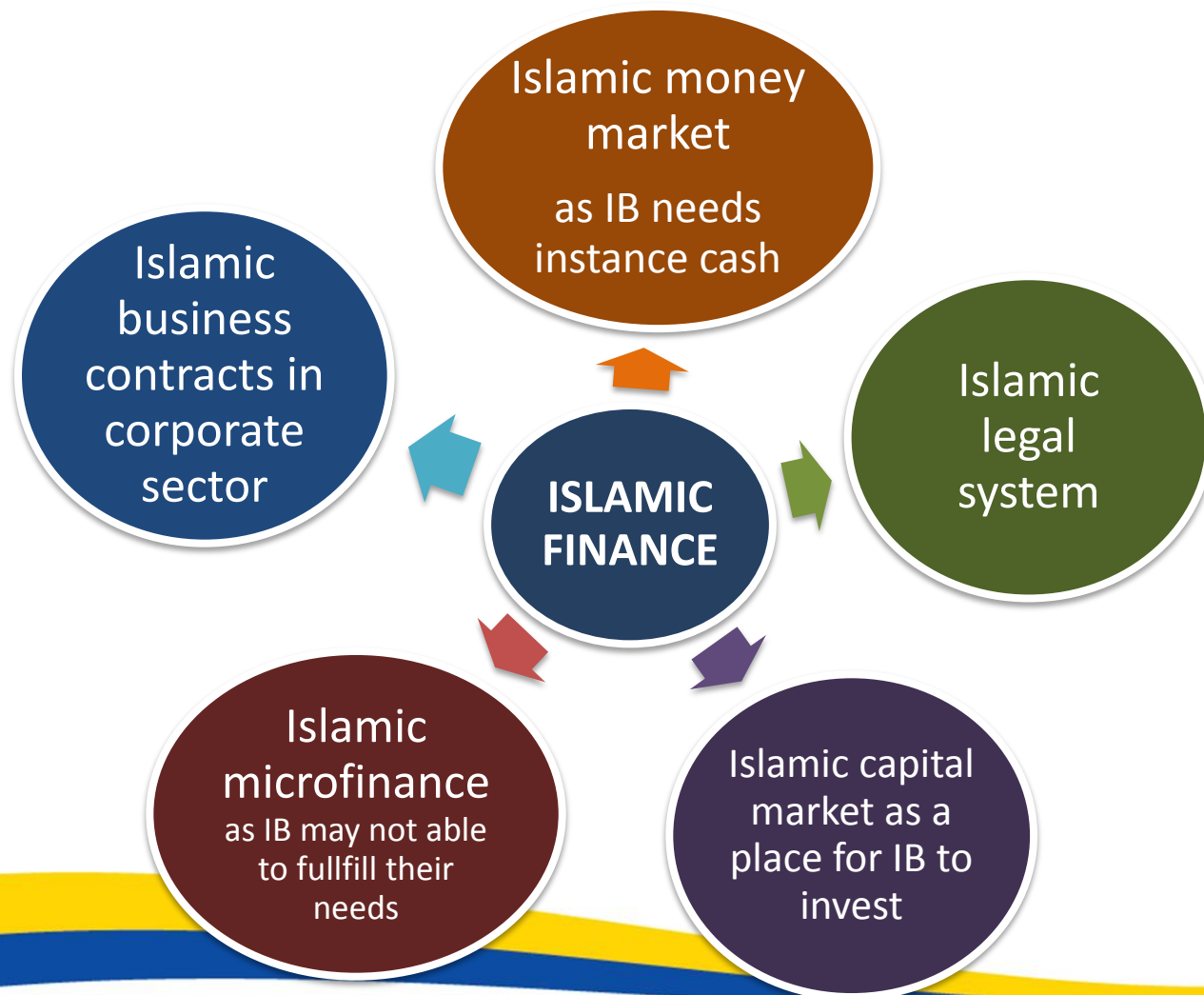
- The Halal certification has been strengthened and JAKIM and State Religious Council become the sole body to issue Halal Certificate.
- Scholars realized the importance of Shariah compliance in corporate governance but still there is NO FRAMEWORK to determine Shariah compliance or Shariah best practices for a company.



# SCOPES AND ROLES OF BUSINESS SCHOOLS IN PROMOTING ISLAMIC BUSINESS STUDIES



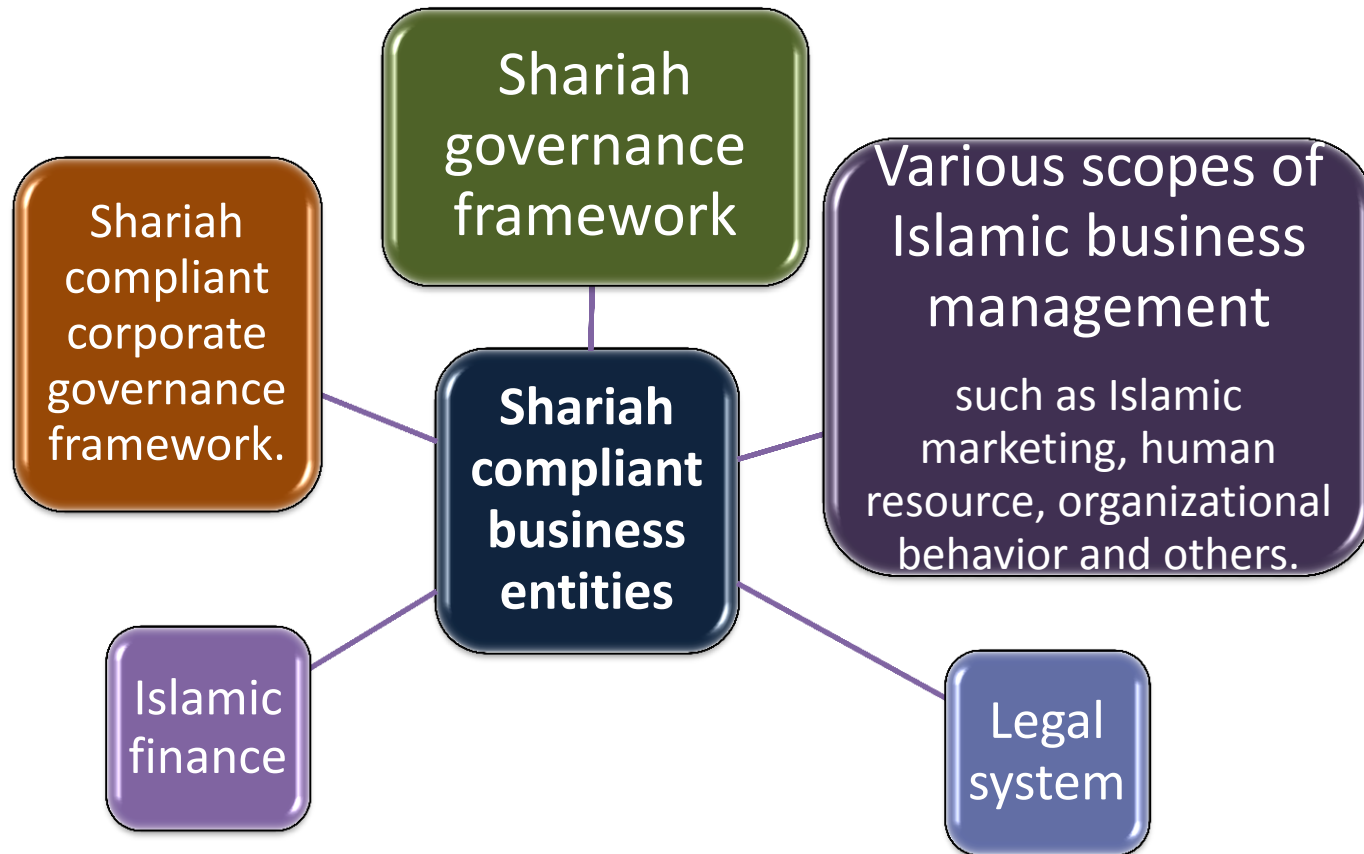
## SUPPORTIVE ELEMENTS FOR ISLAMIC FINANCE







## SUPPORTIVE ELEMENTS FOR SHARIAH COMPLIANT BUSINESS ENTITIES





## THE MAIN ROLE FOR THE UNIVERSITIES

To continuously promote the area of Islamic finance and halal industry with special attention on exploring various aspects of Islamic business management



# CHALLENGES FACED BY THE UNIVERSITIES IN PROMOTING ISLAMIC BUSINESS STUDIES



- Creating new academic programmes to promote Islamic business studies especially Islamic management. Bridging between theories and practices.
- Offer relevant courses like Islamic Finance, Economics, Muammalat etc concurrent with conventional courses so as to equip the students with a more comprehensive exposure on Islamic Business studies.
- Establish networking with Islamic Business Community for students to do their practicum or internship, and staff to attach with industries.



- Ensuring that their graduates are marketable due to relatively small penetration of Halal industry in overall global business activities.
- Establish a business centre in the University campus itself where students can have ‘hands on’ experience in business transactions and activities.
- Promoting and enhancing more ‘market-oriented’ researches where collaboration between universities and Business entities and organizations can take place.



## COLLABORATIVE EFFORTS BY GLOBAL UNIVERSITIES AND INSTITUTIONS

### ■ **ASEAN efforts**

- i. ISRA continuously organized Muzakarah Nusantara
- ii. Staff exchange
- iii. Student mobility
- iv. IMTGT – Indonesia, Malaysia and Thailand



## **OIC countries efforts:**

1. Among universities in OIC countries
2. UUM with CIBAFI and other institutions
3. WAIBS can become a significant platform



THANK YOU