

# Global Islamic Bankers' Survey

**JUNE 2023**



**Talent Management Dynamics**  
Current Practices, Challenges, and Prospects

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# About the General Council for Islamic Banks and Financial Institutions (CIBAFI)

CIBAFI is an international organisation established in 2001 and headquartered in the Kingdom of Bahrain. CIBAFI is affiliated with the Organisation of Islamic Cooperation (OIC).

CIBAFI represents the Islamic financial services industry (IFSI) globally, defending and promoting its role, consolidating co-operation among its members, and with other institutions with similar interests and objectives.

With over 130 members from more than 30 jurisdictions, representing market players, international intergovernmental organisations, professional firms, and industry associations, CIBAFI is recognised as a key piece in the international architecture of Islamic finance.

In its mission to support the IFSI's growth by providing specific activities and initiatives that leverage current opportunities while preserving the value proposition of Islamic finance, CIBAFI is guided by its Strategic Objectives, which are:

- 1) Advocacy of Islamic Finance Values and Related Policies & Regulations;
- 2) Sustainability and Innovation Integration;
- 3) Industry Research and Analysis; and
- 4) Professional Development.

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## Acronyms

<b>AI</b>	Artificial Intelligence
<b>AML</b>	Anti-Money Laundering
<b>CEO</b>	Chief Executive Officer
<b>CFT</b>	Countering the Financing of Terrorism
<b>CIBAFI</b>	General Council for Islamic Banks and Financial Institutions
<b>COVID-19</b>	Coronavirus Disease 2019
<b>ESG</b>	Environmental, Social, and Governance
<b>EU</b>	European Union
<b>FinTech</b>	Financial Technology
<b>GCC</b>	Gulf Cooperation Council
<b>GIBS</b>	Global Islamic Bankers' Survey
<b>HR</b>	Human Resources
<b>STEM</b>	Science, Technology, Engineering, and Mathematics

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## Statement by the Secretary General

It is with great pleasure that I present to you the eighth edition of the CIBAFI Global Islamic Bankers' Survey (GIBS) Report. Over several editions, the GIBS Report has consistently provided valuable insights into the Islamic banking industry's main concerns, practices, and emerging trends through the eyes of its leaders. Each report features a distinct theme, illuminating crucial aspects of the industry's evolution and progress.

This year's GIBS edition underscores the vital role of talent management in the Islamic banking sector. Three years after the onset of the COVID-19 pandemic, the world is gradually recovering economically, yet continues to grapple with multiple economic and geopolitical conditions. Amid these uncertain times, an organization's adaptability and performance will be the cornerstone of business continuity. The theme of "Talent Management Dynamics: Current Practices, Challenges, and Prospects" delves into the talent landscape and management practices within the Islamic banking industry, allowing banks to comprehend talent availability, identify areas with skill shortages, and recognize the key trends that influence the industry's required skill sets.

The insights gathered this year are particularly noteworthy, given the backdrop of numerous challenges faced by the global economy. Despite mounting concerns, survey responses convey cautious optimism, an awareness of key risks, and an appreciation of the significance of talent management in ensuring the Islamic banking industry's ongoing growth and resilience. Implementing effective talent management strategies is essential for attracting, developing, and retaining exceptional talent, which will enable Islamic banks to adjust to rapidly changing market conditions and maintain a competitive advantage.

We hope that the current report offers a comprehensive view of the talent management landscape within the Islamic banking industry and acts as a valuable reference for understanding the challenges and opportunities that lie ahead. Our aim is to equip industry leaders with the knowledge and insights necessary to navigate the complexities of the contemporary global economic environment and make informed decisions for a prosperous future.

**Dr. Abdelilah Belatik**  
Secretary General

## Acknowledgements

The Secretariat would like to extend its deepest gratitude to all the member and non-member banks and financial institutions who took the time to participate in the survey and share their valuable insights.

We would also like to express our sincere appreciation to the individuals who have played an instrumental role in the success of this report. Our sincere thanks go to the CIBAFI Secretariat, and Mr. Peter Casey, CIBAFI Consultant, for their efforts in the different phases of this report's production. We would also like to extend our gratitude to Mr. Abdulkareem Sukkari, Islamic International Arab Bank, Mr. Imad Al Sadi, Palestine Islamic Bank, Prof. Dr. Mohamad Akram Laldin, International Shariah Research Academy for Islamic Finance, Mr. Mohammed Imam, Jordan Islamic Bank, Ms. Stella Cox, DDCAP Group, Mr. Suhail Tohami, Al Baraka Group, and Mr. Şehada Mouzahem, Albaraka Türk Participation Bank, for their invaluable feedback and comments throughout the report's preparation.



In addition, CIBAFI would like to express its sincere appreciation to its Supporting Partners, DDCAP Group™ and Kuwait International Bank, for their unwavering financial support and contribution to the report's development. We would also like to acknowledge the support of Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS) in the collection of survey responses from Indonesia.

We are hopeful that the report will provide valuable insights on the prospects for the Islamic banking industry as we strive together for its development and growth.

**Dr. Abdelilah Belatik**  
Secretary General

## Executive Summary

As we mark three years since the onset of the COVID-19 pandemic, the world is on the road to economic recovery. However, it still grapples with geopolitical tensions, inflationary pressures, and tightening monetary conditions. These factors have a significant impact on the global growth landscape and pose unique challenges to the banking industry. Moreover, the industry must also address increasing customer expectations driven by technological advancements and concerns regarding social and environmental responsibility.


This year's GIBS edition emphasises the critical importance of talent management in the Islamic banking industry. In these challenging times, organisational performance and adaptability have become key to ensuring business continuity. With Islamic banks facing mounting pressure to meet stakeholders' expectations, deliver results, and differentiate themselves from competitors, their ability to attract, develop, and retain top talent has become more crucial than ever before. Effective talent management strategies allow Islamic banks to identify and nurture the skills, knowledge, and experience necessary to achieve their goals and stay ahead of the curve.

The report on the theme of "Talent Management Dynamics: Current Practices, Challenges, and Prospects" offers valuable insights into the talent landscape and management practices within the Islamic banking industry. It enables Islamic banks to understand the availability of talent to the industry and areas where shortages exist, including the key trends impacting the skill sets required in the industry. It also delves into the current talent management practices of Islamic banks, including their areas of prioritisation, challenges faced, and strategic approaches undertaken.

As always, the report begins with the two permanent parts of the Islamic Banking Confidence Index and the Islamic Banking Risk Dashboard. These sections aim to report on the key concerns and risks that Islamic banks will face in the coming years.

Part 1 of the report reveals a cautious optimism for the future of the Islamic banking industry, with Islamic banks remaining positive but recognising the possible impacts of ongoing global economic challenges. Islamic banks reported several concerns as the financial landscape continues to evolve. In many instances, these matched last year's reported concerns, reflecting a similar sentiment towards the factors affecting the industry's growth. Information technology (IT) remains a top concern as digital transformation continues to revolutionise the financial sector and drive efforts within institutions. In line with this, consumer attraction and retention also featured as a key priority, with Islamic banks striving to meet changing customer expectations and preferences in a highly competitive environment.

Macro-economic uncertainty and risk management were also at the top of Islamic banks' concerns. The industry's ongoing digitalization, coupled with economic and political challenges, are raising important concerns for banks in terms of profitability



and business continuity. This necessitates focused efforts to develop robust frameworks that can effectively manage the associated risks.

Part 2 of the report sheds light on various ongoing risks and challenges that Islamic banks recognise as crucial to address in the coming years. These risks align with the reported concerns and reflect operational issues that arise. Technology-related risks, including cybersecurity and technology risks, remain the top concerns for Islamic banks as they continue to invest in digital transformation initiatives to meet increasing customer demands and stay competitive. Credit risk, liquidity risk, and foreign exchange risk have also ranked high in this year's dashboard, some gaining prominence from last year while others maintaining their position. Unstable economic and geopolitical conditions are putting pressure on banks' ability to raise funds at favourable rates or maintain certainty for payments from customers, raising risks of defaults and a liquidity crunch, especially with rising inflation and profit rates.


Several risks have also shown changes to their position from last year. The risk associated with extreme disruptive events, such as the COVID-19 pandemic, significantly decreased this year, probably attributed to its nearly fading and an anticipated global recovery. Climate risk also saw a decrease in ranking, although Islamic banks remained cognisant of these concerns in their risk management practices.

Part 3 of the report looks specifically at talent management in Islamic banking. Islamic banks recognised overall the importance of possessing qualified human capital, especially in areas unique to Islamic finance, and the need for effective talent management practices. A hopeful outlook was projected on the availability of talent to the industry. However, there was also recognition of shortages of expertise in several fields. These include Islamic banking principles and knowledge of Shariah, financial technology, risk management, and compliance.

Several challenges were ranked high as to hindering talent availability, including insufficient collaboration between industry players and academia, limited globally-recognised educational and professional programmes, and the lack of awareness of Islamic banking and finance. However, the importance of these factors varies across regions. Islamic banks also highlighted technology and digitalization, sustainability, and the competitive financial landscape as key industry trends leading to changes in the talent and skill needs. Notably, increased importance is placed on digital literacy, cybersecurity, and technological innovation.

Responses highlighted a number of actions that will be needed to develop and support talent in the Islamic banking industry. These include a focus on providing comprehensive training, fostering effective talent management practices, and encouraging collaboration between industry leaders and academia. At a country level, Islamic banks also recognise the need to establish training centres, incubators, talent pools, and financial assistance programmes, as well as update academic curricula and develop Islamic finance professional qualification and certification programmes.





When asked about talent management practices within their institutions, the majority of Islamic banks recognised the importance of attracting, developing, and retaining the right talents, with larger banks placing particular emphasis on specialised talent acquisition. Promoting talent management through investing in employee learning and development and building a strong employer brand to attract talent were two key focus areas identified by Islamic banks. However, the use of employee data, technology, and knowledge management remained less prioritised, suggesting a reliance on more conventional means for talent management.

A significant portion of Islamic banks reported implementing or being in the process of implementing a talent management strategy that aligns with their overall business objectives. Regional and bank size differences exist, with large banks and those in the GCC region showing the highest level of strategy adoption. However, managing talent in Islamic banks also presents a unique set of challenges highlighted by respondents. These included high competition for skilled personnel, scarcity of talent in certain regions, economic and political instability impacting talent attraction and retention in some jurisdictions, and emerging trends like digitalization and sustainability requiring specific skill sets.

The COVID-19 pandemic has also had a considerable impact on talent management in Islamic banks with multiple areas reported to have gained importance for attracting and retaining talent. These include emphasising employee well-being and mental health and providing professional development options. Remote working also features as an essential aspect, although ranking least among other listed factors.

The last part of the report offers Islamic banks timely recommendations to navigate smoothly through their key concerns and risks and leverage talent management for organisational growth. Embracing digital transformation, strengthening risk management and compliance, and prioritising customer-centricity are highlighted as key strategies for Islamic banks to address and navigate through the looming concerns and risks. Additionally, effective talent management will need to be ensured through developing specialised training programmes, fostering collaboration between industry and academia, investing in employee learning and development, and leveraging technology and data.

The report, through its different sections, illuminates the viewpoints of Islamic banking executives regarding the industry's future, with a particular emphasis on talent management practices and emerging trends.



# CIBAFI's Global Islamic Bankers' Survey



## Introduction

This year marks three years since the COVID-19 pandemic hit the world, reshaping our lives in several aspects. Fortunately, we can say today that this episode is nearly over, with economies slowly rebounding from its daunting effects and returning to normal. However, the world still suffers from other factors that weigh on its economic outlook, including geopolitical tensions, inflationary pressures, and tightening monetary conditions. These factors are projected to cause the third-weakest pace of global growth in nearly three decades, with some regions being affected more than others<sup>1</sup>. Amid these conditions, the banking industry may see significant impacts from looming uncertainties, while also facing increasing customer expectations driven by technology developments and social and environmental responsibility considerations.

Throughout its seven editions, the Global Islamic Bankers' Survey (GIBS) Report has served as a benchmark for gauging the sentiments of Islamic banking executives regarding the industry's prospects. It covers a wide range of trends shaping its growth, including sustainability, financial technology (FinTech), regulations, and women's empowerment. As the world faces several important challenges today, organisational performance will be a dictating force for business continuity. The workforce is the lifeblood of any organisation, and nurturing the right talents will be key to success amid uncertain market conditions. Thus, this year's GIBS edition focuses on the theme of "Talent Management Dynamics: Current Practices, Challenges, and Prospects" and presents a deep view into the practices and challenges of talent management in the Islamic banking industry to offer timely recommendations for Islamic banks to leverage talents for growth.

The report is structured around three sections, as in previous editions. The first two sections monitor Islamic banks' optimism levels, key concerns, and risks, while the third section covers the theme of the report. Under this year's thematic section, the report covers two key areas: the talent landscape in the Islamic banking industry and Islamic banks' talent management practices. It explores Islamic banks' views on talent availability to the industry, contemporary challenges, and future trends shaping talent needs. It also looks at the practices and challenges of Islamic banks in managing talent within their institutions amid shifting market dynamics.

We are delighted to report that once again, we have received a high number of responses to the survey, with 103 Islamic banking executives from 30 countries participating. The analysis of the report thus covers responses from various backgrounds and markets, allowing a comprehensive overview of the experiences of Islamic banks across different regions. It also permits displaying a diversity of practices based on each market's development. Together with the results of previous years, readers can draw a clear picture of the evolution of Islamic banking executives' views on various concerns and risks facing the industry.

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[1] World Bank, 2023. Available at: <https://www.worldbank.org/en/publication/global-economic-prospects>

The table below outlines more details on this year's respondents.

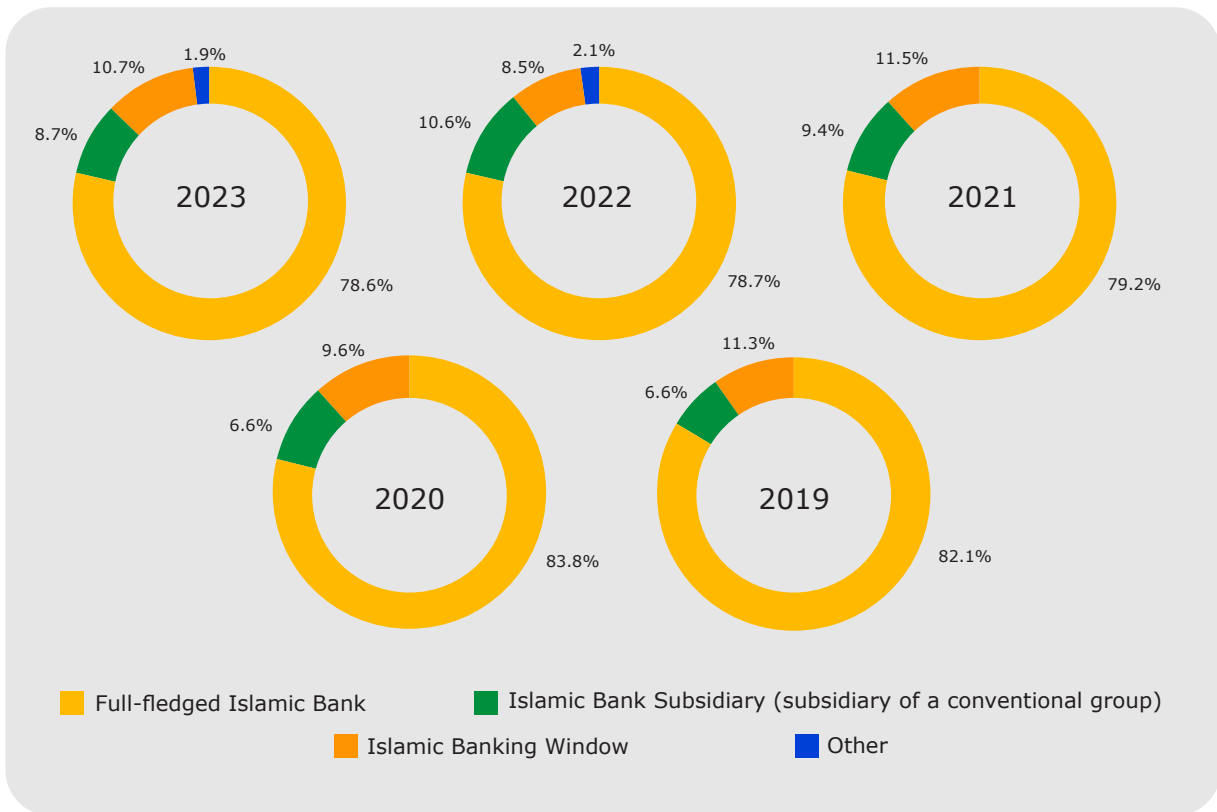
**Table 1: Respondents by Regions and Countries**

Group	Region	Countries of respondents	Number of respondents in this group
Group 1	GCC	Bahrain, Kuwait, Oman, Saudi Arabia, UAE	18
Group 2	Middle East ex-GCC	Egypt, Iraq, Jordan, Palestine, Syria, Yemen	25
Group 3	Southeast Asia	Indonesia, Malaysia	10
Group 4	West, Central, and South Asia	Afghanistan, Bangladesh, Pakistan, Sri Lanka	14
Group 5	North Africa	Algeria, Libya, Morocco, Sudan, Tunisia	23
Group 6	Sub-Saharan Africa	Djibouti, Kenya, Mauritania, Nigeria, Somalia, South Africa	7
Group 7	Europe and Türkiye	Bosnia Herzegovina, Türkiye	6
<b>Total number of countries and respondents</b>		<b>30 Countries</b>	<b>103 Islamic Banks/Financial Institutions</b>

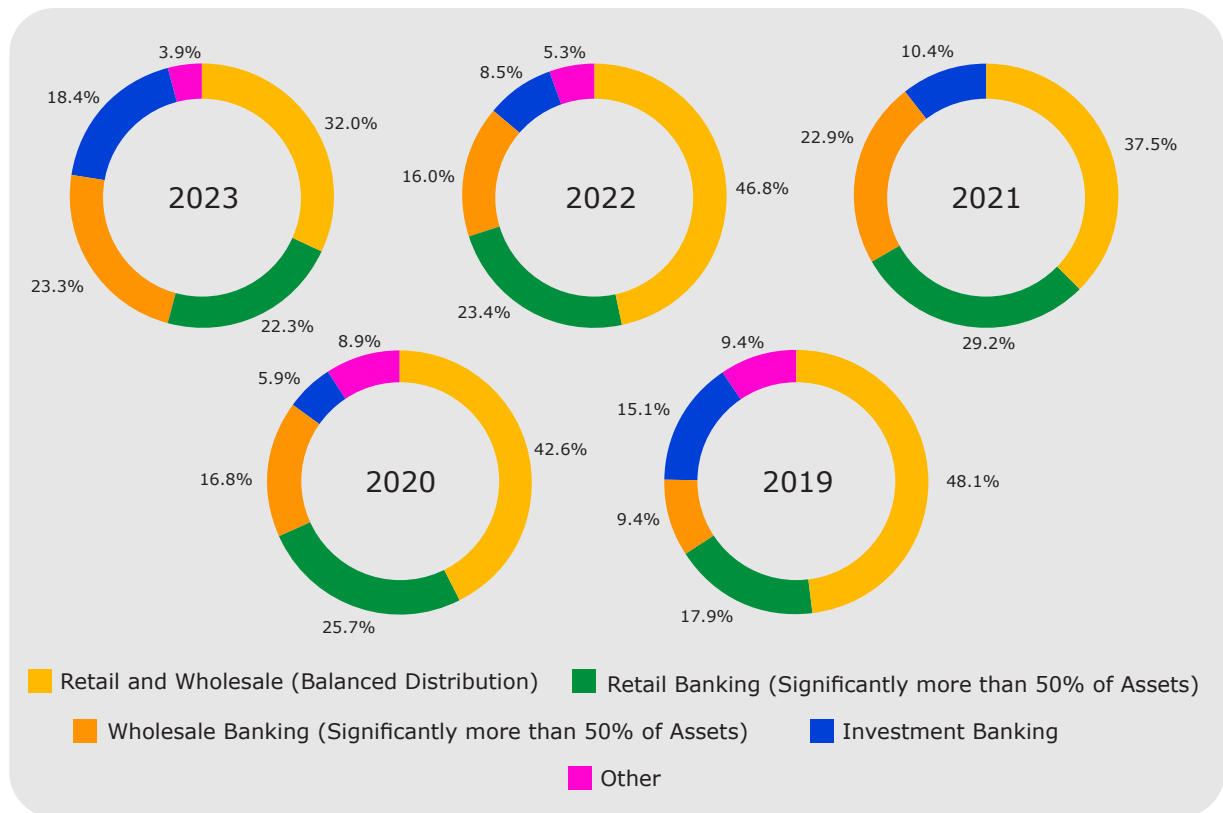
The survey respondents for this year's edition comprised a diverse range of Islamic financial institutions, including full-fledged Islamic banks (around 78%), Islamic bank subsidiaries (around 9%), Islamic banking windows of conventional banks (around 11%), and other Islamic financial institutions (around 2%). The main business of these respondents varied, with approximately 32% focusing on both retail and wholesale banking, around 22% primarily on retail banking, about 23% on wholesale banking,

and 19% on investment banking. A small percentage (around 4%) focused on other areas. More than half of the respondents reported total assets of less than one billion USD (around 57%), with the remainder distributed among those with total assets of one to five billion USD (around 17%), five to ten billion USD (around 8%), and over ten billion USD (around 18%).

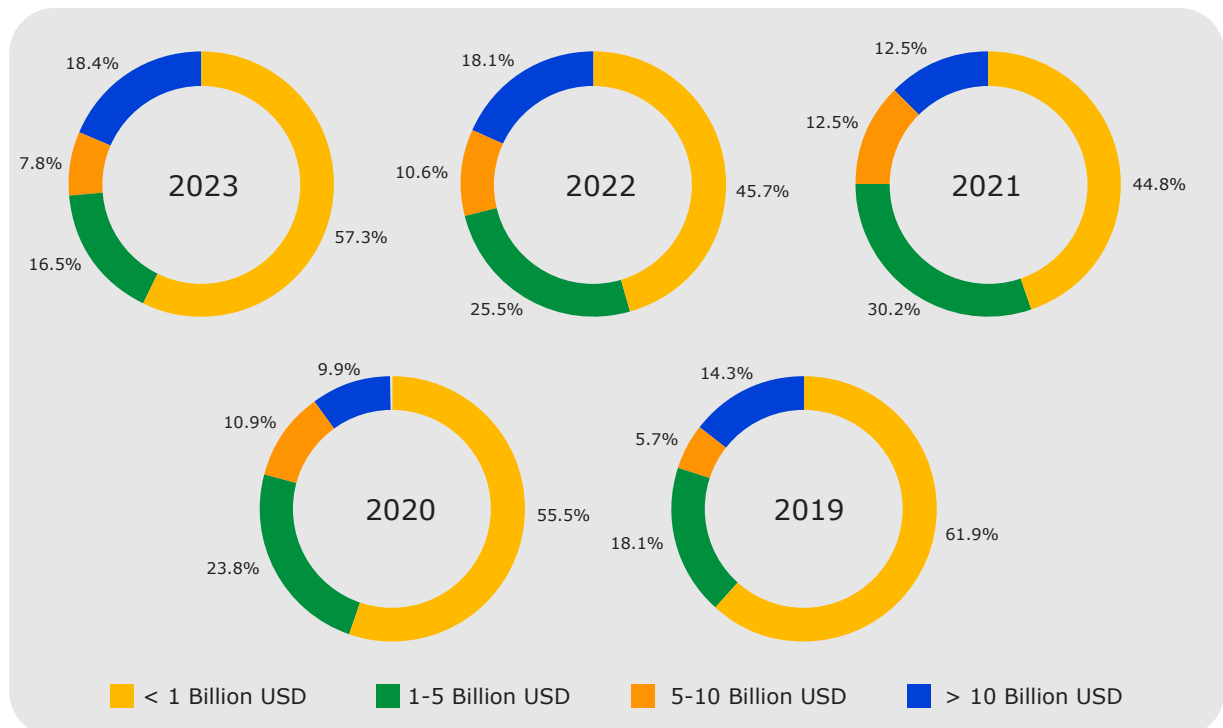
**Figure 1. Type of Islamic Banking Operation**




**Figure 2. Core Business**



**Figure 3. Size of Total Islamic Assets**





Compared with previous years, changes were observed in the composition of the survey respondents. Notably, the proportion of Islamic bank subsidiaries of conventional groups declined, while the number of respondents representing Islamic banking windows increased. Furthermore, there was a decrease in respondents focused on a balanced distribution of retail and wholesale banking, as well as those primarily focused on retail banking. Conversely, the number of respondents primarily focused on wholesale banking and investment banking increased. In terms of bank size, there was an increase in respondents with total assets of less than one billion USD, while the number of participants with total assets between one and ten billion USD decreased. However, it is worth noting that these changes may be attributed to the sample rather than indicative of broader industry trends.

The outcomes presented in this report were derived from a questionnaire distributed online to the offices of chief executive officers (CEOs) of both CIBAFI's member and non-member financial institutions in mid-November 2022. The final responses were collected by February 2023. Consequently, the analysis reflects the viewpoints of the Islamic banking community towards the conclusion of 2022 and the initial quarter of 2023. Consistent with previous years, the survey included both "closed" and "open-ended" questions, providing industry leaders with the opportunity to provide detailed and nuanced written feedback to express their observations.

It is our hope that this report will shed light through its various sections on the perspectives of Islamic banking executives towards the future of the industry, specifically on the practices and emerging trends of talent management.



**PART I:**

**CIBAFI**

**Islamic Banking  
Confidence Index**



## PART I.

# CIBAFI Islamic Banking Confidence Index

The CIBAFI Islamic Banking Confidence Index is a permanent part of the GIBS report aiming to assess the level of confidence of Islamic bankers in the future of the industry on a yearly basis. It determines the key concerns facing Islamic banks in upcoming years and outlines the strategic initiatives taken in response. Over the past seven years, the index provided pertinent results on the industry's growth dynamics, identifying key development areas, both globally and within the contexts of jurisdictions in various regions.

Since last year's reported results, the world has been going through many of the same global economic challenges. These include slow economic growth, geopolitical tensions, and a high inflationary context. This has been reflected in this year's confidence index where respondents projected a similar optimism sentiment and concerns. The regional breakdown this year sheds light on some shifts in perception, although some scorings may possibly reflect a change in the number of responses received and should be treated with caution.

This year's Islamic banking confidence index reflects a similar optimism sentiment and concerns to last year, amid comparable economic challenges that the world is going through.

### Optimism Levels for Islamic Banking Growth

The first section of the confidence index covers the optimism of Islamic banking executives towards the future of the industry and its revenue growth. Respondents were asked to rank their optimism levels from a scale of 1.0 to 5.0, where 1.0 indicates extreme pessimism and 5.0 indicates extreme optimism.

#### A slight increase in the optimism for the future of banking

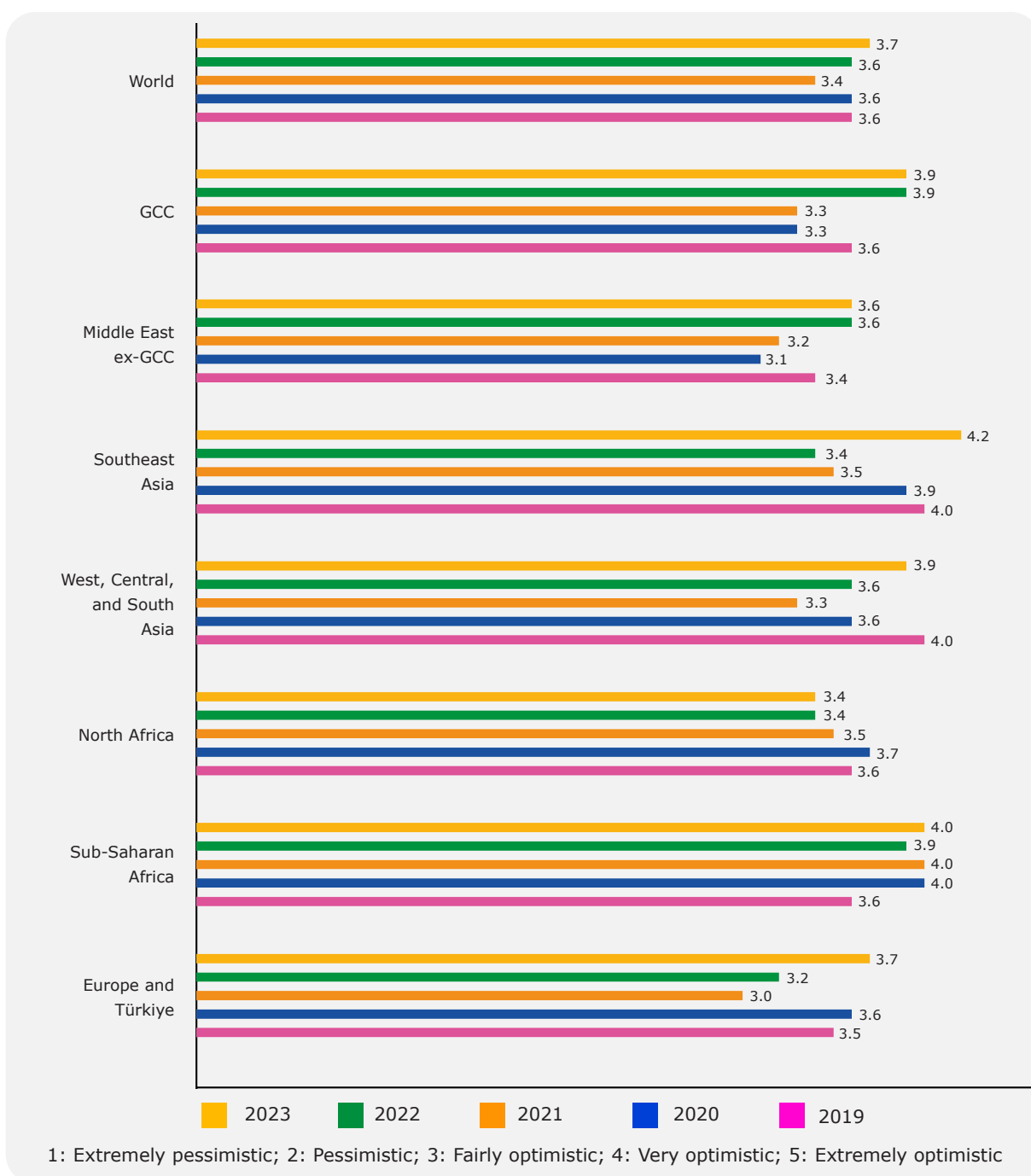
The findings of this year's survey suggest a stable optimism level towards the future of the banking sector, with a reported global score of 3.7 in 2023, showing a slight increase compared to the score of 3.6 in 2022. Although almost unchanged, the score indicates an optimistic view for the future of the industry despite global challenges. Islamic banks thus remain positive for the future of the sector but are at the same time cognisant of the possible impact of looming uncertainties on growth and development.

On a regional level, many regions almost maintained their optimism level towards the future of banking compared to 2022. The GCC, Middle East ex-GCC, and North Africa regions all reported the same optimism levels as the previous year, with scores of 3.9,

3.6 and 3.4, respectively. Sub-Saharan Africa also reported a score of 4.0 in 2023 compared to 3.9 in 2022, reflecting a slight increase in optimism.

For other regions, a more positive perception was noted this year compared to the previous year. Notably, Southeast Asia showed the highest optimism level towards the future of the banking sector, with a score of 4.2 in 2023, representing a significant increase from 3.4 in 2022. Similarly, West, Central, and South Asia and Europe and Türkiye regions recorded an optimism level of 3.9 and 3.7 respectively in 2023, showing noteworthy increases compared to 3.6 and 3.2 in 2022.

**Figure 4. Overall Banking Industry Optimism Level**



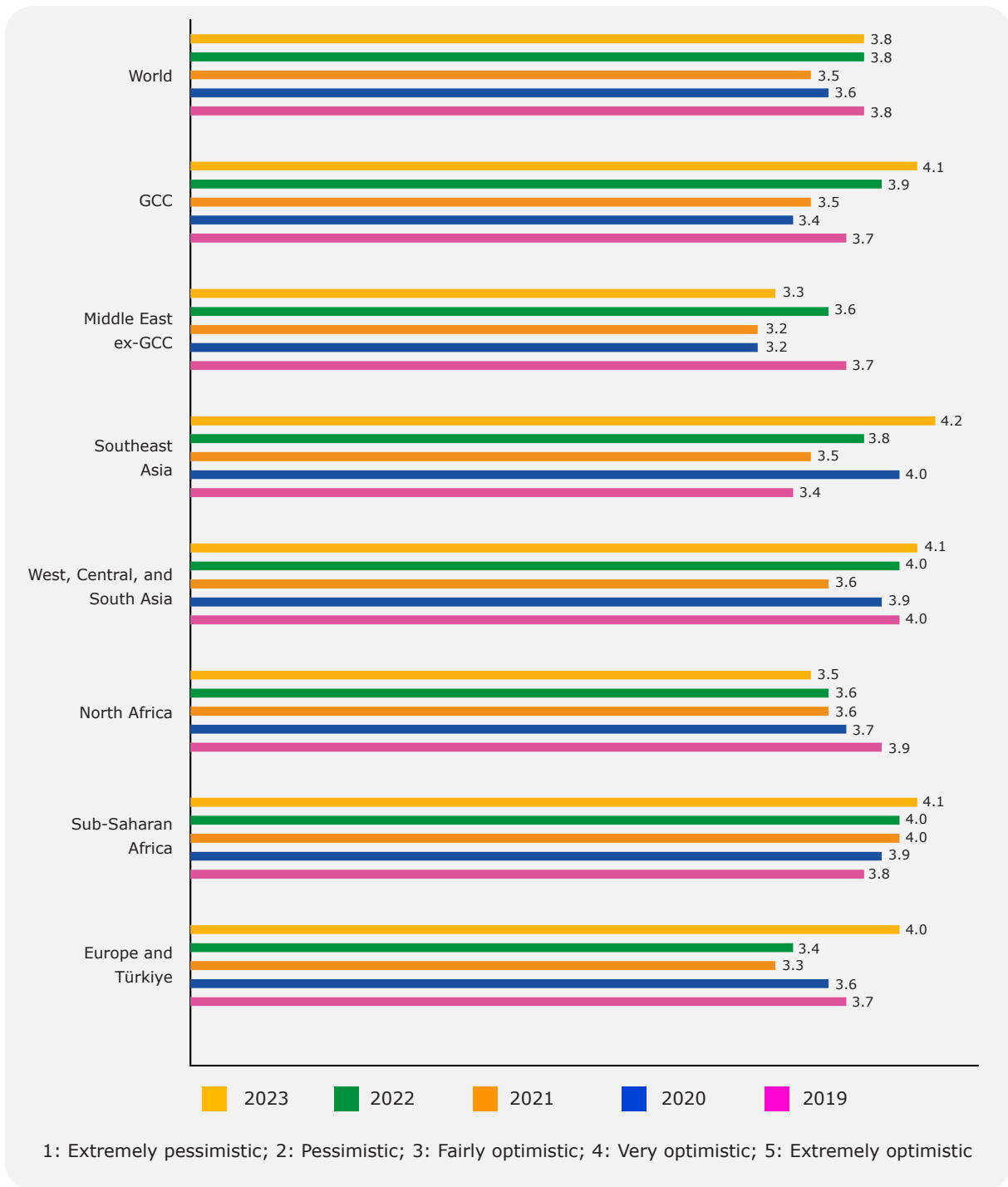
### **An unchanged perception from last year for the future of Islamic banking**

With regards to the optimism towards the future of Islamic banking, the global score remained unchanged in 2023 at 3.8, similar to the previous year. This score is still higher than that reported for the overall banking industry, reflecting a higher optimism by Islamic bankers for the future of Islamic banking. This could be attributed to several factors, including the strong performance of the industry over the past years, the vast opportunities that lie ahead in the alignment of Islamic finance with sustainable practices, and the heightened interest witnessed globally for Islamic banking and finance.

Although the global result remained unchanged, there were noticeable changes in optimism across regions. Several regions recorded an increase in optimism levels. Europe and Türkiye reported the highest increase to a score of 4.0 in 2023 from 3.4 in 2022. This was followed by Southeast Asia, with a score of 4.2 in 2023 compared to 3.8 in 2022. The GCC, West, Central, and South Asia and Sub-Saharan Africa regions also reported increases in their optimism for the future of Islamic banking, although at a smaller scale. These increases align with the plans taken by several jurisdictions in these regions to increase and develop Islamic finance within their markets in the coming years. For instance, Türkiye aims to increase the market share of participation banking in the country to 15% by 2025 and become a global hub for participation finance.

Meanwhile, two regions recorded a slight decrease in optimism levels for the future of Islamic banking compared to 2022: the Middle East ex-GCC and North Africa. This could be indicative of the economic and political conditions that jurisdictions in these regions are going through, and which are possibly outweighing the growth of the industry in their markets.

**Figure 5. Islamic Banking Industry Optimism Level**



It is important to note that for the majority of regions, optimism levels have returned to pre-pandemic levels or even higher. This indicates a strong confidence in the recovery of the industry, particularly in the context of Islamic banking.

Islamic banks across the majority of regions reported optimism scores similar to or higher than pre-pandemic levels, indicating a strong confidence in the recovery of the industry.

### **Constant optimism for Islamic banks' revenue growth compared to conventional counterparts**

The optimism of respondents regarding their revenue growth in comparison to conventional counterparts remains steady in 2023, with a score of 3.5, consistent with the scores recorded in 2022 and 2020. However, it is worth noting that the highest global score achieved for this question over the years was 3.6, which occurred only in 2019 and 2021. This could be due to a sampling effect across years or may be reflective of Islamic banks' perceptions of better performance in times of market turbulence, where both years were characterised by negative economic conditions and uncertainties<sup>2</sup>. Despite this, the stability of the optimism score over the past years suggests that Islamic banks possess a positive outlook on their revenue growth potential.

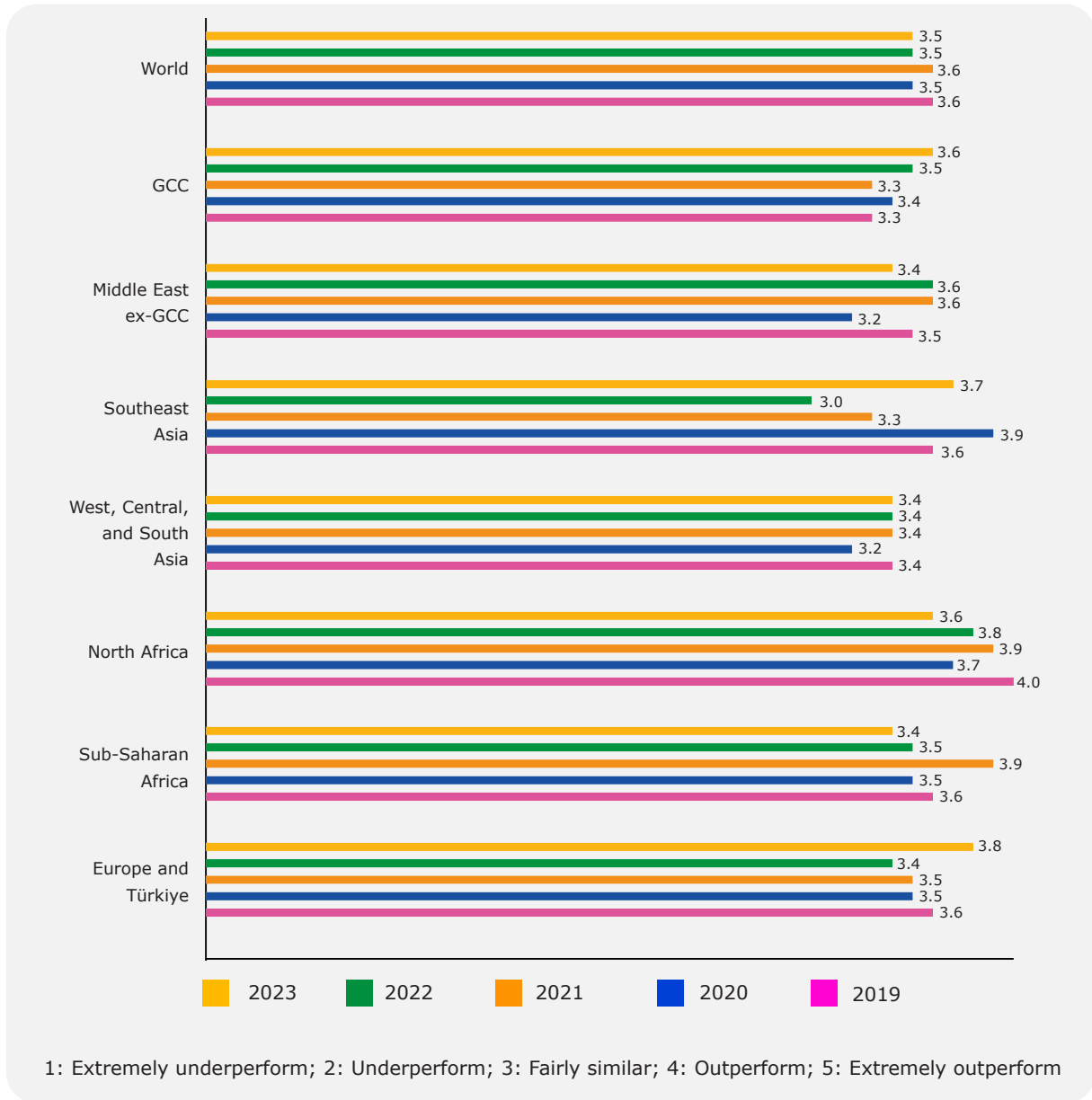
From a regional perspective, there were both increases and decreases in optimism levels for revenue growth. The most significant increase was in the Southeast Asia region, which recorded a score of 3.7 in 2023 compared to 3.0 in 2022. The Europe and Türkiye and GCC regions also experienced increases in optimism, with scores of 3.8 and 3.6 in 2023 compared to 3.4 and 3.5 in 2022, respectively.

On the other hand, three regions showed a decrease in optimism for revenue growth: the Middle East ex-GCC, Sub-Saharan Africa and North Africa, with scores of 3.4, 3.4 and 3.6 in 2023 compared to 3.6, 3.5 and 3.8 in 2022, respectively. This could be again reflective of the economic and political conditions in these regions or the nascent development of Islamic finance in some of the jurisdictions of the regions.

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[2] It is important to note that the results reported in the year 2020 did not integrate the effects of COVID-19 as responses were collected prior to the announcement of the outbreak.

**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



## Islamic Banking Concerns for the Upcoming Years: A Global Perspective

The second section of the confidence index highlights the key concerns of Islamic banking executives for the upcoming years. The survey gave Islamic banking leaders a list of 26 possible challenges<sup>3</sup> and asked them to score the severity of each challenge that they believed their institution would face in the next one to three years. The scores range from 1.0 to 5.0, with 1.0 considered “not at all important” and 5.0 considered “extremely important.”

This year’s results feature many of the same concerns reported in the previous year, although with most concerns declining in severity. This may suggest that, although these concerns are continuing to worry Islamic banking leaders, they are becoming more manageable as more experiences are gained in dealing with them. This may also suggest that with the fading of the pandemic, Islamic banks are being more optimistic in their assessment of future concerns.

### Islamic banks continue to prioritise information technology as their biggest challenge for the future

The banking industry is embracing new technologies and advancements to improve customer experience and operational efficiency, a trend significantly accelerated by the COVID-19 pandemic. As the pandemic is fading away, customers’ expectations remain high and demanding, placing important pressure on banks to continue their digitalization and innovation efforts. Thus, unsurprisingly, the concern regarding information technology (IT) remained at the top of Islamic banks’ concerns this year. Although its score slightly decreased from 4.4 in 2022 to 4.3 in 2023, it still features as a key priority as banks strive to stay ahead of technological advancements and market competition.

Concerns that arise from digital transformation also pose an increasing challenge as banks continue to adopt digital solutions such as mobile banking, online account opening, and chatbots to enhance their services. In particular, cyber-attacks and data breaches are causing important threats to banks’ reputation and customer base, making IT a top priority and concern.

Cyber-attacks and data breaches cause important threats to banks’ reputation and customer base, making IT a top priority and concern for Islamic banks.

[3] Each year, the list of concerns is monitored to stay up-to-date and comprehensive. This year, the list of concerns was revised to include a new concern on “regulatory support (monetary and financial tools)”.



### **Consumer attraction and retention remains a key focus for banks in the coming years**

Consumer attraction, relation, and retention maintained its position as a top concern for Islamic banks, although with a slightly decreased score this year from 4.4 in 2022 to 4.3 in 2023. Novel business models offered by FinTech companies are heightening competition in the market and altering customer expectations and preferences. This is placing increased pressure on incumbents who are recognising the need to prioritise the experiences and services offered to customers to meet changing needs and remain relevant in the market. Other factors such as economic and political challenges, competition from conventional counterparts, and low awareness of Islamic finance are also placing pressures on Islamic banks in attracting and retaining customers in certain regions.

### **Macro-economic uncertainty weighs on profitability**

The macro-economic environment featured again as a top concern for Islamic banks. It scored this year 4.2 compared to 4.4 in 2022. The broad and sharper-than-expected economic slowdown, high inflation rates, tightening financial conditions, geopolitical tensions, and the cost-of-living crisis are all lingering on bankers' thoughts and concerns. This is adding to the already challenging economic environment caused by the COVID-19 pandemic. These macroeconomic and geopolitical factors are placing increased pressures on the operations of banks. Some respondents emphasised on high interest rates challenging the attraction of deposits at favourable rates and weighing on profitability. This is especially with the recent hikes in interest rates by central banks to battle high inflation. In some markets, this is being accompanied with regulations that limit banks' ability to increase profit rates on financings/loans granted, further reducing net revenues. Alongside macroeconomic conditions, open-ended responses often cited political instability as an important concern. Although it maintained its position half-way the list, responses highlight it as a key factor affecting economic conditions in their jurisdiction and thus the flow of their business.

As 2023 is showing some positive signs, such as a stabilisation in energy prices and sustained economic growth, it is tempting to expect a narrower range of potential macro-outcomes. Nonetheless, this year remains a test for whether a fresh start is possible, requiring continuous monitoring of developments to mitigate risks and leverage opportunities. In this dynamic environment, vigilance, agility, and adaptability will be essential.

### **Risk management takes centre stage as banks navigate uncertainty**

Once again, risk management has emerged as one of the top concerns facing Islamic banks in the coming years. Although its score slightly decreased from 4.3 in 2022 to 4.2 in 2023, it continues to be a significant challenge. The ongoing digitalization of the banking industry, economic and political challenges, increased market volatility, and strengthened regulations have all heightened the role of effective risk management in Islamic banks in the past years. New risks and regulations arising from the evolution of the industry are posing important challenges for banks in terms of compliance and risk mitigation for business continuity. This is being recognised by Islamic banking leaders as a key challenge as they strive to remain relevant and stay ahead in an increasingly competitive market.

The ongoing digitalization of the banking industry, economic and political challenges, increased market volatility, and strengthened regulations have all heightened the role of effective risk management in Islamic banks in the past years.

### **Innovation and product development drive future growth for banks**

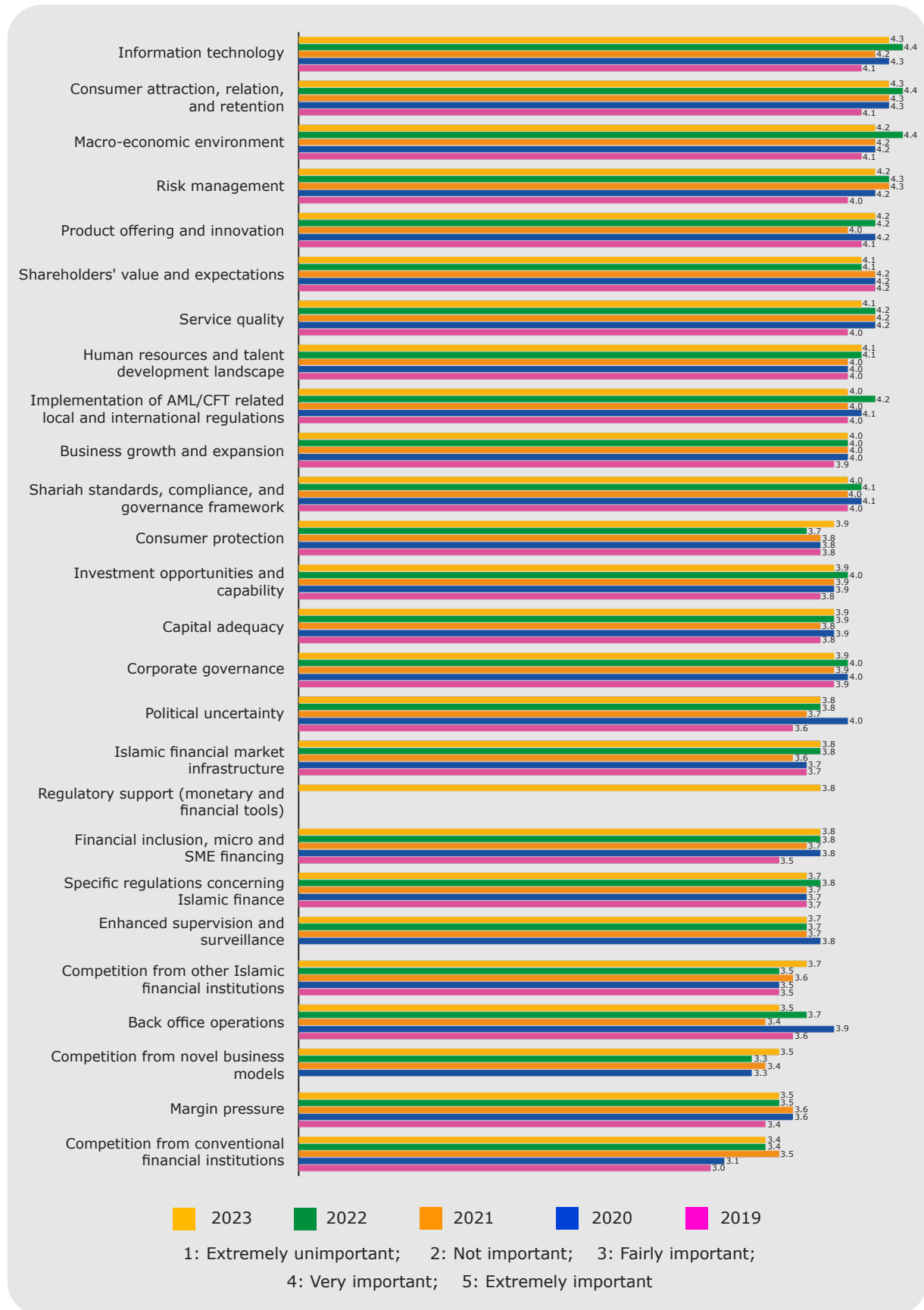
Banks constantly strive to improve their product offerings to meet customer needs and stay ahead of the competition. The concern regarding product offering and innovation scored the same as last year at 4.2, still featuring though as one of the top reported concerns. Islamic banks highlighted that, with heightened market competition, innovating and offering new products is becoming essential for attracting and retaining customers. This is leading to increased efforts to offer tailored solutions for their market needs, especially through integrating technology and sustainability, to drive growth and attract customers. Some concerns however arise with product development, highlighted by Islamic banks. These include structuring new product offerings that comply with Shariah provisions, providing a high quality of service to stand out in the competition, and raising market awareness for the attraction of new customer segments.



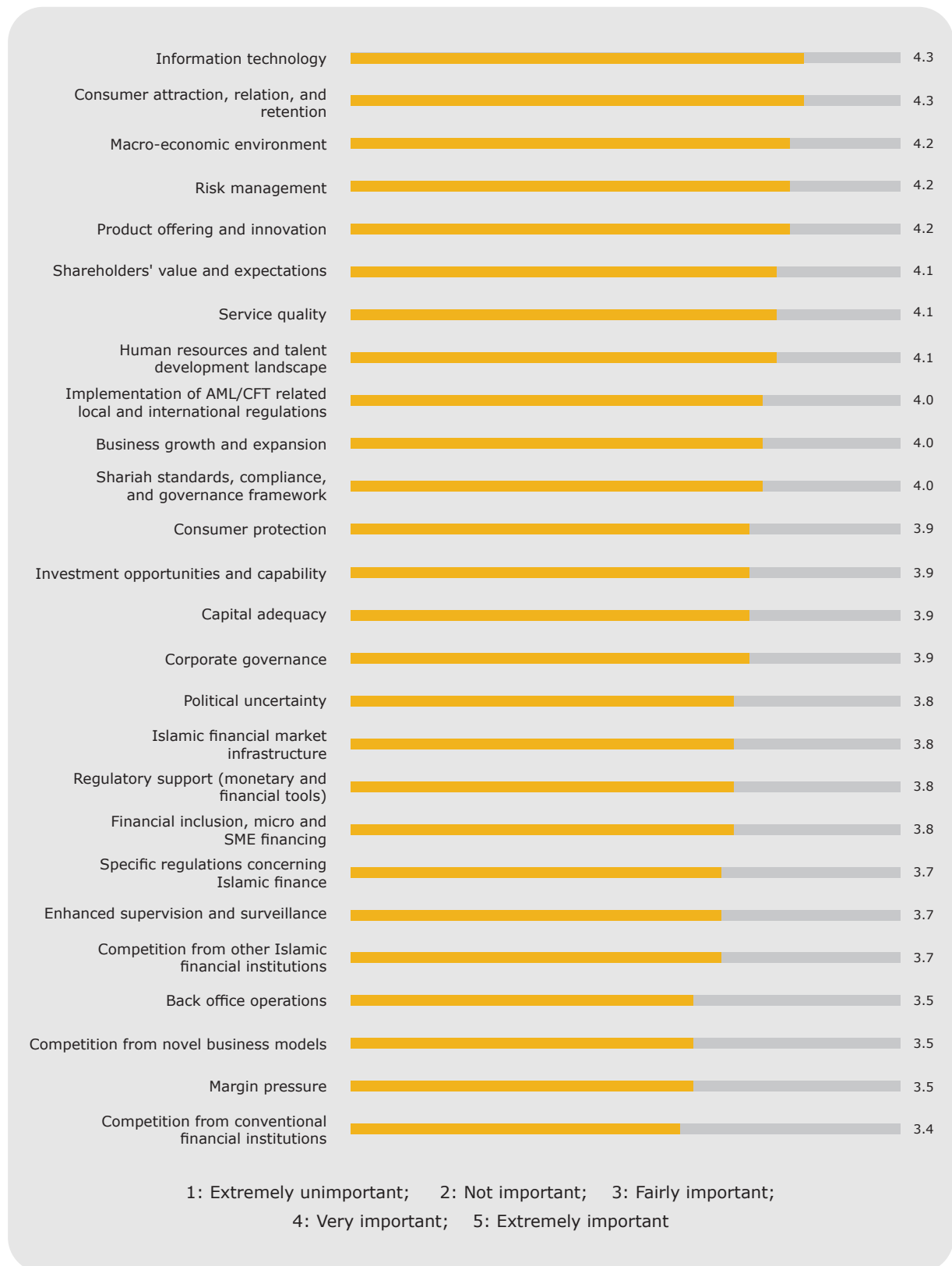
### **An increase in the importance of some concerns this year**

Three concerns have gained importance this year, albeit modestly, in Islamic banking leaders' worries. These are consumer protection, competition from other Islamic financial institutions, and competition from novel business models. With the rise of digitalization and market uncertainties, it is evident that Islamic banks are placing more weight on protecting their customers' information and funds as part of their commitment to providing enhanced service quality. This is particularly crucial given the growing number of cyber threats and the turbulence observed in the financial sector. Moreover, the race to introduce new products and differentiate themselves from the competition has amplified the significance of competition from other Islamic financial institutions and emerging business models. Technological advancements and the entry of new market players continue to pose challenges in attracting and retaining customers in the upcoming years.

**Figure 7. Global Islamic Banking Top Concerns**



**Figure 8. Global Islamic Banking Top Concerns (2023)**



## Regional Concern Variations

In addition to reporting Islamic banking concerns from a global perspective, it is important to recognise the differences that may arise based on specific conditions in each region. Thus, we outline in this section worries which are specific to each region. Many of the regional worries align with the global concerns reported, although the underlying causes may differ across regions.

IT remains a shared concern, ranking first in five regions. A consensus is reached in responses on the importance of technology for operational efficiency, facilitation of business expansion, and staying ahead of competition. However, there were specific concerns projected in different regions on this aspect. Islamic banks in some regions, such as North Africa and Middle East ex-GCC, were generally more concerned with gaining access to modern technologies, partnering with international companies, and raising the necessary capital that will allow acquiring the infrastructure needed to advance in their digitalization journey. On the other hand, in other regions, such as the GCC and Southeast Asia, Islamic banks were more concerned with ways of leveraging technology to build digital platforms and unique digital solutions for customer attraction and competition.

In some regions, Islamic banks' IT concerns relate to gaining access to modern technologies and raising the necessary capital, while in other regions, these relate to leveraging technology to offer unique digital offerings for customer attraction.

Another important concern shared by multiple regions is the macro-economic environment. Over the past few years, the global economy has been facing various challenges such as the COVID-19 pandemic, geopolitical tensions, and inflation, leading to global economic uncertainty. However, some regions have been more severely impacted than others given their underlying conditions. Sub-Saharan Africa reported the highest score for the macro-economic environment concerns, followed by West, Central, and South Asia. A bank from West, Central, and South Asia said: "The ongoing Russia-Ukraine crisis, along with the adverse impact of the COVID-19 pandemic, is having a worldwide spill over effect on commodity and financial markets, trade flows, prices, and exchange rates. The impact of [the] unstable situation of [the] world economy due to these factors directly hinders our country's economic development. [In addition], increase of inflation followed by stagflation and USD scarcity heat up these situations very rapidly."

In many instances, banks were also referring to specific political conditions in their jurisdictions that were exacerbating adverse economic conditions. This was the case in jurisdictions in the Middle East ex-GCC, North Africa, and West, Central, and South Asia. A bank in Middle East ex-GCC commented on the impact of political conditions on their business saying: “The political situation and its stability have a significant impact on consumer behaviour and their view of investment or saving. The greater the instability, the greater the reluctance of citizens to invest and save in banks.” Another bank from West, Central, and South Asia stated that: “The macro-economic environment and the political instability are two of the most important concerns owing to the recent political changes in the country. Currently the whole banking sector is in a volatile shape and are barely managing with the recent developments. Since there is no political [stability], the macroeconomic environment is becoming harsh.”

Regulations also featured in the top concerns of different regions, although in different ways. Some regions, such as the Middle East ex-GCC and West, Central, and South Asia, were more concerned with the implementation of anti-money laundering and combatting the financing of terrorism (AML/CFT) regulations. This could possibly be due to the increased scrutiny that some of the jurisdictions in these regions are subject to in these areas. For other regions, such as Sub-Saharan Africa and Europe and Türkiye, the concerns were related to the provision of specific Islamic finance regulations and regulatory support tools in their jurisdictions. This could be attributed to the early stage of development of Islamic finance in these regions, and which poses challenges for Islamic banks in several areas including liquidity management and dispute resolution. In addition, respondents in the Southeast Asia and West, Central, and South Asia regions emphasised specifically on Shariah compliance as a key concern for reputation and customer retention.

Islamic banks in the Southeast Asia and West, Central, and South Asia regions emphasised on Shariah compliance as a key concern for reputation and customer retention.

**Table 2. Major Concerns of Islamic Banks across Regions<sup>4</sup>**

Group	Top Concerns	Score
Group 1 GCC	Macro-economic environment	4.2
	Product offering and innovation	4.1
	Risk management	4.1
Group 2 Middle East ex-GCC	Information technology	4.4
	Consumer attraction, relation, and retention	4.3
	Implementation of AML/CFT related local and international regulations	4.3
Group 3 Southeast Asia	Information technology	4.5
	Product offering and innovation	4.5
	Shariah standards, compliance, and governance framework	4.5
Group 4 West, Central, and South Asia	Information technology	4.5
	Human resources and talent development landscape	4.5
	Implementation of AML/CFT related local and international regulations	4.4
	Consumer attraction, relation, and retention	4.4
	Consumer protection	4.4
Group 5 North Africa	Macro-economic environment	4.4
	Consumer attraction, relation, and retention	4.4
	Risk management	4.3
Group 6 Sub-Saharan Africa	Information technology	4.7
	Shareholders' value and expectations	4.6
	Information technology	4.4
	Service quality	4.4
	Product offering and innovation	4.4
Group 7 Europe and Türkiye	Regulatory support (monetary and financial tools)	4.4
	Information technology	4.3
	Macro-economic environment	4.2
	Human resources and talent development landscape	4.2
	Specific regulations concerning Islamic finance	4.2
Global	Information technology	4.3
	Consumer attraction, relation, and retention	4.3
	Macro-economic environment	4.2
	Risk management	4.2
	Product offering and innovation	4.2

1: Extremely unimportant; 2: Not important; 3: Fairly important; 4: Very important; 5: Extremely important

[4] For every group, the top three concerns are identified, including all concerns with the same score, even if that means that more than three are listed in total.



## Strategies Adopted by Islamic Banks to Overcome Top Concerns

To further explore how Islamic banks are addressing the concerns, the survey asked respondents to expand on the steps and strategies taken to overcome the challenges reported. The responses covered different aspects and initiatives, which we outline below.

### Initiatives to address information technology concerns


With technology representing a key factor for growth and business continuity, Islamic banks in various jurisdictions have undertaken numerous initiatives to address the challenges they face. This includes efforts to stay up to date with technological developments and invest capital to upgrade their IT systems. A bank from Middle East ex-GCC said: "The bank launched a digital transformation project to improve the efficiency of operational processes, increase effectiveness, and create a safe environment. It also modernised and upgraded its banking system and shifted to international companies for the provision of logistics services for electronic payment operations."

Banks have also leveraged technology to offer unique services to customers and gain a competitive advantage. A bank from GCC said: "Competition from Islamic financial institutions has led [the bank] to focus its strategy on digital services driven for individual and corporate clients, unique and integrated digital services for clients in the real estate sector, and the development of unique products and services aimed at entrepreneurs and small and medium-sized companies." Another bank from Europe and Türkiye said: "[We are] a unique banking institution in [our country's] market and the only bank that operates according to Shariah principles. ... One of our main concerns in the following year will be to keep the existing client base and attract new customers by developing new products, adopting new technologies and becoming [a] modern IT bank, with cutting-edge digital infrastructure."

### A keen focus on mitigating the macro-economic and political impacts

The adverse global macro-economic environment and specific political conditions faced in certain jurisdictions led banks to take several steps to mitigate the negative effects on their business and profitability. These measures include portfolio diversification, the development of flexible strategies to counter potential risks, and active participation in government financing schemes. Some banks, in the GCC and West, Central, and South Asia, introduced new products to attract retail deposits and directed funds to guaranteed investments. Meanwhile, in the Middle East ex-GCC and North Africa, banks are focusing on supporting the establishment of small and

Islamic banks are taking several steps to mitigate the negative effects of adverse global macro-economic and political conditions. This includes engaging in portfolio diversification, the development of flexible strategies, and active participation in government financing schemes.



medium enterprises and engaging in activities that promote cultural awareness to foster a stable political environment, which positively impacts financial and economic performance. Additionally, banks mentioned closely engaging with local authorities and international institutions to monitor developments and swiftly respond to changing market conditions. In general, banks are exercising caution in light of challenges posed by the global macroeconomic environment, political instability, and concerns about a global economic recession.

### **Customers are central in banks' strategies**

Islamic banks across different regions have expressed their commitment to addressing customer concerns relating to product development, innovation, and service quality. In some cases, this commitment is driven by the ongoing digitalization efforts, while in others, it aligns with sustainability and financial inclusion objectives. A bank from Southeast Asia said: "Financial inclusion is a key strategic focus of the Bank given the [lack of] access to financing for microentrepreneurs in a post pandemic and credit tightening environment. The Bank continues .... to create new financing offerings (e.g., qardhul hassan financing, zakat-funded equipment purchase) for micro-entrepreneurs to start or grow their businesses." Another bank from Europe and Türkiye said: "Since the product range in the Islamic finance market is very limited, we are trying to strengthen our position in the market with innovative products. In the coming years, we will try to evolve towards a sustainable banking model that integrates [environmental, social, and governance] (ESG) principles into decision mechanisms, especially products based on risk sharing and partnership."

Overall, Islamic banks showed commitment to improving their products and services to meet and exceed customers' expectations through high quality and innovative offerings.

### **Actions to manage risks and ensure compliance**

In response to the increased market volatility and the emergence of novel risks, Islamic banks have emphasised the need to devise strategies to enhance their risk management functions. These strategies encompass various aspects including investing in the development of their IT infrastructure, developing staff's skills, enhancing risk governance and oversight, and implementing risk-based controls. A bank in North Africa expressed the significant challenge of risk management, particularly due to the multitude of risks faced, such as political and economic risks. To mitigate the impact of these risks, the bank has developed a five-year risk management strategy and established annual plans to address anticipated risks. Additionally, the bank has acquired a modern electronic system for risk monitoring and predictive analysis.

Islamic banks have also taken targeted actions to address specific risk areas, such as compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) regulations, ensuring capital adequacy ratios, and adhering to regulatory and Shariah provisions. A bank in North Africa highlighted its comprehensive compliance policy, which focuses on preventing suspicious transactions related to money laundering, terrorist financing, proliferation of weapons of mass destruction, human trafficking,



and illegal immigration. Similarly, a bank in Southeast Asia emphasised the importance of effectively managing Shariah non-compliance to maintain customer confidence and protect the bank's reputation. To achieve this, the bank is actively strengthening its capacity and capability in Shariah knowledge and awareness, particularly in advisory, review, risk management, and compliance. The bank also engages in discussions and intellectual conferences with market regulators and industry players to address Shariah-related issues.

By implementing these measures, Islamic banks are proactively working towards enhancing their risk management capabilities and ensuring compliance with regulatory and Shariah requirements.



**PART II:**

**CIBAFI**

**Islamic Banking  
Risk Dashboard**



## PART II.

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### CIBAFI Islamic Banking Risk Dashboard

The CIBAFI Islamic Banking Risk Dashboard has been providing a unique perspective since 2015 on the potential risks that Islamic banks may face over the next one to three years. This dashboard is a valuable tool that helps to assess the challenges faced by banks, on both global and regional levels, and monitor their evolution over time.

While the Islamic Banking Top Concerns in Part I addresses global issues that banks face with a focus on their respective environments, the Islamic Banking Risk Dashboard primarily focuses on risks associated with banks' operations. Therefore, political, macroeconomic, and other risks have been removed in this part of the survey to obtain a better understanding of the risks that will impact banks' day-to-day operations over the next few years.

Each bank was requested to score the 22 categories of risks using a scale that ranges from 1.0 (no risk at all) to 5.0 (extreme risk). To ensure consistency, the risk dimensions remain unchanged from the previous year.

#### Islamic Banks' Global Top Risks

Responses this year reflect a strong confidence of Islamic banks in dealing with risks, with an overall decrease in the severity of most risks reported. This sentiment was echoed both globally and on a regional level, showing resilience to growing economic challenges. However, a deeper view shows several risks gaining prominence while others decreasing in importance, indicating a change in the prioritisation of risks in line with the global economic outlook.

#### Technological risks remain a top priority

This year, technology-related risks maintained their position at the top of the dashboard, ranking as the most significant perceived risks by Islamic banks. Cybersecurity risk was ranked 1st while technology risk was ranked 2nd, scoring 3.6 and 3.5 respectively (see Figure 9). Amidst the COVID-19 pandemic, banks ramped up their digitalization efforts and online banking services to maintain business and continue to attract and retain customers. This has, however, raised important operational and technological risks, related specifically to increased cybersecurity issues as new systems were being integrated, installed, and put in use. As technology advancements and customer expectations continue to heighten, it is reasonable to expect that concerns relating to technology and cybersecurity remain to be the most pressing for banks as they continue pursuing digitalization efforts for customer attraction and keeping up with the competition.

Some banks referred to specific worries heightening these risks. A bank from Europe and Türkiye region referred to the issue of lack of adequate human capital: "Especially after COVID-19, technology companies came to the fore. The companies managed to attract talented employees working in the information technology fields in banks with high salaries.

The lack of adequate human capital is highlighted by one respondent as a key factor heightening technological risks in the industry.

This situation has led to a lack of personnel in the information technology units of our institution ... [which] causes us to be inadequate in the field of technology, slow progress of processes in our bank and a decrease in our competitive power." Another bank from Southeast Asia referred to vulnerabilities that are subject to increased hacking activity: "Business partners and service providers [are] a vector targeted by hackers to access bank's infrastructure. These parties are deemed as trusted site and their security is usually not as robust as security in a bank. Once hackers gained access, they will use the trusted route granted by banks to access bank's infrastructure. [Also], hackers [are] using bank's branding to target customers in disclosing their credentials for subsequent attacks. The misuse of the bank's logo and branding in creating phishing websites, social media accounts and email communications is a common approach used by hackers targeting customers."

However, although cybersecurity and technology risks continue to remain a critical concern for Islamic banks, it is interesting to note that this year's results saw a significant decrease in the scoring of these risks from 2022. The decline in their overall scoring suggests a degree of relief in the post COVID-19 time for most banks. This is probably attributed to the measures implemented during the pandemic helping in building expertise and experience in effectively dealing with these risks. Indeed, open-ended responses elaborated on a number of measures taken by Islamic banks to mitigate technological risks. These include developing comprehensive digital transformation strategies and policies, investing in advanced IT infrastructure, enhancing cybersecurity measures, implementing employee training and awareness programmes, and managing third-party risks through stringent onboarding processes and fraud detection systems.

With reference to cybersecurity, a bank from the West, Central, and South Asia region stated, "Cybersecurity risks are managed through the use of tools, systems, and process-level controls. These include periodic vulnerability assessments, penetration testing, and staff awareness sessions. Additionally, an independent Information Security Department has been established to continuously monitor and analyse the bank's information security position." Another bank from the Middle East ex-GCC region shared its strategy for mitigating cybersecurity risks, which includes the following measures:



- Contracting with a specialised cybersecurity company and activating the Information Security Operations Centre for continuous monitoring (24/7).
- Developing electronic services and implementing protection measures such as data leakage prevention systems and the 3D secure for cards system.
- Adhering to international standards to minimise exposure to risks.
- Implementing an awareness programme to promote a culture of information security among employees and customers.

These proactive steps demonstrate the banks' commitment to safeguarding against cybersecurity threats and ensuring the protection of sensitive information.

### **Rising concerns on credit risk**

Credit risk has resurfaced as a top concerning risk for Islamic banks this year, with a score of 3.5, ranking second on the risk dashboard alongside technology risk. The looming threat of a global recession / economic slowdown, the political instability in some regions, and rising inflation rates are all making it more difficult for borrowers to meet their debt obligations. Consequently, Islamic banks are facing increased risks of non-performing debts and non-payment, making credit risk a significant focus for the upcoming years. A bank in Southeast Asia expressed concerns about the credit impact following the pandemic, anticipating its effects to be felt within a period of 1 to 3 years. Another bank from North Africa highlighted the ongoing effects of the pandemic on credit risk, with banks extending repayment terms to alleviate the burden on customers.

Islamic banks cited several measures to mitigate rising credit risk. These include tightening underwriting requirements, enhancing credit portfolio monitoring and oversight, and embedding early alert processes. A bank from West, Central, and South Asia, attributing the increase in credit risk to economic and political instability, emphasised intensified monitoring of customer facilities due to inflationary pressures and reduced purchasing power.

Some Islamic banks are intensifying monitoring of customer facilities due to inflationary pressures and reduced purchasing power.




Another bank from the North Africa region mentioned their risk mitigation strategy, which involves utilising external applications for credit analysis, providing comprehensive reports on customers' creditworthiness and conducting thorough assessments of various economic sectors.

Additional measures adopted by Islamic banks include diversifying credit portfolios, increasing capital buffers and loss provisions for bad and doubtful debts, and taking sufficient guarantees. A bank from Southeast Asia stated: "Additional individual assessments are being conducted on the business-as-usual (BAU) or ad-hoc stress testing to accurately capture the impact on the profit and loss (P&L) statement and, consequently, on the capital." Some banks also cited automating the credit process to improve credit risk management. A bank from the Europe and Türkiye region said: "rating scores, early warning systems, and loan decision processes were supported by analytical decision support processes. Efforts were made to improve the integration of information from central data sources, validate income models used in retail loans, and systematise collateral-taking processes and procedures to strengthen collateral quality."

### **Keen focus on liquidity risk**

Liquidity risk moved up the ranks of concerns this year, going from being the eighth most perceived risk last year to the fourth, while holding on to the same score of 3.4. This shift in rankings is accompanied by a decline in the prominence of risks related to extreme disruptive events, foreign exchange, and collateral. Negative economic conditions continue to exert pressure on liquidity needs, making it challenging for banks to raise funds at favourable rates. The tightening liquidity is further compounded by high profit rates, contributing to the difficulty in securing new funds.

The heightening of liquidity risk is also directly related to the concern for credit risk where the risk of a high proportion of non-performing financing or defaults is requiring additional funds to cover potential losses. This is spurred in some markets by political instability as a bank from West, Central, and South Asia stated: "Liquidity risk is another important risk for the bank in the current context because of high run-off rates in the sector. Customer confidence is almost lost [in] banks [in our country] and there are very insignificant number of customers bringing fresh deposits. Considering the high run-off rate, the banks are facing extreme liquidity risks."



Another reason cited for the increased importance of liquidity risk is the absence or lack of Shariah-compliant liquidity tools, including those provided by central banks, for Islamic banks to cover funding and investment needs. A bank from North Africa stated: “Due to the recent experience of Islamic banking in our country, there are currently no short-term Shariah-compliant financial instruments, which raises many problems related to liquidity management.”

In response to these challenges, Islamic banks have implemented various measures to alleviate liquidity pressures. These measures include implementing liquidity management strategies, adopting active risk management mechanisms, and closely monitoring liquidity positions while maintaining portfolios of liquid assets. A bank from Southeast Asia outlined their comprehensive strategy, which involves establishing risk appetite and tolerance thresholds, monitoring early warning signs, preparing for liquidity crises, diversifying funding sources, and maintaining an adequate liquidity buffer through periodic stress testing and scenario assessment.

Some banks have also turned to Sukuk to address their liquidity needs, while others focus on offering competitive profit rates to attract deposits and enhance their liquidity position.

### **Foreign exchange risk, although slightly declining, remains a key risk**

Foreign exchange risk remains one of the top five perceived risks for banks, although its position has decreased, with a score of 3.3 compared to 3.6 in 2022. The current state of the global economy, coupled with rising geopolitical risks, has led to increased market volatility and a "flight to safety" behaviour among international investors. These factors are putting pressure on foreign exchange rates. Furthermore, commodity price hikes are impacting exchange rates, particularly for oil-importing countries. These challenges are exacerbated in many markets by a lack of Shariah-compliant hedging tools, further intensifying foreign exchange risks.

The fluctuation in foreign exchange rates can have adverse effects on banks' asset returns and increase their vulnerability to other risks, including liquidity risk, transaction risk, credit risk, and inflation risk. A bank from the Middle East ex-GCC region highlighted the impact of exchange rate changes on customers' ability to fulfil their obligations to the bank when their financing is in dollars and their income is in local currency. Similarly, a bank from North Africa emphasised how foreign exchange risks significantly affect various aspects of the bank's performance, such as foreign trade, revenues, shareholders' equity, financing operations, and profit calculation.

Islamic banks are taking several steps to address these risks. These include granting credit in local currencies and diversifying investments to mitigate the impact. A bank from the Middle East ex-GCC region shared its mitigation strategy which includes “(1) compliance with the instructions of the supervisory authorities to maintain currency positions, (2) the presence of a middle office that follows up on the outputs of the Treasury and Investment Department, and (3) and setting reserve limits on currency positions to safeguard against exchange rate fluctuations.” Additionally, banks are

focusing on implementing appropriate strategies and regularly monitoring and controlling their foreign exchange exposure to limit potential risks.

A bank from Europe and Türkiye emphasised their cautious approach to foreign currency financing, placing special importance on limiting exchange rate risks and adopting a prudent policy in their foreign exchange transactions. They also maintain active monitoring and control of foreign exchange loan collections, demonstrating their commitment to reducing foreign exchange risks.

### Sharp decline in the risk of extreme disruptive events


There has been a significant decrease in the risk related to extreme disruptive events, such as the COVID-19 pandemic, this year. The score has dropped from 3.9 (in 2022) to 3.3 making it positioned as the sixth on the risk dashboard. Islamic banks appear to be less concerned this year regarding extreme disruptive events, as the world gradually returns to normalcy with the reopening of businesses and economic activities. Moreover, the overall economic recovery in 2022, boosted by COVID-19 vaccine distribution and easing of restrictions, has likely improved business performance for banks, resulting in lower risks associated with extreme disruptive events.

Islamic banks are less concerned about extreme disruptive events as the world gradually returns to normalcy with the reopening of businesses and economic activities.

Over the past two years, banks have implemented several measures to manage the risks associated with the COVID-19 pandemic. These measures include enhancing liquidity and capital positions, implementing remote work policies, and adopting digital solutions to support their operations. These actions have likely boosted banks' confidence in facing similar future events and reduced related risks.

A bank from the Middle East ex-GCC region shared in detail the measures it took to counter the effects of the pandemic. These included activating an emergency plan, identifying potential risks to business continuity, forming a Crisis and Emergency Management Team, issuing special instructions for working hours, renting laptops for critical banking operations, and increasing advertisements through social media and the call centre to promote the use of electronic service applications. The bank also emphasised compliance with regulatory authorities' instructions to reduce the financial burden on customers.

However, Islamic banks remain vigilant and recognise the importance of managing these concerns in their risk management practices. A bank from North Africa acknowledged that risks related to extreme disruptive events, including pandemics, constitute a structural risk that may recur in the future. The bank highlighted its strategic initiative aimed at keeping pace with clients, contractors, and professionals to mitigate the negative effects of such events and implement new mechanisms aligned with the country's economic and social policies. Another bank from North Africa emphasised



the importance of training employees in remote work practices and adopting modern technology to provide banking services, recognising the threat that pandemics pose to financial institutions at various levels.

### **Strategic risk gaining prominence while climate change risks decreasing in momentum**

Almost the only risk that increased in both scoring and position this year is strategic risk, with a score of 3.1 compared to 3.0 last year. It is now positioned in the 9th position on the risk dashboard, compared to 15th last year. Adverse economic conditions, increased market volatility, and heightened competition in the market emphasise the importance of building a successful strategy as a key pillar for weathering these conditions and ensuring business continuity.

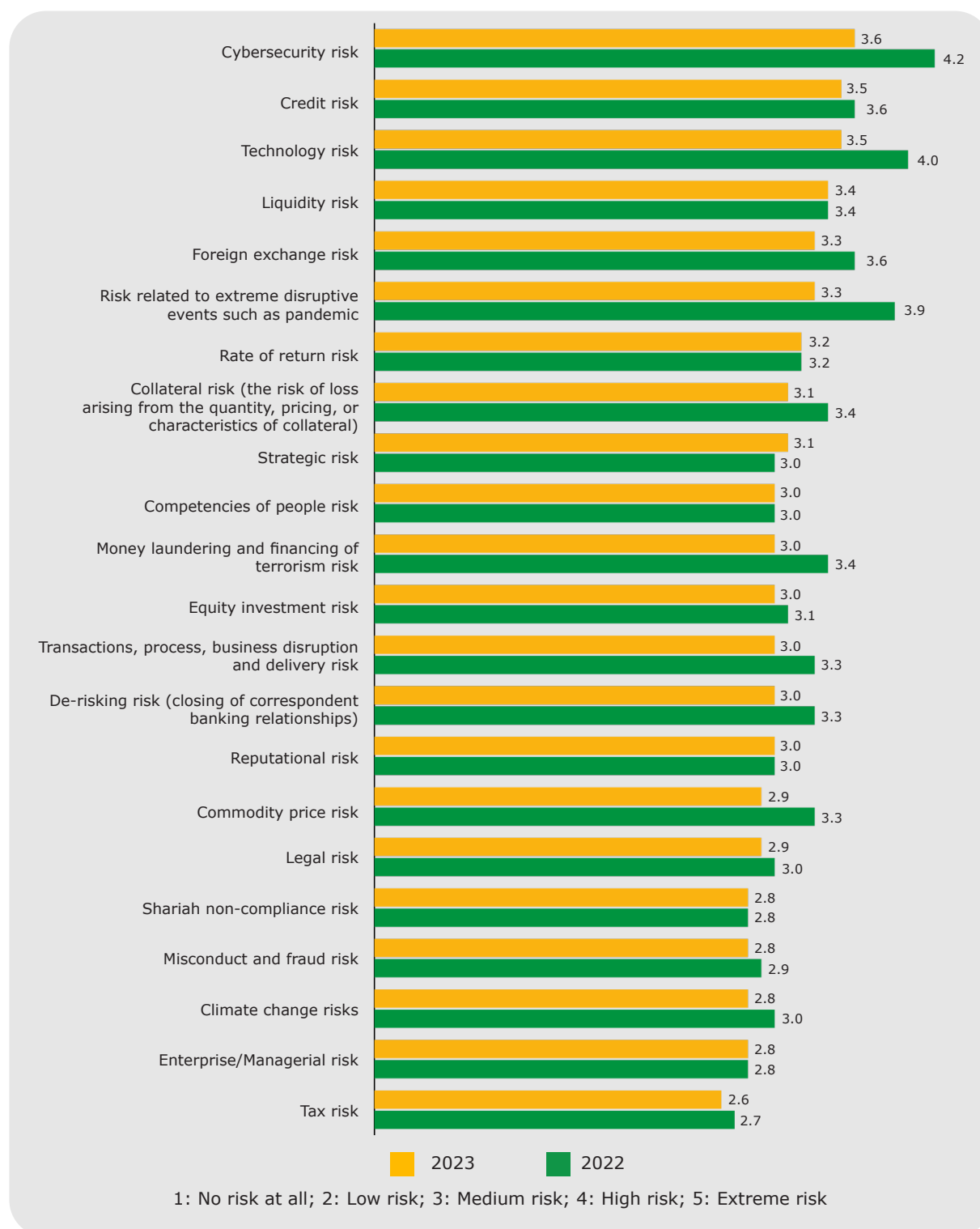
A bank from the Middle East ex-GCC region expressed concern about the diversity of banking services offered by competitors and the high rates of return offered by conventional banks, which pose a threat to their market share. Another bank from North Africa, mentioned the development of a sound strategy to achieve objectives and make informed decisions based on scientific practices. They also highlighted the periodic review of policies and procedures to enhance strategy evaluation and achieve desired goals.

On the other hand, climate risk has decreased in ranking this year and now occupies a lower position on the risk dashboard. This shift may indicate that banks are becoming more familiar with these types of risks and expect them to be less worrisome in the coming years. Alternatively, it could reflect the increasing importance of other risks in the current market conditions.

Open-ended responses have, however, shown a recognition by several Islamic banks of the importance of climate risks and a keen interest in addressing them. A bank from Southeast Asia said: "This is a new risk area that needs to be quantified to assess the impact on the bank portfolio." The bank mentioned the need to quantify the impact of climate risk on their portfolio and their collaboration with consultants to develop quantification methods.

Another bank in North Africa highlighted their consideration of climate change risks due to the country's agricultural nature. They are working with an external office specialised in this field to adopt a systematic protocol that guides the bank in coping with climate change risks in their relationships and financing products offered to customers. Similarly, a bank in Europe and Türkiye emphasised the importance of hiring experienced professionals in sustainability and complying with gradually imposed regulations by local authorities.

**Figure 9. Global Islamic Banking Risk Dashboard (2022-2023)**



## A Comparison of Small and Large Banks

This year's results reveal some similarities and differences in perception between small and large banks<sup>5</sup>. However, it should be noted that the geographical location of the surveyed larger banks, mainly situated in the GCC, Europe and Türkiye, and Southeast Asia regions, may partially explain the observed differences between banks of varying sizes.

Small banks generally scored risks higher than large banks, as shown in Figure 10, reflecting an overall higher level of risks. This could be attributed to their smaller size and limited resources and capabilities which could make them prone to higher impacts of these risks. Although scorings were higher, the overall ranking of risks was similar between small and large banks in many aspects. Both small and large banks perceive cybersecurity risk as the highest risk, with small banks rating it slightly higher (3.6) than large banks (3.5). Technology risk, credit risk, liquidity risk, and foreign exchange risk are also among the top risks for both small and large banks, while tax risk has the lowest perceived risk for both.

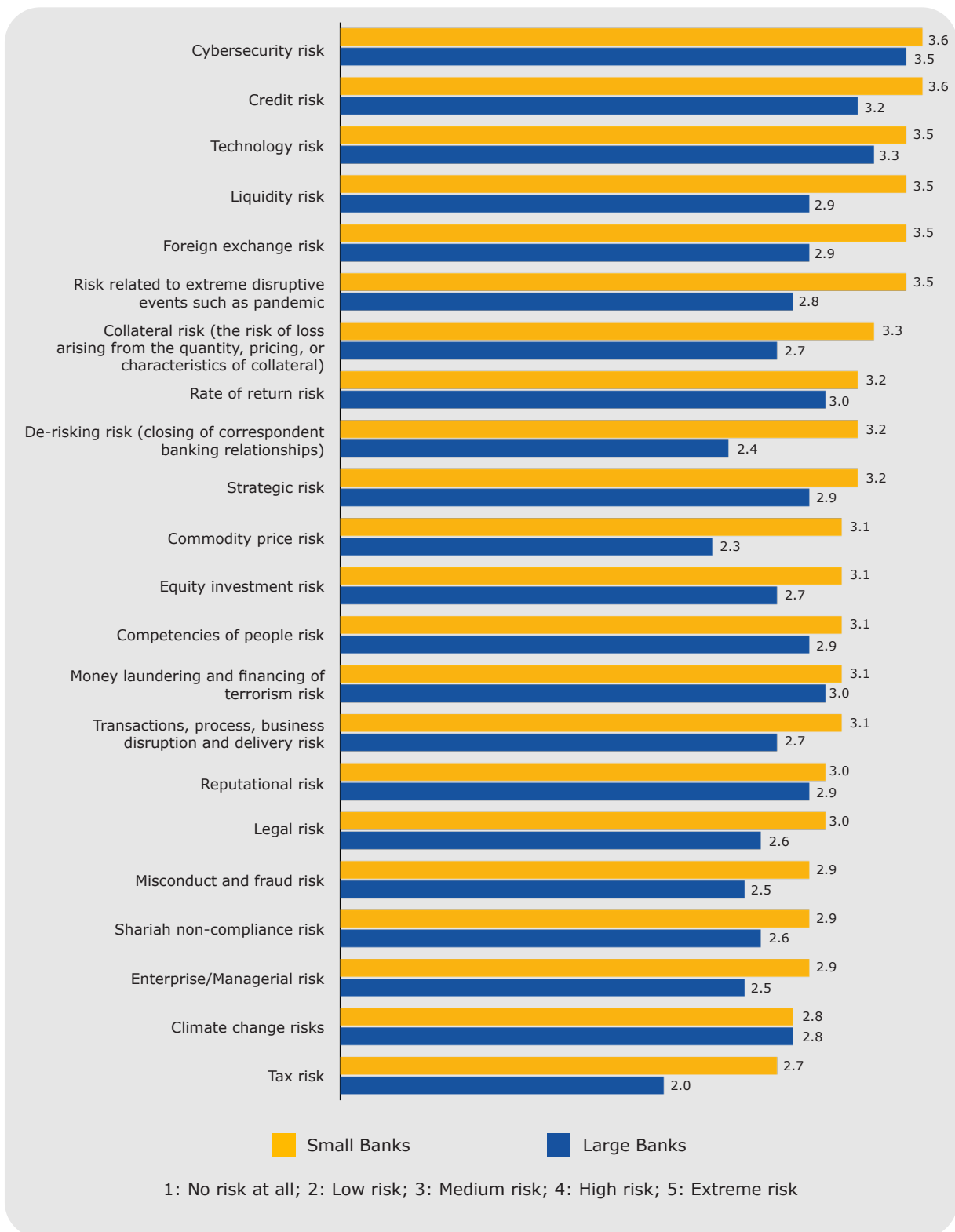
Small banks generally scored risks higher than large banks, reflecting their overall higher level of risks.

However, a deeper view shows that some risks featured as more prominent in the ranking of small banks compared to large banks or vice versa. In particular, de-risking appears as a much more important risk for smaller banks, ranking in the 9<sup>th</sup> position on the list whereas it features among the least three risks of large banks. Similarly, climate change risks, although having the same moderate scoring for both bank sizes, features in the middle of the list for large banks whereas it is positioned as the second least important risk for smaller banks. Money laundering and financing of terrorism risk also seem to be higher priorities for large banks, although small banks assigned them higher scores.

These scoring differences could be attributed to large banks being subject to more scrutiny by regulators and shareholders, making them more concerned with risks that can damage their reputation and, consequently, their business. Stakeholders today place significant emphasis on integrating sustainability practices within banks and effectively managing environmental and climate risks, leading to increased regulations in these areas. Therefore, large banks are expected to face greater requirements in these regards due to their wider scope of business and the materiality of sustainability considerations. Similarly, small banks face more challenges in maintaining relationships with correspondent banks, especially in adverse financial conditions where the latter choose to cut relationships to optimise costs and manage risks, making it a higher concern. Large banks also generally possess more resources and capabilities to devise comprehensive strategies and invest in technology that enables better risk management.

[5] In this report, small banks are categorised as banks with total Islamic assets less than or equal to five billion USD while large banks are banks with total Islamic assets greater than five billion USD.

**Figure 10. Global Islamic Banking Risk Dashboard – Small and Large Banks**



## A Closer Look at Different Geographical Regions


The regional data analysis also provides a comprehensive understanding of the top risks identified by Islamic banks across distinct geographical locations. Similar to last year's survey, this year the consistencies among the regions are more conspicuous than the divergences. Specifically, cybersecurity risk has emerged as the top-ranking risk in all regions (see Table 3).

Technology risk is ranked among the top three risks in five regions and only just outside that list in the North Africa and Sub-Saharan Africa groups. The banks' concerns are unsurprising given the increasing dependence on technology, as they rely on technology for critical functions such as customer transactions, data management, and communication. The ongoing digital transformation of the banking industry is leading to new and emerging risks, cyber-attacks, and data breaches that banks must address to remain competitive and maintain their customer base.

Similarly, credit risk is identified as one of the top three risks in six regions, while the Middle East ex-GCC group ranked it as the fourth most significant risk. In the Sub-Saharan Africa region, credit risk received the highest score of 3.9, which may be attributed to the challenging economic conditions prevalent in the region. Additionally, political instability and the post-COVID-19 pandemic situation further contribute to increased credit risk for banks operating in the region. As reported by a bank from the region: "Credit risk is becoming more of a concern as [the] quality of loan book shows declining trend following the effects of the COVID-19 pandemic. Some of the efforts being taken include more stringent credit risk appraisal, enhanced security for loans, [and] closer monitoring of loan portfolio to detect early warning signs for early corrective measures and restructuring of loans."

Foreign exchange risk has emerged as one of the top three risks in five out of seven regions. This finding is consistent with the global ranking, where it ranks fourth in terms of importance. The West, Central, and South Asia region reported the highest score for this risk, with a rating of 3.8, which is the topmost concerning risk for Islamic banks this year. There are several possible reasons for high foreign exchange in the region, such as, policy rate hikes, geopolitical conflicts, heavy reliance on exports or imports and volatility of commodity prices. Furthermore, the region's economic instability may also lead to international investors opting for a flight to safety, adding further pressure on foreign exchange rates.





Major disruptive events, such as the COVID-19 pandemic, continued to appear in the top risks of various regions, including North Africa, and West, Central, and South Asia. Islamic banks from the North Africa region rated it as the top risk with the highest score of 3.7. This suggests that banks in the region remain apprehensive as the pandemic crisis persists in some areas due to factors such as slow vaccination rates, economic downturn following the pandemic, increased policy rates, and rising commodity prices in 2022.

Despite its global decrease in importance, major disruptive events, including the COVID-19 pandemic, remain significant risks in various regions, indicating ongoing apprehension among banks in these regions due to several factors.

**Table 3. Major Risks of Islamic Banks Across Regions<sup>6</sup>**

Group	Top Risks	Score
Group 1 GCC	Cybersecurity risk	3.4
	Technology risk	3.2
	Liquidity risk	3.2
	Credit risk	3.2
Group 2 Middle East ex-GCC	Cybersecurity risk	4.1
	Technology risk	4.0
	Foreign exchange risk	3.8
Group 3 Southeast Asia	Cybersecurity risk	3.2
	Credit risk	3.0
	Technology risk	3.0
Group 4 West, Central, and South Asia	Foreign exchange risk	3.8
	Credit risk	3.5
	Cybersecurity risk	3.4
	Technology risk	3.4
	Risk related to extreme disruptive events such as pandemic	3.4
Group 5 North Africa	Collateral risk	3.4
	Risk related to extreme disruptive events such as pandemic	3.7
	Foreign exchange risk	3.7
	Credit risk	3.7
	Liquidity risk	3.7
Group 6 Sub-Saharan Africa	Cybersecurity risk	3.7
	Credit risk	3.9
	Foreign exchange risk	3.6
Group 7 Europe and Türkiye	Credit risk	3.2
	Rate of return risk	3.2
	Foreign exchange risk	3.0
	Technology risk	3.0
Global	Cybersecurity risk	3.6
	Credit risk	3.5
	Technology risk	3.5

1: No risk at all; 2: Low risk; 3: Medium risk; 4: High risk; 5: Extreme risk

[6] For every group, the top three risks are identified, including all risks with the same score, even if that means that more than three are listed in total.

**PART III:**

# **Talent Management in the Islamic Banking Industry**



## PART III.

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# Talent Management in the Islamic Banking Industry

Over the past few editions of GIBS, Islamic banking executives have consistently ranked 'human resources (HR) and the talent development landscape' among their top 10 concerns for the coming years. Moreover, in various regions, there has been a recognition of the importance of possessing qualified human capital, especially in areas of Islamic banking, and nurturing talents that can become an important asset for growth. This year, we decided to take a closer look at this area, especially given the rapid changes in market conditions and competition, to understand the challenges facing the industry and what opportunities Islamic banks can leverage to attract and retain top talent.

Talent management can be defined as the systematic attraction, identification, development, engagement, retention, and deployment of individuals who are valuable to an organisation because of their high potential or because they fulfil critical roles. A talent is an individual who can make a significant difference to organisational performance, either now through their immediate contribution or by reaching their highest levels of potential in the future<sup>7</sup>. The rapid developments in the financial sector, including the emergence of novel business models, technological advancements, social and environmental responsibility concerns, changes in customer preferences, and the impact of the COVID-19 pandemic, have altered industry competition dynamics. It has made it more imperative than ever for institutions to set themselves apart, compete, and remain viable in the market, and possessing the right talent is a key component for achieving this.

Exploring talent management in Islamic banking is two-fold. First, it relates to the existence of talented individuals with high potential in the industry that Islamic banks can leverage. In many instances, this involves having individuals that are well-versed in Islamic finance and its underlying principles as well as in several areas of expertise. Second, it relates to the practices that Islamic banks undertake to attract, develop, and retain talent in their institutions, linking these practices to the institution's overall business strategy for growth.

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[7] Definitions are derived from CIPD. 2022. Talent management. Available at: <https://www.cipd.co.uk/knowledge/strategy/resourcing/talent-factsheet#ref>.

In the past, several studies have been conducted in this area, revealing a general shortage of qualified human capital in Islamic banking across different regions<sup>8</sup>. This shortage of talent is observed in multiple areas, including regulatory areas and financial technology. Common reasons cited for the shortage of talent include a reliance on the workforce from the conventional industry, which is less familiar with Islamic finance, limited collaboration between Islamic banks and academic institutions, or a lack of proper training for talent development. Other research also highlights the need for more elaborated talent management practices in Islamic banks<sup>9</sup>.

In the thematic part of this year's survey, we have thus focused on two aspects of the talent landscape in Islamic banking: talent availability and talent management practices. Our aim is to provide a comprehensive view of talent management and its prospects in the Islamic banking industry. We asked Islamic banks about the various areas of talent availability, skills shortages, and the level of prioritisation of talent management within their institutions. This approach allows us to understand these issues from global and regional perspectives and see whether they align with previous observations.

This year's thematic part focuses on two aspects of the talent landscape in Islamic banking: talent availability and talent management practices.

Circumstances vary by region and bank size, so the section addresses responses from all angles when necessary, supplementing results with insights from relevant open-ended responses where applicable. This part also features special highlights in section B that cover insights from in-depth interviews conducted with selected Islamic banks to gain greater knowledge on certain aspects of talent management, supplementing the survey results.

[8] Firdiansyah, F.A. 2021. Optimization Of Human Resources Management In Islamic Banking. *JPS (Jurnal Perbankan Syariah)*.  
Aziz, M.R. 2020. Talent Competency and Readiness in Fintech For Islamic Banking and Finance Program. *Journal of Critical Reviews*.  
Ali, N.R., & Kasim, N. 2019. Talent Management for Shariah Auditors: Case Study Evidence From the Practitioners. *International Journal of Financial Research*.  
[9] Aminudin, N., Ramlee, S., Shahimi, S., & Rus, A.D.M. 2017. The Value-Based Talent Recruitment Model In Islamic Finance Industry: The Counting And Positioning Issues In Malaysia. *Journal of Islamic Economics, Banking and Finance*.  
Kamil, B.A.M, Salleh, M.C.M. 2013. The Need for Effectiveness Talent Management Practices Among Islamic Financial Institutions in Malaysia. 4<sup>th</sup> International Conference on Business and Economic Research (4<sup>th</sup> ICBER 2013) Proceeding.

## Section A: Talent Landscape in the Islamic Banking Industry

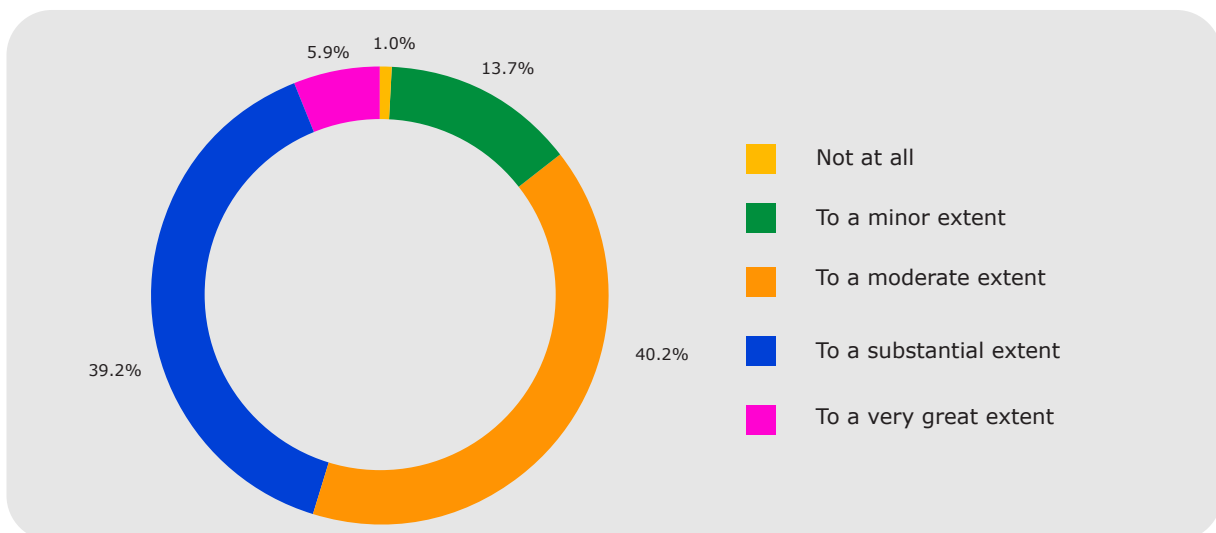
The first section of this part looks to understand the dynamics of talents in the Islamic banking industry. Respondents were asked to state their opinion on various elements relating to talent in the industry, from a scale of 1.0 (not at all) to 5.0 (to a very great extent).

### Outlook for talent availability in Islamic banking

To lay the foundation of our analysis, we first asked banks to what extent they think there are enough talents available to the Islamic finance industry in their respective jurisdiction. The outlook was positive, although divided between two views. Around 45% of respondents believed there was a sufficient pool of talent in their industry “to a substantial extent” or “to a great extent”, whereas another 40% saw the availability of talent as “to a moderate extent”. The results show an overall hopeful view of the potential skill and educational level of available talent, although some recognise areas of deficiency that should be fulfilled.

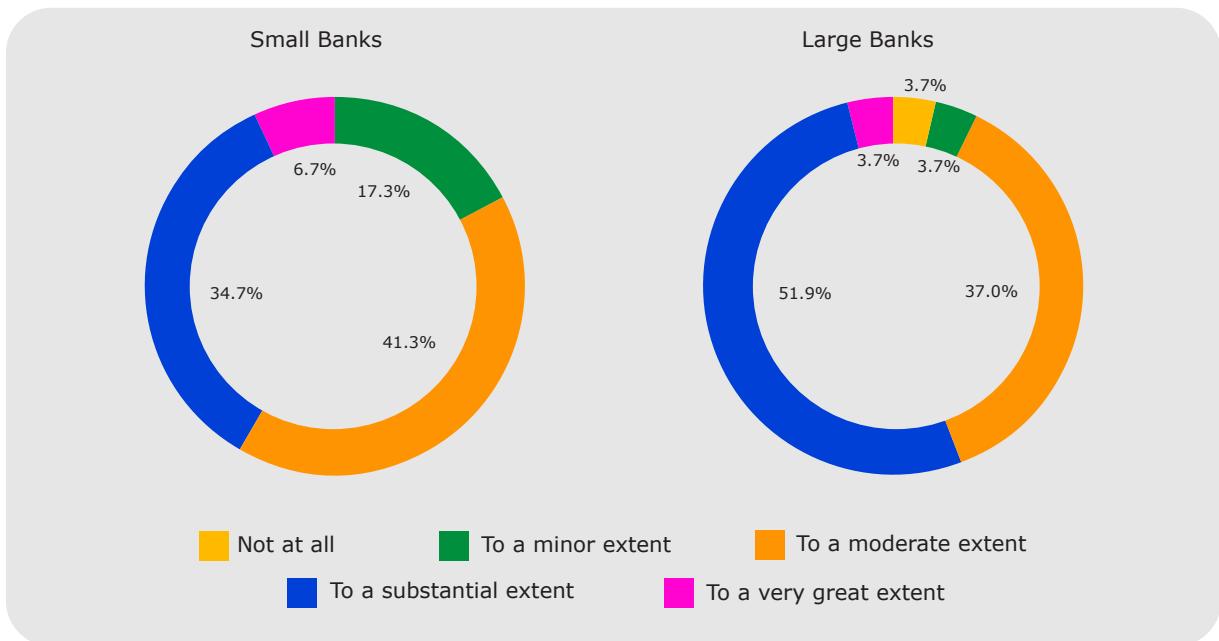
Islamic banks show an overall hopeful view of the potential skill and educational level of available talent, although with recognised areas of deficiency that should be fulfilled.

**Figure 11. Talent Availability to the Islamic Finance Industry**



The responses differed between large and small banks. Large banks had a more positive view of the availability of talent than small banks. This is possibly owed to the widened recruiting resources available for larger banks, as well as brand recognition which may be an easier draw for potential candidates.

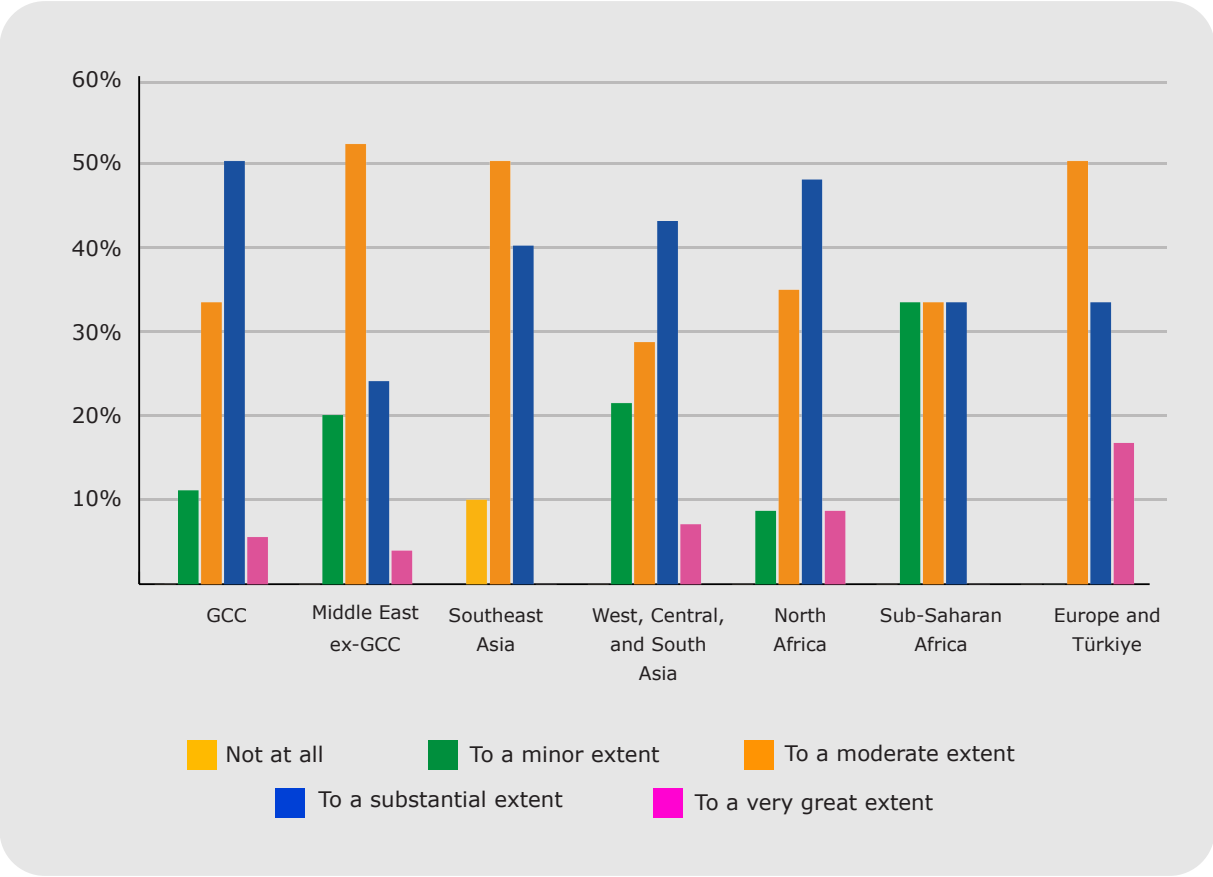
**Figure 12. Talent Availability to the Islamic Finance Industry – Small and Large Banks**



The regional breakdown also presented interesting findings. The most optimistic regions regarding the availability of talent to the Islamic finance industry were the GCC and North Africa<sup>10</sup>. On the other hand, Sub-Saharan Africa, West, Central, and South Asia, and the Middle East ex-GCC regions showed the least optimism. Over 20% of respondents in each of these regions viewed talents as available “to a minor extent” in their jurisdictions, possibly owing to specific regional challenges. Southeast Asia also showed a more muted view of talents in the region.

[10] It is important to note that most responses from North Africa originate from a single jurisdiction where Islamic finance is well-established.

**Figure 13. Talent Availability to the Islamic Finance Industry – Regional Breakdown**





## Areas of talent shortage and potential challenges

To understand the results further, we followed with an open-ended question asking Islamic banks to elaborate on the areas where they think there is mostly a shortage of talent available to the Islamic finance industry in their jurisdictions.

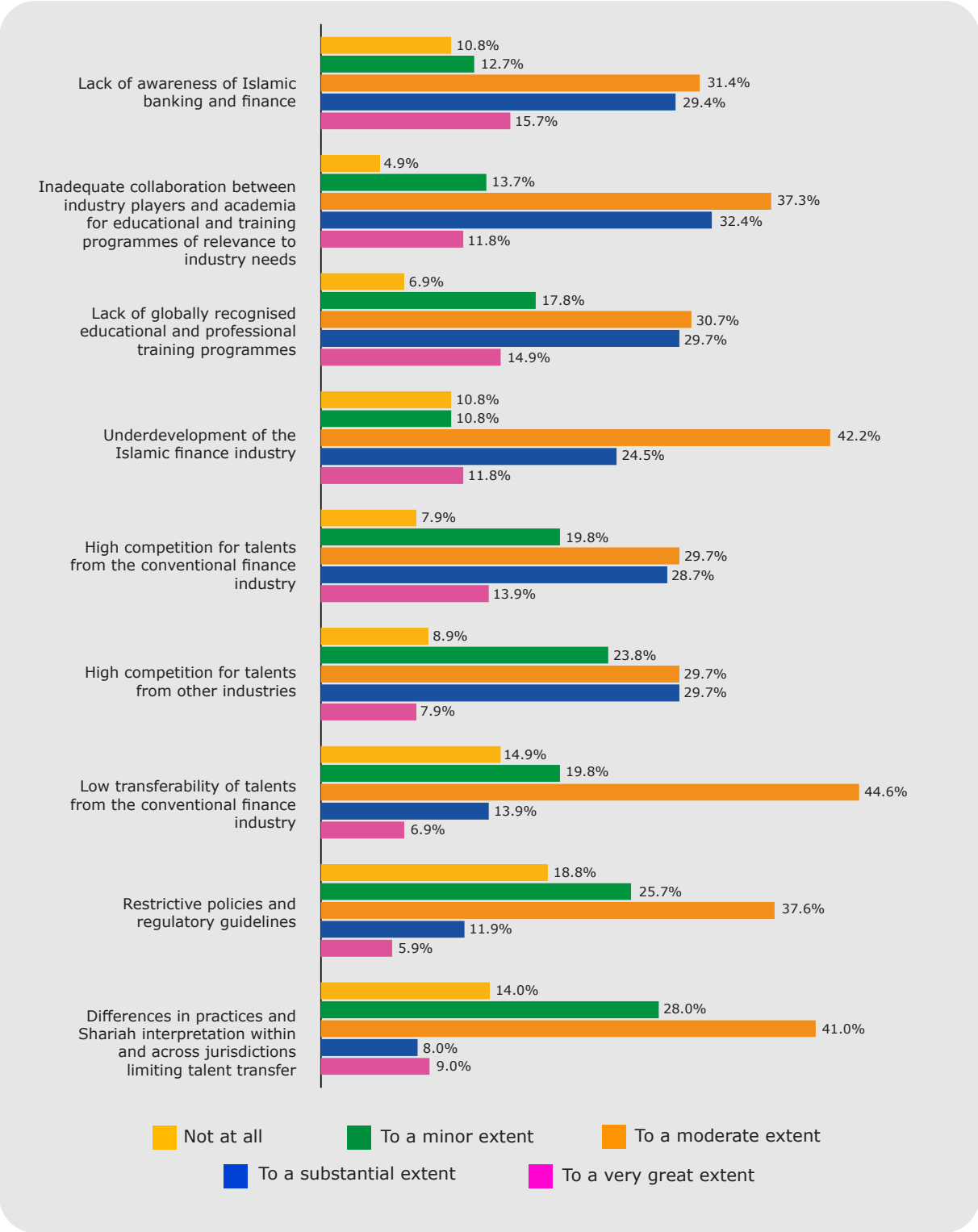
Results showed a number of talent shortage areas that overlapped between regions. These included the lack of talents with expertise in several specialised areas, including Islamic banking principles and knowledge of Shariah, financial technology and digitalization, innovation in product development and Islamic modes of financing, risk management and compliance, and financial analysis. With the rapid development of technology, the increased customer expectations for novel services and financing solutions, and the heightened regulations and scrutiny for Shariah compliance, it is not surprising to see that these areas featured as the most important for talent availability.

This is especially as Islamic banks seek to build more expertise and talent for competitive advantage. Some of the areas cited were more prominent in certain regions. For example, Shariah expertise was more of a concern in the Middle East ex-GCC, Southeast Asia, West, Central, and South Asia, and North Africa regions, while technology was a main focus in Europe and Türkiye and the GCC.

The next question looked to understand the reasonings behind the shortages of talent in these areas; Islamic banks were given a list of nine related challenges to rank. The responses indicate that the top factors hindering talent availability in Islamic banking are the lack of awareness of Islamic banking and finance (with 45.1% of banks indicating it was a challenge “to a substantial extent” or “to a very great extent”), the lack of globally-recognised educational and professional programmes (44.6%), and the lack of collaboration between industry players and academia for adequate educational opportunities (44.1%). Challenges were nonetheless ranked moderately, reflecting that while they do exist, their impact on the industry is modest.

Several talent shortage areas are highlighted in the Islamic finance industry, including expertise in Islamic banking principles and Shariah knowledge, financial technology, and risk management and compliance.

**Figure 14. Challenges to the Availability of Talent in Islamic Finance**



However, a look at the regional breakdown of responses and open-ended responses revealed that some challenges are more pressing issues for certain regions than others. For some regions, such as the Middle East ex-GCC, Sub-Saharan Africa, Europe and Türkiye and some countries in North Africa, the shortage of talent is primarily due to the lack of awareness in Islamic finance and the nascent development of the industry in their jurisdictions. A bank from North Africa said: “[We have a] shortage of persons qualified for the membership of Sharia supervisory bodies, shortage of persons specialised in managing Islamic financing risks, and Islamic financial accounting. This scarcity is due to the recent emergence of the Islamic financial industry in our country, along with a lack of sufficient specialized professional and academic programmes to meet industry requirements.”

On the other hand, in regions such as Southeast Asia, the West, Central, and South Asia, and the GCC, high competition for talents from the conventional finance industry was a key challenge. A bank from the West, Central, and South Asia region said: “In [our country], most of the financial establishments are involved in the conventional system, resulting in a limited pool of talent available in the market.” Another bank in Southeast Asia referred to competition but from larger banks: “Talents is ‘Not at All’ scarce [in our country] as we are an Islamic nation with a robust financial sector and industry organizations. However, the challenge lies in attracting and competing with larger organizations through effective branding.”

Inadequate trainings that fail to meet industry needs was also a particular issue for almost all regions, although scoring the highest in Sub-Saharan Africa (4.3) and Europe and Türkiye regions (3.7). Responses showed that the collaboration between industry players to make educational programmes more widely available is a glaring obstacle, with many of the open-ended responses echoing the sentiment that Islamic finance is under-taught in educational institutions and lacking in professional development opportunities.

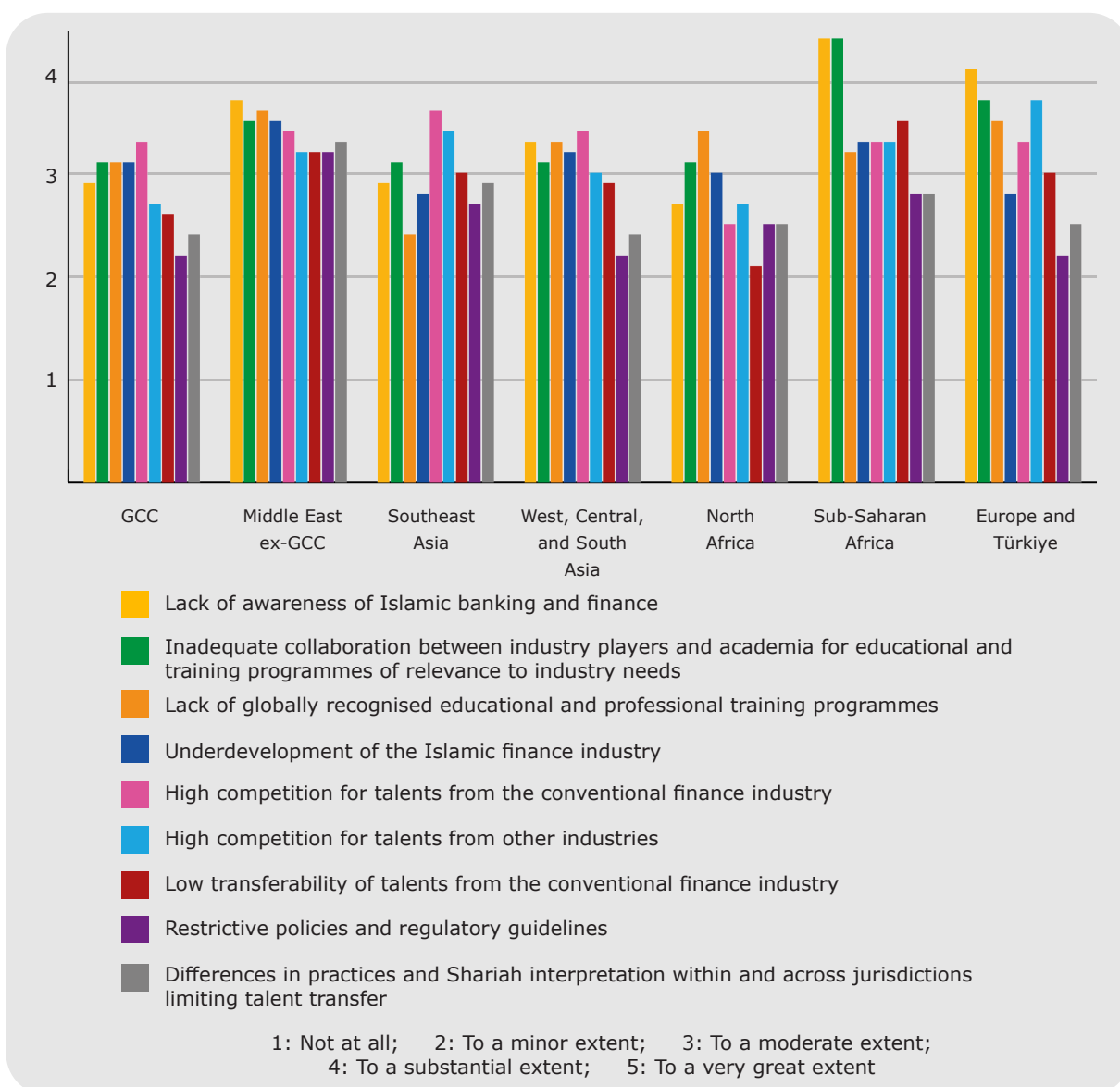
In some regions, the strong push by governments to expand the share of Islamic finance within their jurisdictions is causing an increase in the demand for talent which the supply is failing to meet, resulting in a shortage of talent.

The open-ended responses also shed light on other specific challenges for talent availability. In regions such as Southeast Asia and West, Central, and South Asia, the strong push by governments to expand the share of Islamic finance within their jurisdictions is causing an increase in the demand for talent which the supply is failing to meet, resulting in a shortage of talent. Additionally, for areas such as digitalization and product innovation, the rapid market developments in these areas and the high competition for talent were cited as reasons for hindering the availability of talent.

One bank from the Europe and Türkiye region provides an insight that “The greatest shortage of talent is in the IT field. Looking at the market, one of the fastest growing industries is definitely IT and this segment is growing day by day. In less than a decade, the number of employees in this industry tripled, and the level of income significantly exceeded the average in other industries. The gap between the market’s needs and what the education sector provides is most evident in the information and communication technology sector. These trends impact the banking industry in terms of the availability of IT-related talent.”

Other concerns cited by Islamic banks regarding the availability of talent include the lack of talent for mid- and upper-management level functions, the lack of female talents, and the high compensation requirements which makes it hard to attract and recruit talent.

**Figure 15. Challenges to the Availability of Talent in Islamic Finance – Regional Breakdown**



## Perception for talent crossover from the conventional banking industry

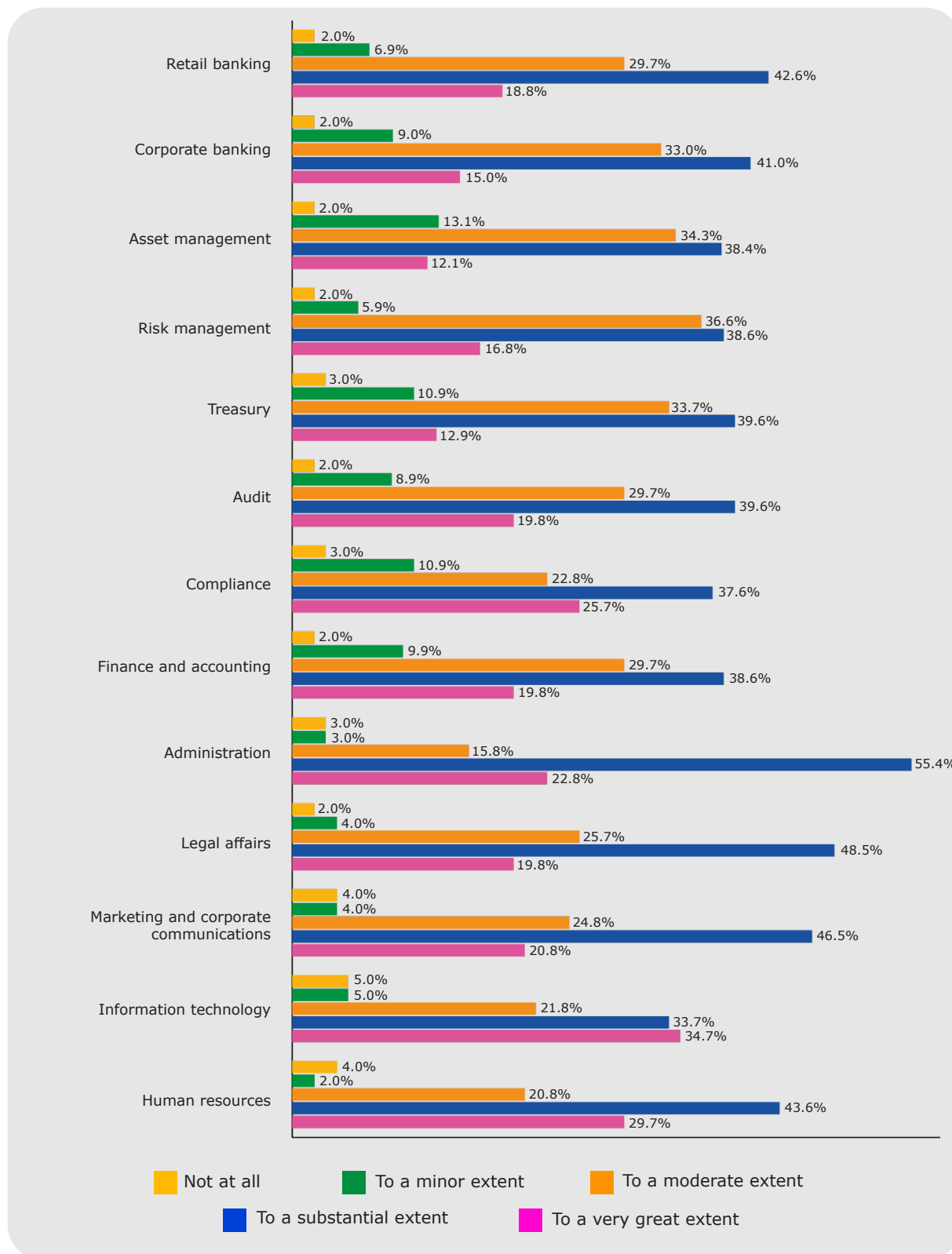
The particularities in Islamic banking narrows down the talent pool available for the industry compared to talent who have been educated and trained in conventional banking systems. As a result, many Islamic banks rely on talents from the conventional industry to cover areas of talent shortage, provided they undergo appropriate training when necessary. A bank from Southeast Asia acknowledged this practice, stating: “The management talent gaps have been largely filled with “converted” conventional bank professionals”. However, it is recognised that not all functions allow for easy transferability, as referred to by the same respondent: “it has been much more difficult to meet the demand for Shariah professionals and specialists.”

To assess respondents’ perceptions on this issue, we asked banks to rank the ease with which talent can transition from conventional banks to Islamic banks in various functions. The aim was to understand the areas where talent shortage in the Islamic banking industry can be filled by professionals from the conventional industry, and vice versa. The overall outlook was positive, although some areas showed more transferability than others. The majority of banks believed that there was enough talent crossover in areas of Administration, HR, and IT. This is unsurprising since these areas would require the least technical skills and knowledge with specificities of Islamic finance, making the skillset required transferable from conventional banks.

Majority of Islamic banks surveyed believe there is enough talent crossover from the conventional banking industry in areas of Administration, HR, and IT, but less in technical areas of Asset Management, Compliance, and Treasury.

On the other hand, the most uncertainty in talent transferability between the two industries was present in more technical areas. Specifically, the areas that were ranked highest by Islamic banks as having “not at all” and “to a minor extent” transferability were: Asset Management, Compliance, and Treasury. Asset management remains an issue for Islamic banks without a specialised talent pool, as talents would need an in-depth understanding of Shariah-compliant securities such as equities, Sukuk, and investment requirements. Concerns about compliance are also understandable. While some areas of compliance (e.g., AML/CFT and government-driven initiatives) are largely standardised across the banking sector and local jurisdictions, Shariah compliance is a particular area that requires specialised training which talents working solely in the conventional sector may not have received. Other areas cited for lower transferability of talents were finance and accounting, corporate banking, audit, and retail banking.

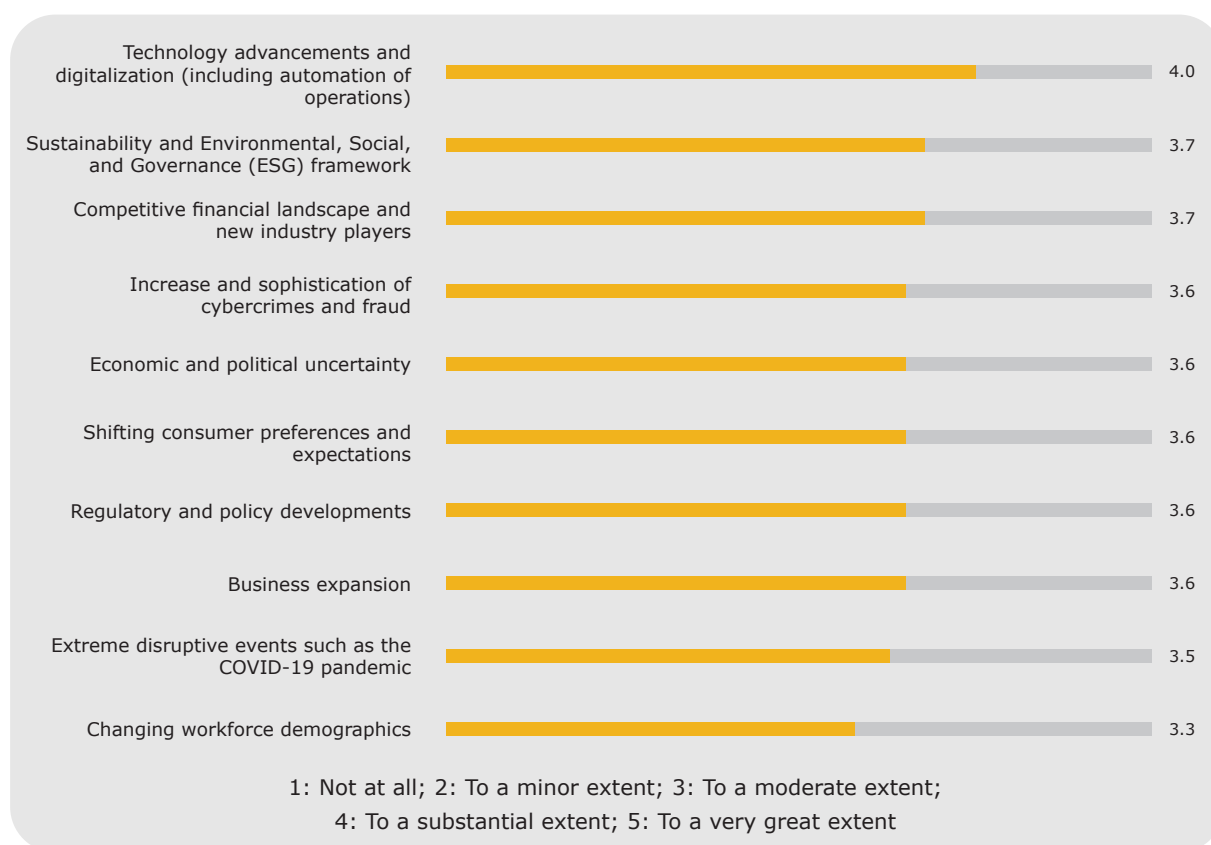
**Figure 16. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**



## Key trends impacting talent and skill needs in Islamic banking

Islamic banks were next asked to identify the trends that they believed had the most impact on the talent and skills required in the Islamic banking industry. There was a general recognition that industry trends are changing recruitment needs and requiring a different skill set from talents. Most of the cited trends were rated similarly, quite high, as seen in Figure 17, with sustainability and the competitive financial landscape featuring at the top. However, one aspect of the industry stood out as the most significant perceived trend: technology and digitalization.

**Figure 17. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**



Based on the earlier responses in Part I, digitalization and IT featured as the top concern across all five regions in 2023 and were also prominent worries for banks in past years. With the rise in the automation of banking services and the increased demand for online banking options, both of which were accelerated by the COVID-19 pandemic, it is to be expected that banks would perceive technology as a top trend that will shape their future banking operations. The recent spotlight on ChatGPT and the potential of artificial intelligence (AI) indicate that this will indeed be a technology that banks will be pressured to implement in the future and that will alter the skill set needed.

In this year's open-ended responses, several institutions commented on the importance of talents who can bring the bank to the cutting edge of technological innovation. One bank from the Europe and Türkiye region said their ideal talent is "Technology Savvy – Future success and advantage will come from being willing to learn new things and becoming aware of what the new tools are in a variety of fields

in order to creatively apply them to build a better tomorrow." Banks have shown that they understand future talents would be expected to be digitally literate and aware of inherent cybersecurity risks, while also innovating ways to leverage that technology to broaden customer reach and improve customer relations.

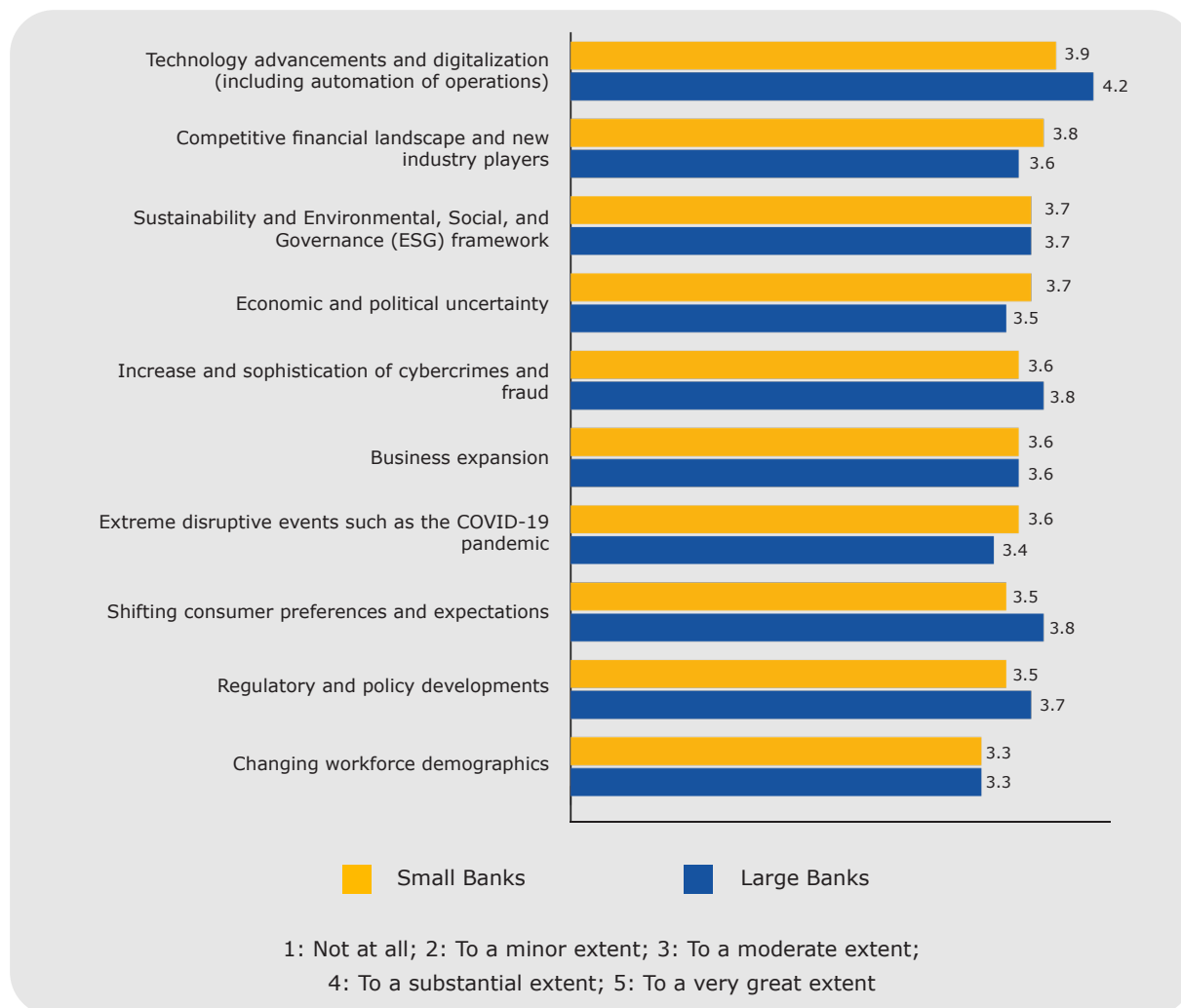
However, as stated previously, there is also a recognition of the challenges of attracting talents specialised in IT, digital services, and cybersecurity. A bank from Europe and Türkiye said: "Digitalization, software technology and data science are given importance by Islamic financial institutions as well as other financial institutions. It is difficult to find talents who are willing to work both in information technology and in Islamic financial institutions." Other respondents highlighted the lack of talent in this area, emphasising the need for specialised trainings and educational programmes that can build talent and skills. Another bank from the same region emphasized the importance of prioritizing reskilling and upskilling through a major transformation of education and training systems, utilizing virtual solutions to meet the evolving demands of the workforce. A bank from the Middle East ex-GCC region emphasized the significance of learning from global experiences and leveraging technologies for products development.

Larger banks and smaller banks had fairly similar responses to this question. There was a slight increase in larger banks citing evolving customer needs and expectations as a major factor in the Islamic banking industry in the years to come (3.8 as opposed to 3.5 for smaller banks), which makes sense considering the breadth of their customer base translates into a wider variety of customer expectations.

Technology and digitalization are perceived as the most significant trends shaping Islamic banks' talent needs.



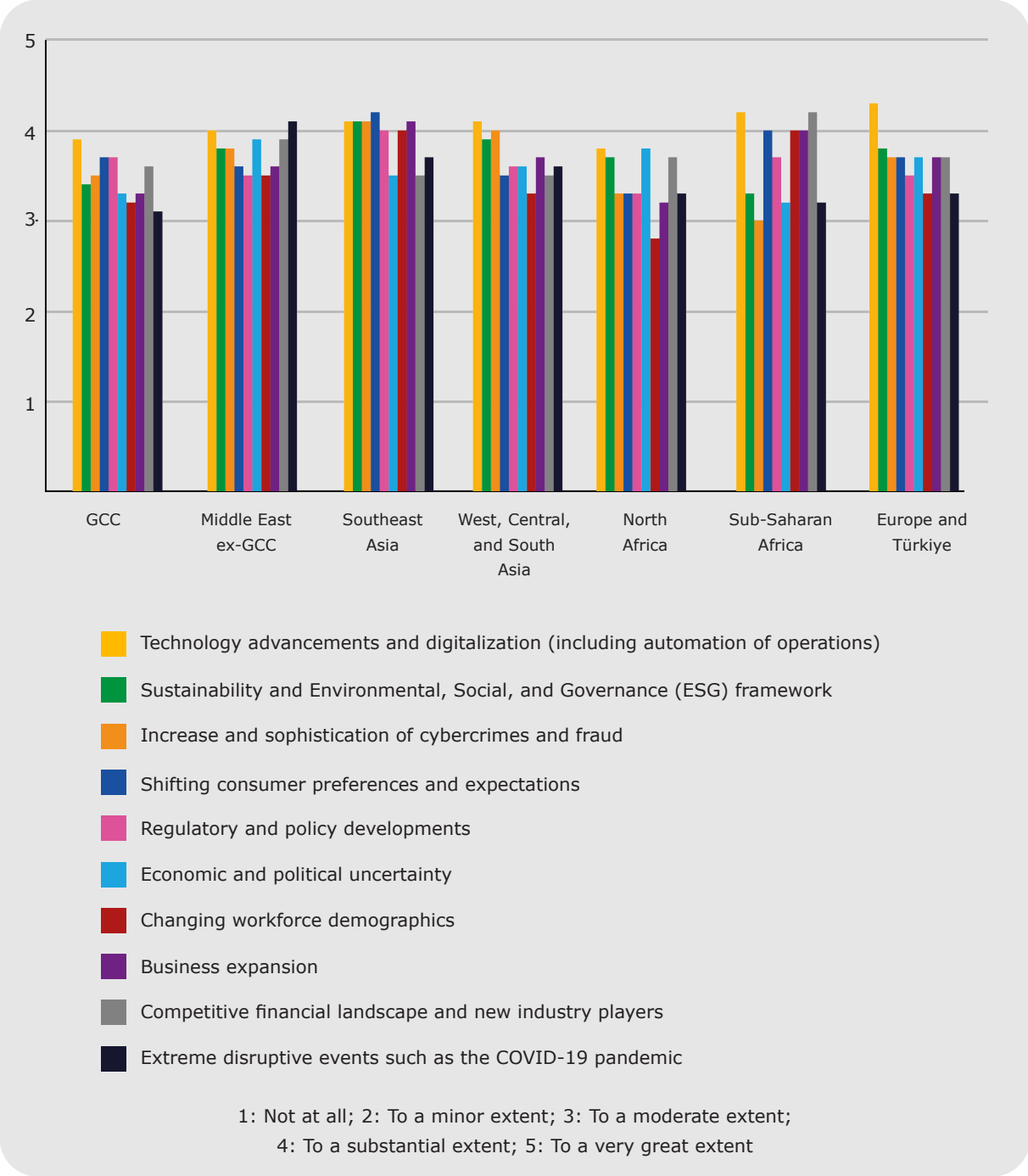
**Figure 18. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry – Small and Large Banks**



The regional breakdown did shed light on some new findings. While technology advancements were a trend agreed on by all regions as causing important shifts in the skills needed, other trends featured more prominently in some regions. Specifically, sustainability was ranked high by Islamic banks in the Southeast Asia, West, Central, and South Asia, and Europe and Türkiye regions as a trend impacting talent needs. This is in line with the increased focus of these regions on the integration of sustainability considerations in the financial sector, including climate risk assessment and sustainability reporting, which would require talents versed in these areas to meet the new requirements.

Additionally, the increased sophistication of cybercrimes and fraud emerged as a high-ranking trend in the Southeast Asia and West, Central, and South Asia regions. This highlights the need for skilled professionals capable of addressing rapidly evolving cyber threats and crimes, underscoring the importance of staying ahead in tackling such challenges.

**Figure 19. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry – Regional Breakdown**



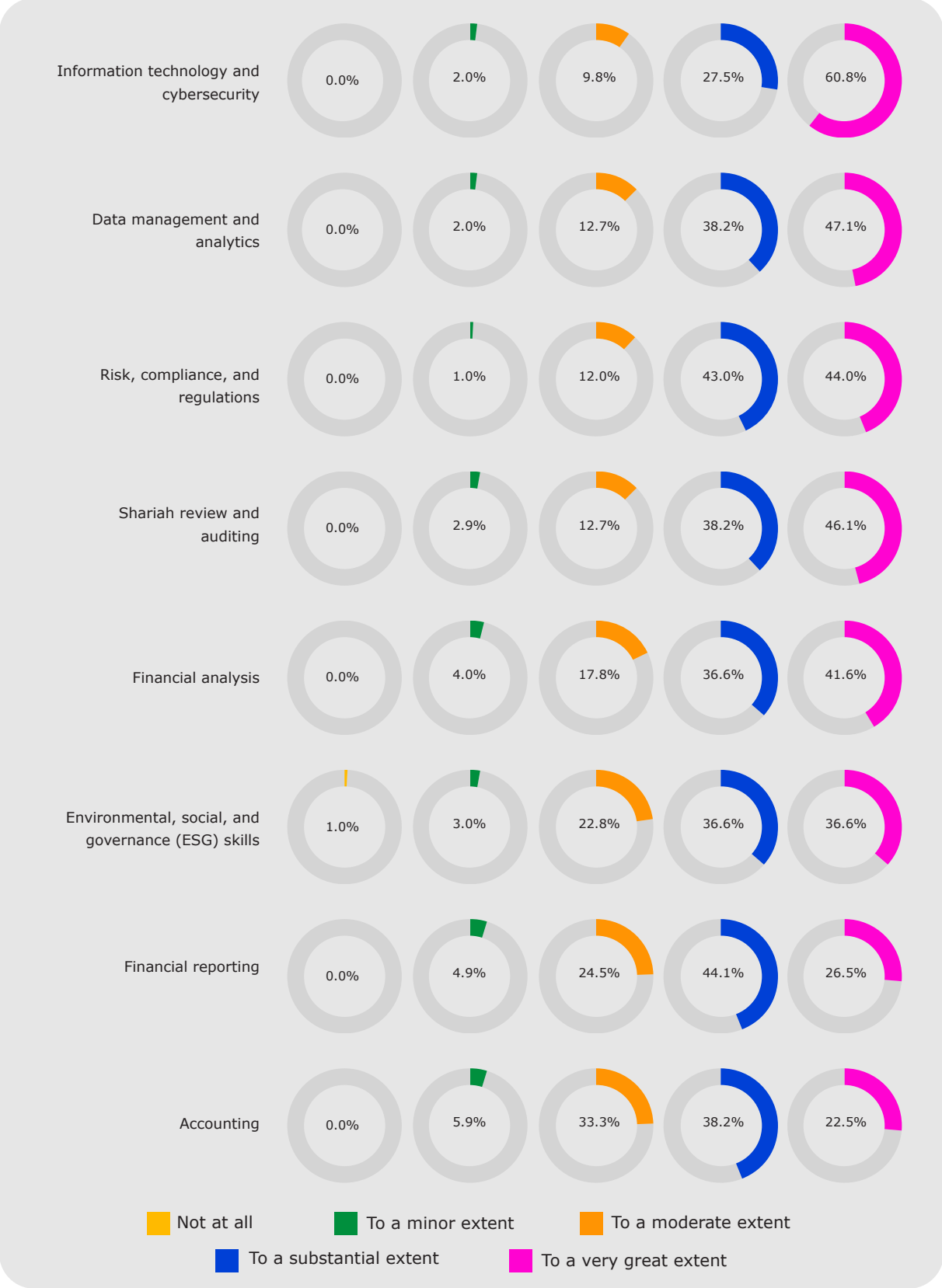
### **Skills required by Islamic banks for the next 3 – 5 years**

The next question aimed to understand the specific skills that will be in demand by Islamic banks in the next 3 – 5 years. Islamic banks were asked to rank 17 skills, categorised as “Personality Traits” and “Technical Skills”. Rankings were generally high across all skills, reflecting the high expectations of Islamic banks for talents and skills in the industry.

Unsurprisingly and keeping consistent with the answers from the previous question, the technical skill of IT and cybersecurity was highly valued by respondents. An overwhelming majority (88.2%) of those surveyed predicted this skill to be in-demand “to a very great extent” or “to a substantial extent.” The emergence of new technologies is bringing vast new opportunities for banking, but they require tech savviness from bank employees that can leverage them for competitive solutions. Hence, IT and cybersecurity expertise is a key sought-after skill. In addition, with the rising concern of cybersecurity in the era of digitalization following the COVID-19, it has become crucial that employees have the proper background knowledge and skills in IT and cybersecurity to mitigate and prevent such incidents. Awareness and handling of cybersecurity concerns was a topic that featured prominently in the open-ended responses – across all regions.

88.2% of Islamic banks surveyed foresee IT and cybersecurity skills as being in high demand in the next 3 – 5 years.

**Figure 20. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**

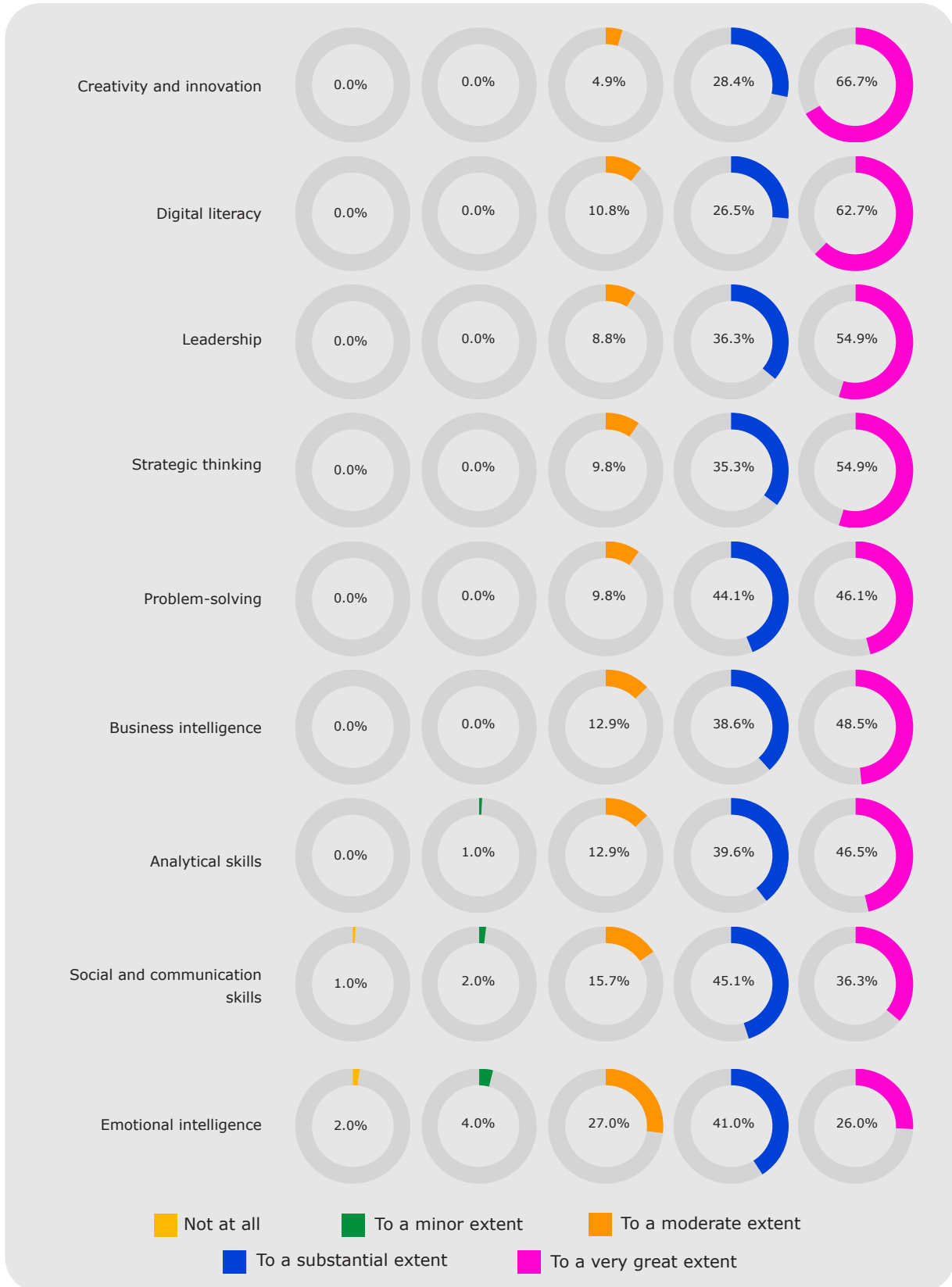


Amongst the desired personality traits for up-and-coming talent, several traits were rated to be of comparable importance. However, banks seemed most focused on two aspects in particular: creativity and innovation (with 66.7% rating it as extremely important) and digital literacy (rated of top importance by 62.7% of respondents).

The highest-rated trait, creativity, and innovation, likely goes hand-in-hand with the skills of digital literacy – not only with regard to technology, but in the broader scope of problem-solving. In light of the COVID-19 pandemic and rising socio-political conflicts, financial institutions require talents who are resilient, and able to pivot and adapt as issues arise. It also ties in with banks' oft-cited desire for Islamic products and service innovation. Encouragement of innovation, improvement of services available, and focus on product development featured prominently in the open-ended responses. As one bank from North Africa commented on the issue of innovation and Islamic products: "The Islamic financial industry in our country suffers from some shortcomings in many areas, including: the absence of Islamic financial instruments such as Sukuk, and the limited products offered to customers, as they are almost limited to the products of Murabaha and lease ending with ownership. Additionally, there are shortcomings in risk management and the marketing aspect of Islamic financial institutions. These deficiencies may be attributed to the novelty of the industry compared to the conventional financial industry."

Digital literacy is, of course, an essential skill in many sectors as more and more services move online and find new ways to automate their operations. Many banks mentioned skill development, or "upskilling", as a key factor to keep in mind. Technology is ever-changing, so continuous training is necessary. As one bank in Middle East ex-GCC highlighted, "The Digital transformation is an essential bridge between the business of today and tomorrow. Employees' ability to adapt to this change and the employer's regular upgrade of the employees' skills in digitalization plays a key role in this regard." In the open-ended responses, several banks highlighted the importance of digital literacy during and in the wake of the pandemic since remote working and virtual meetings became a necessity in some of the most affected regions. Banks clearly view digital literacy and technological skills as the most focal point for the industry moving forward.

**Figure 21. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



## **Actions to develop talent and support its availability to the Islamic banking industry in the next 3 – 5 years**

Finally, we asked Islamic banks to elaborate on the actions they believe are necessary at the level of their institutions and the country to support talent availability and develop talent that meets competition and industry growth in the next 3 – 5 years.


Unsurprisingly, training emerged as key theme across all regions. Islamic banks emphasised the importance of establishing comprehensive talent training frameworks within Islamic banks to develop talents' knowledge and equip them with skills to meet the industry's growth and competition. Specifically, respondents mentioned the importance of providing continuous trainings in both areas of technical and soft skills. These include digital transformation and technological developments, cybersecurity and risk management, Shariah, financial and data analysis, leadership, and business acumen. Respondents also emphasised the importance of conducting these trainings in line with the bank's long-term strategy and through both internal and external means, such as rotation programmes between departments, international professional certifications, workshops offered by international organisations and training institutes, and international seminars and conferences.

Islamic banks also noted the importance of being proactive in finding top talents and in retaining them through effective talent management practices. Two important actions cited were adopting specialised programmes for talent attraction and creating a talent development model and working environments that appeal to qualified individuals. Respondents shared a number of initiatives for achieving this, including fostering diversity and inclusion in the workplace, offering hybrid and remote working models, recognising, and rewarding high performance, identifying skill gaps early and nurturing talent with appropriate training.

Another strong theme across responses was the emphasis on collaboration between industry leaders and academia. Many respondents stressed on the need to involve key industry players in training and in the development of academic courses. A bank from Europe and Türkiye region said: "To deliver knowledge up to — or even ahead of — standards set by global market leaders, reinventing with upskilling and reskilling in the educational system [is essential]. ... This can be achieved through

greater collaboration with academic institutions to ensure that the supply of talent matches the needs of the industry. It can also be supported through scholarships and tailored courses which have been created with the direct involvement of Islamic banks." This was seen as a double responsibility, featuring in the actions that need to be proactively taken by banks and at the country-level.

Responses highlight the significance of collaboration between industry leaders and academia to ensure the supply of talent matches the needs of the industry.



Other responses on the required actions at a country-wide level focused primarily on education. Some respondents suggested the establishment of training centres, incubators, talent pools, and government-backed financial assistance programmes. One bank from the Middle East ex-GCC noted, “Governments should establish training centres for university students and update curriculums to suit the reality of the market after graduation.” Others highlighted the need to introduce Islamic finance and banking courses at schools and universities and develop Islamic finance professional qualification and certification programmes in line with international standards. Banks from the West, Central, and South Asia regions, as well as the North Africa region, emphasised the importance of identifying and nurturing talent at an early stage, with government-supported development programmes ideally beginning even before university. It is interesting to note that Islamic banks in the GCC region emphasised on subsidies and government support for nurturing talent, as well as creating talent pools, some mentioning the attraction of geniuses, especially in STEM subjects, while others focusing on deploying local talent.

Some respondents also referred to regulating development programmes through specific standards and policies. One bank from North Africa said: “Governments play an important role in nurturing and developing talent. It is known that institutions cannot develop their business and develop the talents of their employees except within the framework of an appropriate legislative environment. Governments are concerned with providing this environment, in addition to taking other measures.” Another bank from Europe and Türkiye region shared the experience in their country: “The Insurance and Private Pension Regulation and Supervision Agency in [our country] has taken a concrete step in this regard, obliging insurance agencies and intermediary companies operating in the field of private pension to deliver training programmes to their personnel. In this regard, companies operating in participation-based insurance are obliged to employ a minimum number of employees with undergraduate and/or graduate education in Islamic finance as stipulated in the regulations. Other employees are obliged to have participation-based insurance and private pension certificates.”



## Section B: Talent Management Practices in Islamic Banks

Effective talent management practices play a crucial role in the support and development of talent within the Islamic banking industry. Therefore, the next section of the survey aimed to understand how Islamic banks are approaching talent management within their institutions to assess its effectiveness in supporting talent and its contribution to Islamic banks' overall strategies. The section delves into details on Islamic banks' talent planning, acquisition, development, and retention practices, identifying the key challenges faced and the strategies taken in this regard.

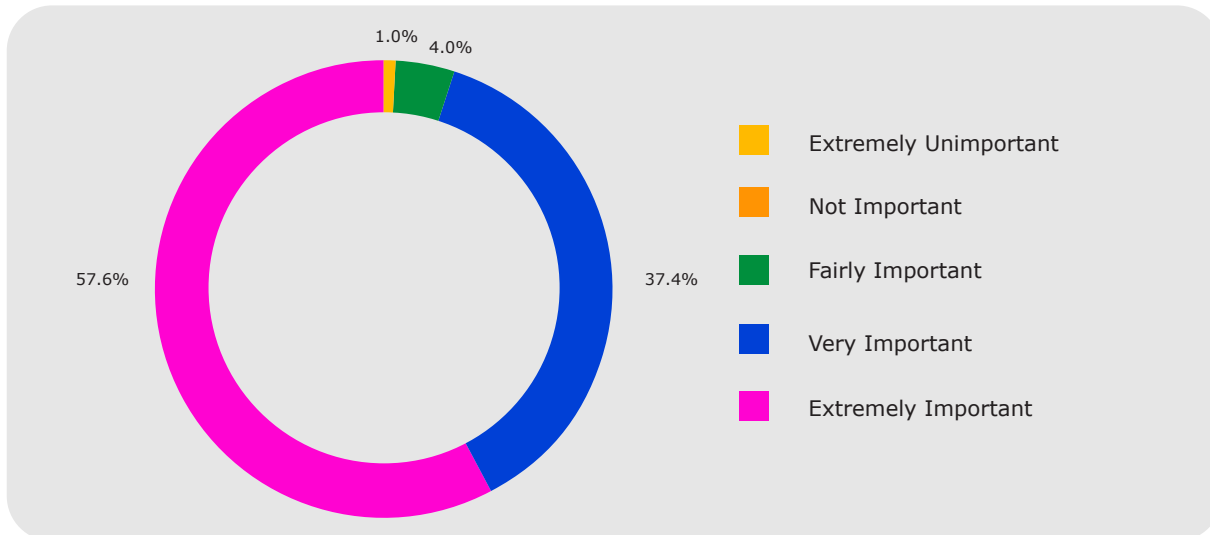
### Importance and prioritisation of talent management in Islamic banks

First, banks were asked to what extent is attracting, developing, and retaining the right talents important for their institution's performance. Islamic banks overwhelmingly responded that securing people with the right skills for the job is crucial, with 95% answering that it was either "very" or "extremely" important.

One bank in the North Africa region eloquently stated, "Talented people have extraordinary abilities for thinking, innovating, studying, and possessing special skills that make them unique and positively impact the bank's overall performance." Another bank from the same region commented that Islamic banks are invested, now more than ever, in ensuring they recruit top-quality talents: "There is no doubt that retaining and developing talent is an important factor for the success of institutions and achieving excellence. Islamic banks are more concerned than others, by virtue of their recent experience, in strengthening their strategy in developing talent and taking appropriate measures for that."

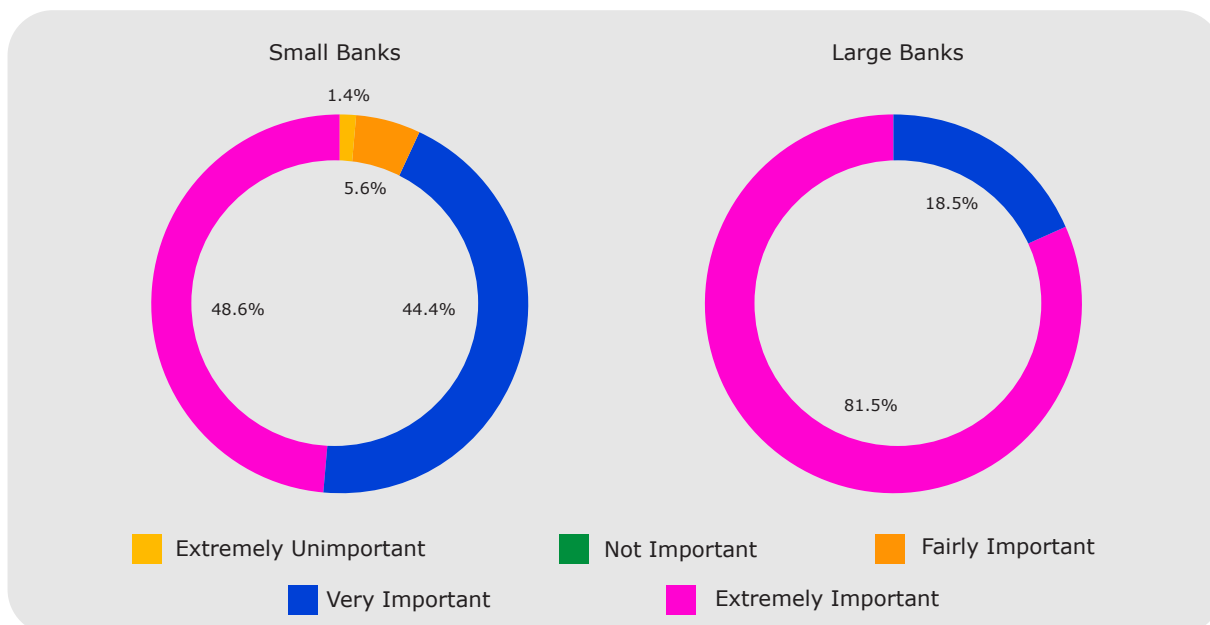
Majority of Islamic banks surveyed recognise the importance of attracting, developing, and retaining the right talents, with larger banks placing particular emphasis on specialised talent acquisition.


**Figure 22. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



Large banks seemed to place more importance on the acquisition of specialised talents. An impressive 81.5% of large bank respondents rated it as “extremely important”, with the remaining 18.5% regarding it as “very important”, showing that large banks clearly see talent management as an utmost initiative amid increased market competition.

**Figure 23. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance – Small and Large Banks**



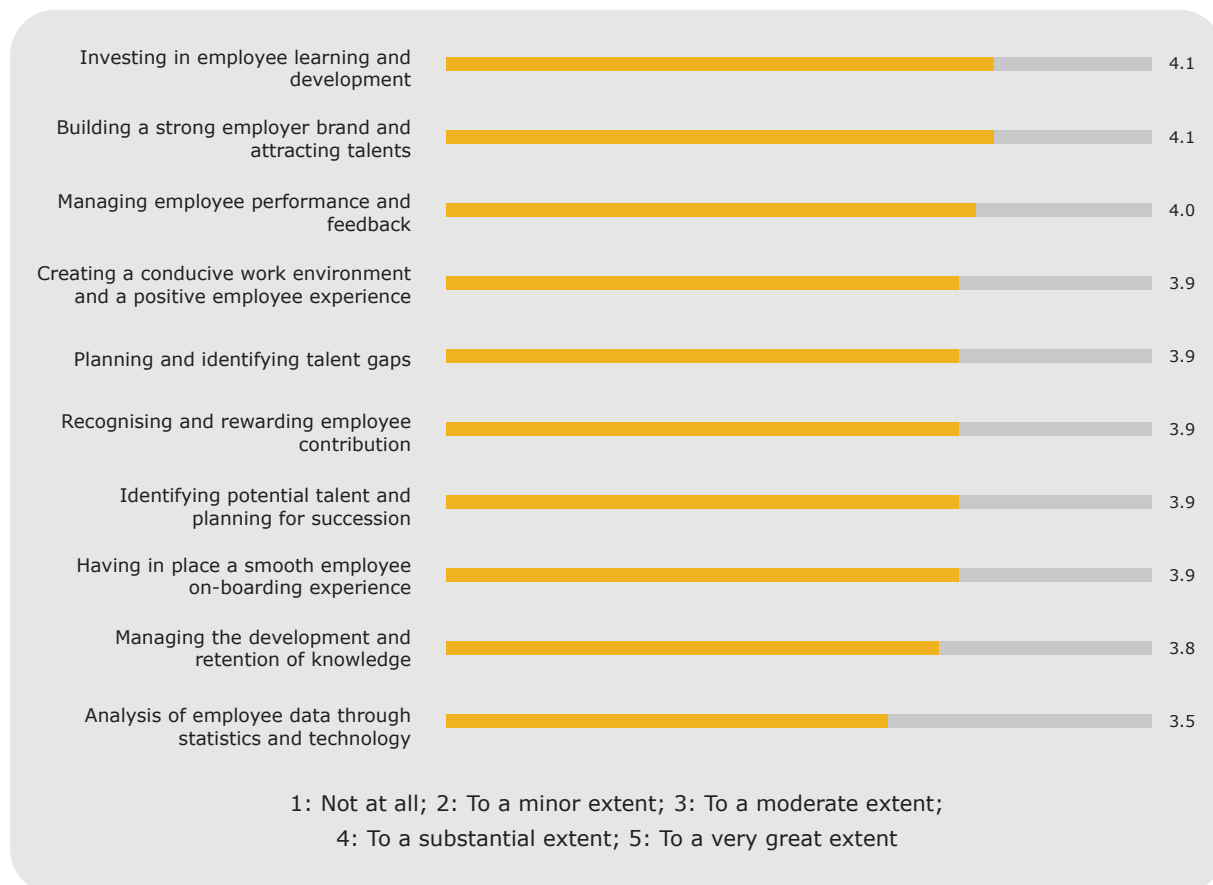


We next asked Islamic banks which areas they were specifically prioritising in order to promote talent management at their institution. Almost all dimensions ranked high. However, the two areas receiving the most focus were investing in employee learning and development, as well as building a strong employer brand and attracting talents.

Islamic banks are considering the continuing education and professional development of their employees as an integral aspect of their talent management. A bank from GCC said: “We invest a lot in each talented employee’s individual training needs, and we support them to ensure they are executed. We have partnered with external vendors as well to conduct the talent assessment and provide our talented resources feedback on their leadership needs and gaps.” Building strong brand recognition is also a dimension of talent acquisition which is emphasised. This is especially important for banks operating in jurisdictions with high competition from conventional banks, low awareness of Islamic banking services, or both. A bank from GCC said that it is “target[ing] to be [the] employer of choice through a clear strategy and set of actions along with branding.” These focus areas go in line with the actions recommended by Islamic banks in the previous section for developing strong talents for the next years. It seems that Islamic banks are putting concerted efforts to develop their talent management practices to meet the industry’s growth prospects and stand out amid the increased competition.

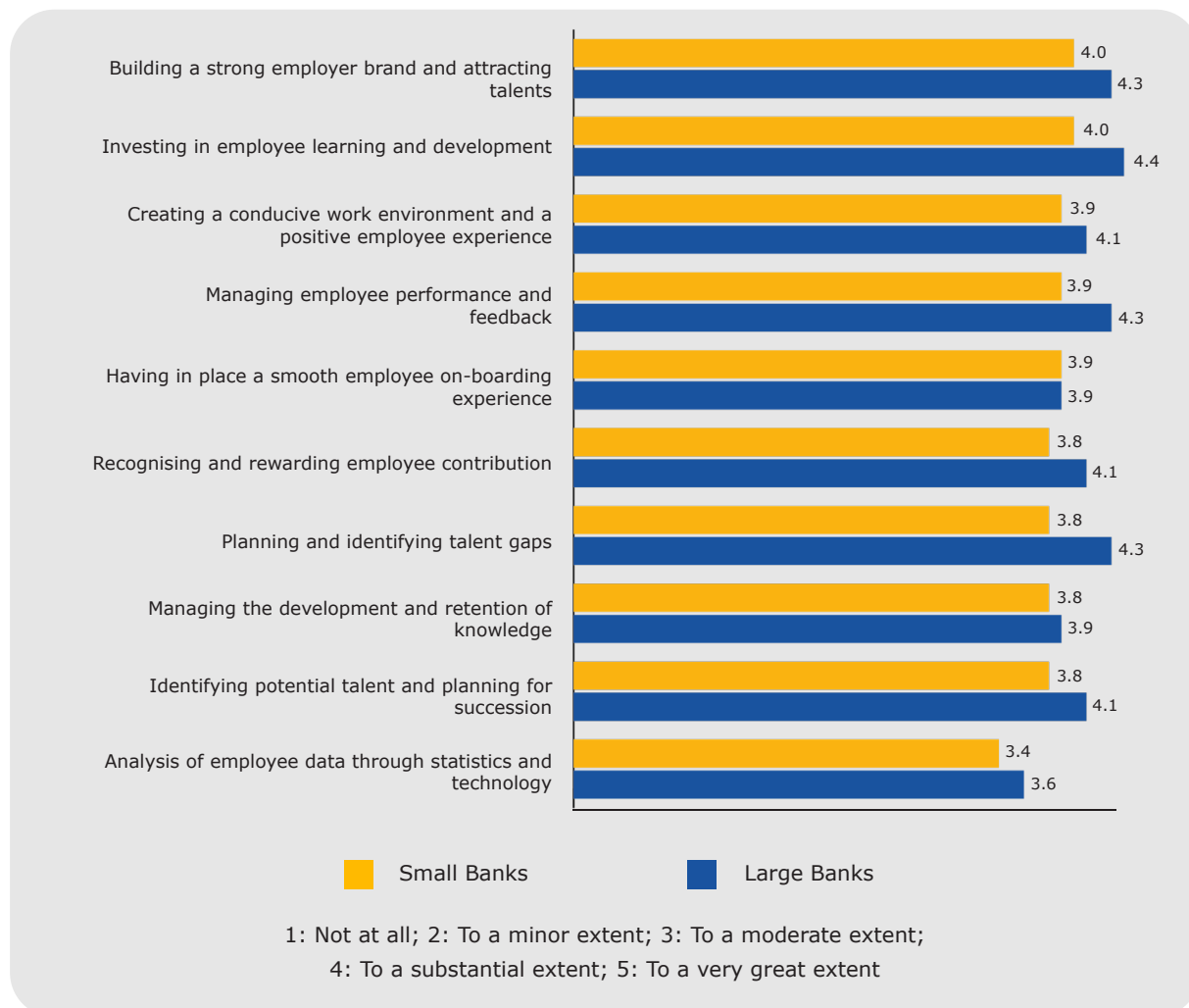
However, it is worth noting that the utilisation and analysis of employee data, through statistics and technology, and knowledge management, received the lowest rankings from Islamic banks. This suggests that while talent management is an area that is being prioritised, Islamic banks still primarily rely on conventional means to do so.

**Figure 24. Prioritisation of Areas Related to Talent Management in Islamic Banks**



Looking at the rankings by bank size, large banks, while perceiving the various dimensions higher than smaller banks, placed significantly more importance on planning and identifying talent gaps compared to smaller banks. Due to their large employee volumes and range of customer expectations, it is understandable that large banks must constantly evaluate their employees' skills and adapt to address weak areas. This is further evidenced in larger banks' prioritisation of employee performance evaluation to gauge employee abilities and job satisfaction.

**Figure 25. Prioritisation of Areas Related to Talent Management in Islamic Banks – Small and Large Banks**



### Interview Highlight 1: Exploring the Opportunity of Talent Analytics

Talent analytics is increasingly recognised as a critical tool for effective workforce management. By gathering and scrutinising data through technological means, it helps to provide insights into employee skills, performance, and potential allowing organisations, including Islamic banks, to create personalised career development plans and forecast future talent needs.

In an interview with an Islamic bank from the Middle East ex-GCC region, talent analytics was said to be a crucial element for talent management. The bank shared a number of ways through which it integrates it to optimise talent management practices:

- **Data-Driven Talent Management Decisions:** The bank utilises talent analytics to foster a more engaged and high-performing workforce. It identifies gaps in employees' knowledge and skills, which are then addressed through targeted training and development programmes.
- **Systematic Skills Evaluation:** The bank undertakes a systematic evaluation of its employees' skills and knowledge levels. It uses a 'skills card' outlining the required levels for each job and contrasts it with the current skill levels of each employee, leading to a 'gap card' that shapes their individual development plans.
- **Continuous Data Update Process:** The bank ensures the continuity of data updates by monitoring its training and development initiatives. It has established a comprehensive database of employee competencies and performance indicators, which serves as the foundation for all HR training and development projects.
- **Strategic Job Classification and Transition:** The bank classifies jobs based on similarity and connection, which informs the planning of job transitions within the institution. This strategic approach has enabled the bank to enhance its talent development initiatives and ensure that its employees are prepared to meet evolving role demands.
- **Investment in Employee Capabilities:** The bank invests in its employees' capabilities and competencies, maintaining a database of exceptional employees and those targeted for second-row leadership projects. These employees are provided with advanced development plans and fair opportunities for career advancement.

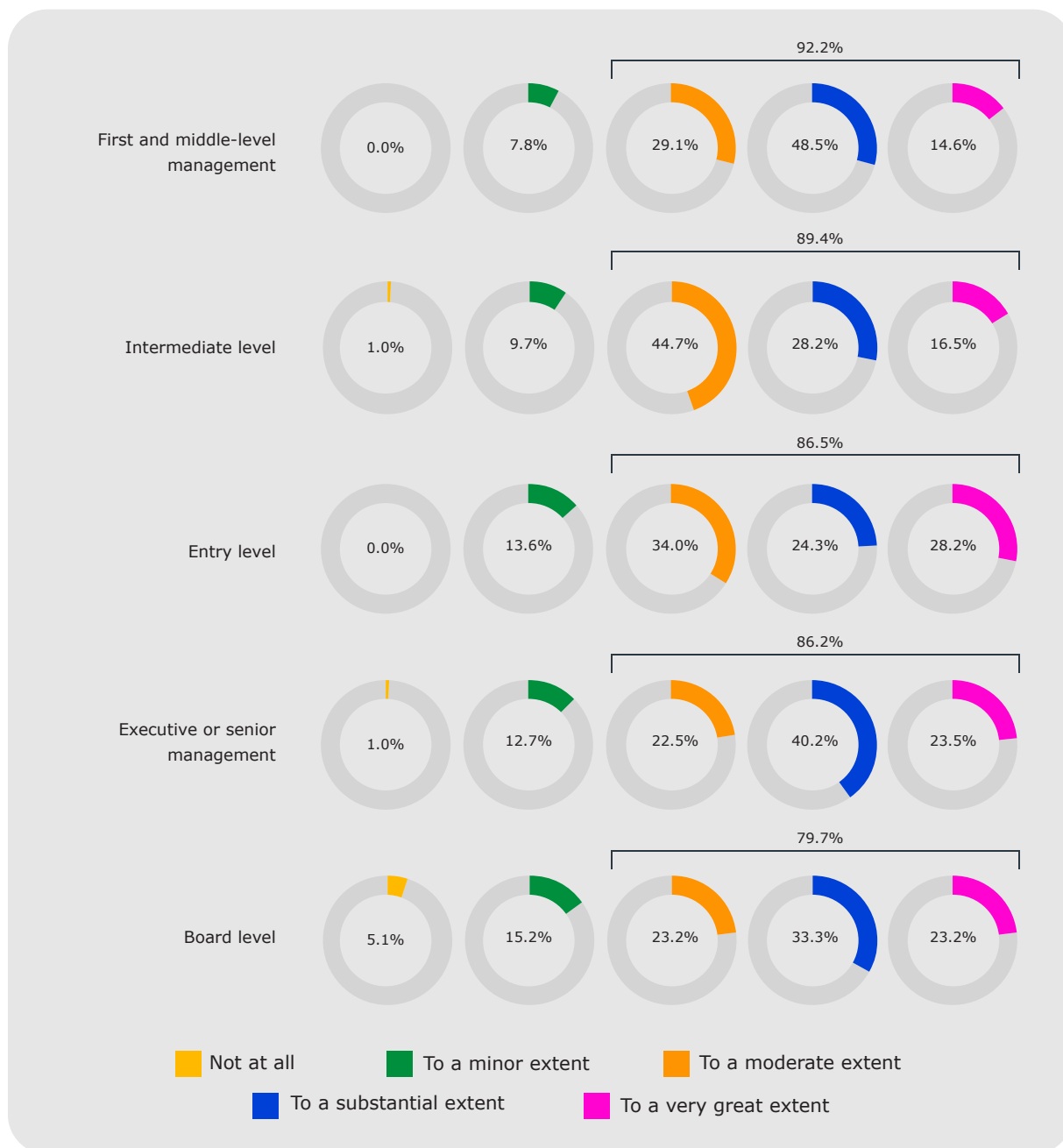
The bank's experience underscores the significant opportunities for Islamic banks to enhance their talent management practices through talent analytics. Banks can identify future talent needs, develop a pipeline of high-potential employees for leadership positions, and foster a more diverse and inclusive workforce. To achieve these objectives, it would be important to invest in talent analytics tools and technology, train HR professionals in their use, and integrate talent analytics into wider talent management practices.

## **A deeper understanding of the organisation of talent management in Islamic banks**

We followed with questions to understand how Islamic banks are organising talent management within their institutions.

We asked firstly which employee levels banks targeted most when it comes to talent attraction, development, and retention in order to get an idea of the type of talent banks are seeking and retaining. From the results, it appears a variety of positions were considered, however, banks who were targeting certain positions to a “substantial” or “very great” extent rated executive and first/middle-level management positions as the most important. The results indicate that banks know they require employees with a wide range of experience and abilities across different positions, and therefore diversify their hiring and development practices, although with a slightly increased focus on managerial positions.

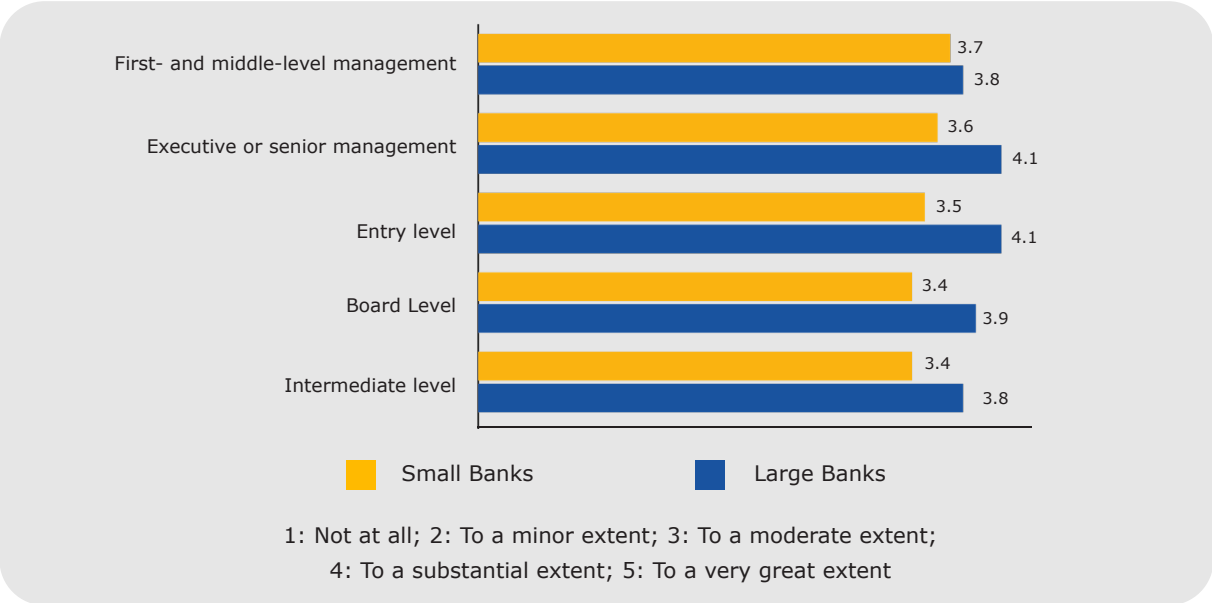
**Figure 26. Job Levels Targeted in Talent Attraction, Development, and Retention**



An interesting finding by bank size showed less focus of small banks on managing entry-level talents compared to larger banks. This may reflect the higher support that young potentials can get in larger banks for career progression.



**Figure 27. Job Levels Targeted in Talent Attraction, Development, and Retention – Small and Large Banks**



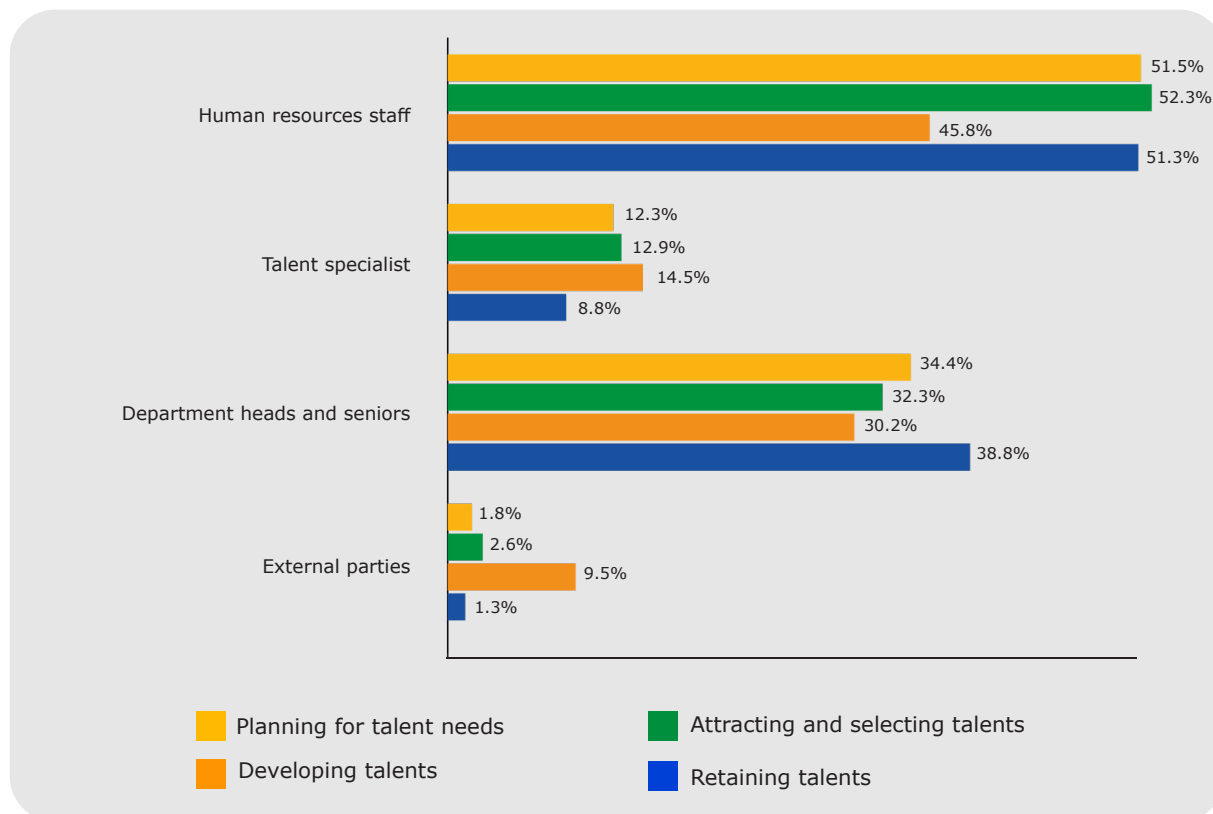
The open-ended answers further highlighted that some banks targeted talents for development and retention differently by job function. On talent development, a bank from West, Central, and South Asia region said: “The focus [of talent management] increases when the management level increases. However, in certain operational functions (i.e., compliance, risk management etc.), the bank ensures to develop employees [of all levels] to ensure they are updated on the latest trends.” Some banks emphasised that talent development and retention are targeted more in skill areas related to IT and risk management. Another bank from the same region alluded to talent development efforts by category of function saying: “Talents from business functions are more open to development and quick career progression whereas it is limited for talent at support services.”

We then asked Islamic banks about the responsible parties for each stage of talent management (i.e., talent planning, attraction, development, and retention) at their institution, allowing respondents to select more than one function per stage if necessary. As expected, responses indicated that the majority of talent management was in the hands of the HR department. Department heads and senior employees also had a role, especially in talent

The majority of talent management in Islamic banks in the hands of the HR departments, with department heads and senior employees playing a supporting role.

retention, with some institutions responding that they employ a talent specialist. An interesting note from these responses was that only 9.5% of talent development was stated to be handled by external parties – likely training programmes and other professional development courses and seminars offered by dedicated organisations.

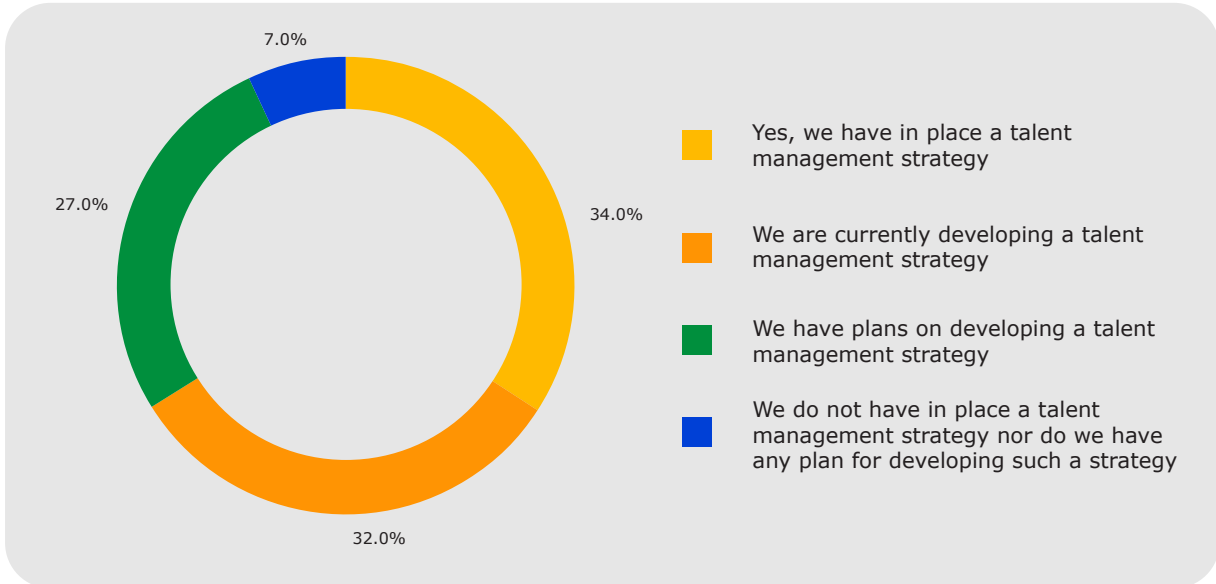
**Figure 28. Functions Responsible for Talent Management Stages in Islamic Banks**



### Strategizing talent management at Islamic banks

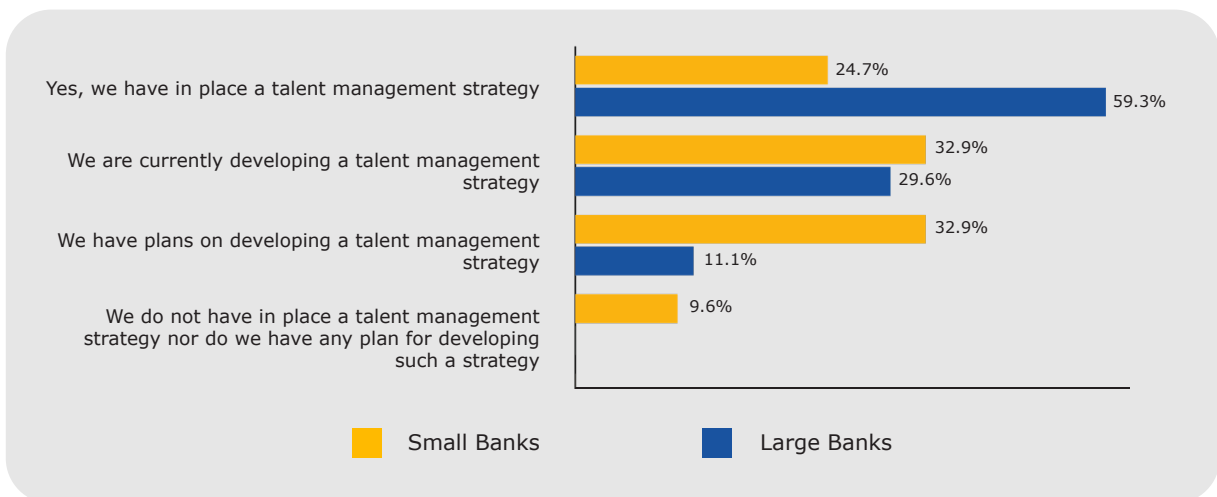
The next question of the survey addressed whether Islamic banks had formulated a specific set of strategies when it comes to talent attraction, development, and retention. Impressively, the results showed a high recognition of the importance of a formulated strategy for talent management that articulates with the overall business strategy. Two-thirds of banks responded that they either have a talent management strategy already in place or are in some stage of development, while 27% of respondents indicated they are planning on developing such strategies.

**Figure 29. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



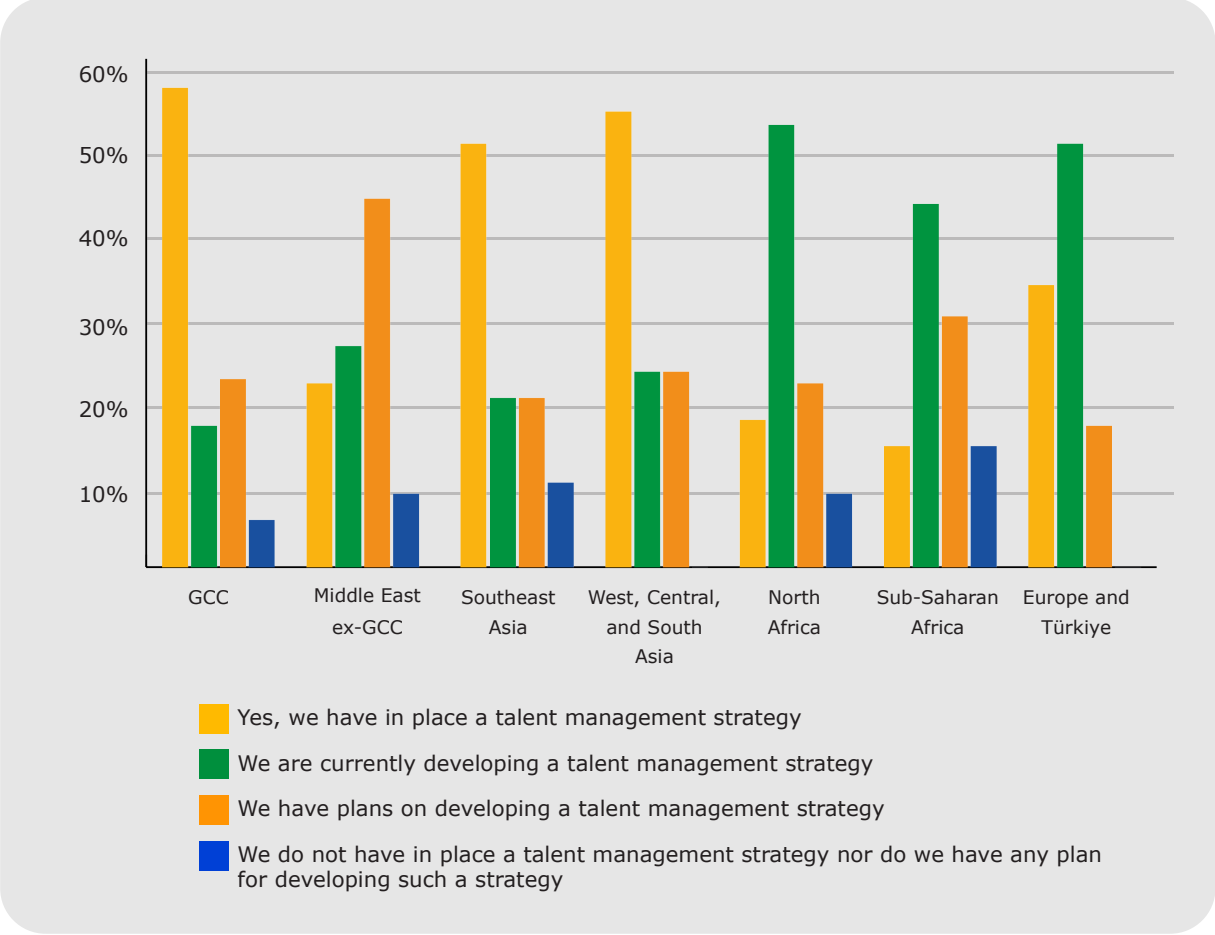
There were some variations in responses based on bank size. While the majority of large banks have already implemented a talent management strategy, most small banks are still in the developmental stages, with some not having a strategy in place and no plans to create one.

**Figure 30. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals – Small and Large Banks**



Most large banks are in the GCC, Southeast Asia, and West, Central, and South Asia regions. While most talent management strategy adoption is concentrated in these regions, there is increased awareness of the importance of formulating talent management strategies in regions of North Africa, Sub-Saharan Africa, and Europe and Türkiye, with banks actively developing such strategies.

**Figure 31. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals – Regional Breakdown**



The open-ended responses provided further insights into the key pillars and objectives of the talent management strategies implemented or planned by Islamic banks. In most instances, these align with the implementation of the four talent management stages: planning, attraction, development, and retention of talents. However, some respondents shared a wider objective in line with their business objectives.

A bank from North Africa said that the objective of implementing a talent management strategy within their institution is to “ensure the continuity of the bank in the market and working to push it to a leadership position and increased competitiveness.”

Another bank from Europe and Türkiye said: “The plans we develop to achieve these goals have a dynamic structure that can adapt to evolving talent expectations and the pace determined by changes in the industry. The main focus of our strategic talent management process is to enable our employees to develop, help them to reach their goals and guide them to achieve the best performance, thus maximising the benefit they will provide to our bank. It is one of the key parts of our strategy to acquire the most suitable candidates for the required positions at our bank and to provide the necessary opportunities for them to create value.”

Some responses further elaborated on the practices that they undertake under each talent management stage to achieve their objectives.

### **Talent planning**

Respondents shared practices that they are adopting to plan for their current or future talent needs before attempting to attract talent. This involves first identifying talent gaps within their institutions. Banks look to understand the current roles and responsibilities within their institutions, project capacity needs for the years to come in line with market changes, and identify the skill set and expertise required. One bank in Southeast Asia said: “Depending on several factors, [including] vacancies, organisational strategy and targets, [we] determine the type of skill/talents we need in what area.”

Talent pools are then developed for the fulfilment of current and future gaps. This involves identifying existing talents, mapping their skill set with what is required, and then undertaking development efforts to make them capable of fulfilling these roles. One bank from North Africa explained this process as follows, “For planning talent needs, the Bank takes the following steps: 1. Identifying the Bank’s talent pool; 2. Reviewing talents in the bank and identifying gaps in their skills; 3. Classifying talents according to skills, knowledge and experience; and 4. Taking care of the talented and developing their abilities and skills.” One bank mentioned that it segments its talents according to their function and importance (critical, core, support & non-core talents) to prioritise resources and target their efforts effectively.

Succession planning is an important part of developing talent pools, where banks ensure that a pipeline of skilled professionals is ready to take on critical areas and leadership roles when needed. A bank from the Middle East ex-GCC shared the steps it follows for succession planning through: "1. Listing and evaluating the targeted important job positions based on the approved organisational structures; 2. Determining outstanding/talented internal employees; 3. Determining current and future job requirements; 4. Determining the requirements of successors needed to complete the implementation of succession plans; 5. Determining the current job performance level of the proposed successor (employee) and comparing it with the required performance level for the target job; 6. Defining objectives and preparing the required training and development plans based on the previous comparison stage; 7. Implementation of training and development plans required to prepare the successor (employee) for the succession planning process; 8. Reviewing and monitoring the results obtained as feedback to the training and development processes, to ensure continuity of implementation according to the plan set."

Succession planning is an important part of developing talent pools, where banks ensure that a pipeline of skilled professionals is ready to take on critical areas and leadership roles when needed.

### **Talent attraction**

Attracting talent begins by identifying the right individuals with the necessary skills for the role and then persuading them to join the institution. With the widespread use of technology, employers have numerous methods to reach potential talent locally and internationally. One bank from the Middle East ex-GCC shared that it seeks to attract external talent through forums, universities and colleges, and job websites while attempting to highlight the bank's competitiveness in the industry. Many banks emphasised on associates of employees who worked at associate banks as a further source of talent for their institutions. Although the focus in responses was on local talent, some banks in North Africa mentioned attracting talent from abroad to fill expertise gaps.

Once potential candidates are identified, practices are implemented to ensure that the best talent joins the institution. Respondents shared that for this, a rigorous recruitment process is undertaken with exams and competitions that assess and validate the skill set of the talent. One bank from the North Africa region explained the criteria they use for selecting talents as follows: "The best employees are selected by attracting qualified cadres when recruiting, and then selecting internally through their nomination from the directors of departments and branches according to the following criteria: Innovation and providing new means of improving performance; Interest in self-development and enrolment in professional and academic programmes; Good professional relations with superiors and subordinates; Familiarity with the job and work with dedication and selflessness; Tests from an expert specialised in this field."

A common theme across all regions, as reflected in the open-ended responses, is the competitive nature of the talent attraction market. Islamic banks also shared practices they undertake to ensure not losing talent to their competitors. This involves building strong human and social relationships and fostering an attractive working environment to appeal to prospective employees. It also involves offering attractive salaries, appealing benefits packages, and structured promotion opportunities with transparent procedures for upward mobility to attract qualified candidates.

### **Talent development**

Regarding talent development, responses highlighted several practices that enable talents to progress and fulfil their potential.

One such aspect was helping talent identify their strengths and plan their career paths accordingly. An institution from the Middle East ex-GCC mentioned that their bank planned employee career trajectory and made room for promotions and transfers of suitable talent. Another bank from the Europe and Türkiye region mentioned personalised career planning and nurturing skills that are suitable for each talent: “We are using 9-box model. After selecting the talents, we have been preparing international training programmes, differentiated salary packages, incentives of master programmes, and private career planning. For every job level, we think that different possibilities will be provided to our talents by us. For example, while we are working to develop digital and data-related competencies for the expert level, we are working to develop change management and coaching skills for the management level.”

Educational resources and professional development also play an important role in employee fulfilment. Respondents emphasised the development of comprehensive training and development programmes for talents that include on-the-job training, internal and external education, and coaching. Some mentioned collaborating with specialised schools and institutes to provide well-thought-out development programmes for talents. A bank from West, Central, and South Asia said it encourages pursuing foreign degrees by refunding the cost subject to passing the exam, as well as providing training to existing employees at home and abroad as per requirements.

This comment from a North African bank sums up nicely the sentiments of Islamic banks in promoting employee success: “The Bank gives talented people care and attention, provides them with opportunities for excellence, and organises appropriate programmes for them. The Bank also works continuously to develop their talents, critical thinking and creativity with encouragement and continuous guidance and support.”

## Interview Highlight 2: Harnessing the Potential of Young Local Talents

Young talents represent the future of any organisation. They bring innovative ideas, technological savviness, and an inherent drive for achievement that can invigorate a company's operations and strategic direction. Tapping the potential of young talents is very crucial, especially local ones which allows serving communities and contributing to broader sustainability objectives. In an interview with an Islamic bank in the GCC, emphasis has been put on the importance they give to nurturing young local talents in their strategy.

The bank's talents management strategy is characterised by several interconnected initiatives:

- 1. Fostering Local Talents through Specialised Programmes:** The bank has introduced a programme designed to attract promising local talents. The programme specifically targets distinguished graduates across various disciplines, offering them the opportunity to join the bank and progress towards leadership positions.
- 2. Providing a Comprehensive Leadership Curriculum:** In collaboration with strategic partners, the bank offers a unique 12-month professional educational journey through the graduate programme offering a curriculum that focuses on individual strengths and academic excellence of participants. It equips future leaders with the necessary knowledge, skills, and competencies for tomorrow's banking sector.
- 3. Cultivating Internal Talents and Continuous Development:** To foster internal growth, the bank has established an Education and Development Academy and continuous training centres that offer interactive and practical training programmes, raising awareness and maximising the benefits from the bank's development plans. It is committed to nurturing its talent where many that joined the programme in the past 5 to 7 years were reported to hold now administrative and leadership positions.
- 4. Engaging in Strategic Educational Partnerships:** The bank has partnered with prestigious institutions to supplement their in-house development initiatives. These partnerships underscore its commitment to providing a comprehensive educational experience to its young talent.

Investing in young local talents is a strategic move that can bring significant benefits for organisations. It not only builds a pipeline of future leaders but also aligns the workforce with business goals, drives growth, contributes to local development, and improves talent retention.

The bank's approach to talent management, prioritising local talents, and fostering their development through specialised programmes and partnerships, offers valuable insights for other Islamic banks. It demonstrates that investing in local young talents not only contributes to individual organisational success but also plays a significant role in the development of the wider community.



## Talent retention

Talent retention has many different dimensions, some of which were touched on previously in the open responses. The banks who elaborated on their talent retention techniques mentioned addressing employee needs both on a personal and a professional level.

A key dimension for talent retention is for talents to sense that they are being recognised and valued within the organisation, with opportunities existing for them to grow. Many respondents have thus emphasised offering competitive pay and benefits packages, creating a rewarding culture, and providing incentives for good performance as a key priority for retention. Investing in talents' career progression and development is also seen as vital for them to feel valued. A bank from the Middle East ex-GCC region said it emphasised: "Building an encouraging and satisfactory system of rewards and incentives for employees, [and] studying employee performance, identifying skill and knowledge gaps, and working to reduce those gaps through training and development."

Instilling a stimulating and social work atmosphere is also another important dimension highlighted. This involves creating a positive working environment that encourages engagement, satisfaction, and loyalty. One of the key actions reported is to provide talent with the opportunity to voice their opinions and actively participate in the institution's policies, procedures, and business strategy.

## An Overall Strategy

A bank from Europe and Türkiye shared a comprehensive view of its implemented talent management strategy stating that: "It is a three-step process: 1. identification, 2. engagement, development and rewarding, and 3. retention. Within our approach, we differentiate between executive talents and young talents. Talents are nominated by their superiors based on performance [and] competence that exceeds the average of the group and reputation aspect. Each talent should have concluded a performance management agreement for a period of at least 1 year. It covers 1-2 key competencies with an implementation method. Feedback is given during the year through three sessions. A 360 [degree] and unique leadership competency model is planned for executive talents. Finally, we plan rewards, financial and non-financial, annual bonuses, talent ceremonies, team building activities, the advantage in education co-financing etc."

## Challenges in managing talents in Islamic banks and strategic approaches

We asked Islamic banks to elaborate on the challenges they face in talent management in their institutions and the strategic approaches they take in response. A common challenge reported across all regions is the high competition for talent. The benefits that talents bring to organisations in terms of performance and innovation make them highly sought after, with organisations constantly searching to attract talents through competitive financial packages and benefits. Islamic banks expressed that competition makes it very challenging to attract and retain talent, especially with the high pay

demands of these talents. An Islamic bank from the North Africa region said: "There is no doubt that talent is the focus of attention for all institutions that seek to achieve success and make a difference. This assumes the existence of strong competition between these institutions to attract, develop and maintain talent. Hence [this is a] challenge facing our institution, especially since the talented people who are able to provide real quality addition

are limited in number." A bank from Europe and Türkiye referred specifically to "offers of new digital banks creating difficulties in this matter." This is coupled in some banks with challenges in budget constraints and adverse economic conditions, such as high inflation, that make it difficult to offer competitive wages and maintain employee satisfaction.

Another important challenge is the lack of talent in the field of Islamic banking in some regions, an issue we discussed in section A of Part 3 of this report. This is making it challenging for Islamic banks to find suitable talent or making it a time-consuming process to educate and train talented/qualified individuals from other industries to bridge the knowledge gap. A bank from the Sub-Saharan Africa region said: "For Islamic banking, there are not many people with experience or academic qualifications and the few that are available are being sought after very competitively." Some banks explained the lack of talent by the preference for fresh graduates for other industries, specifically the IT industry. Some banks also alluded to the lack of relevant training courses to develop talent as an important challenge.

In regions with unstable economic and political conditions, Islamic banks reported these to be a key challenge in attracting and retaining talent. A bank from North Africa said: "The decline in the exchange rate and [the]immigration in light of unstable economic and political conditions in the recent period is ... a challenge." Another bank from the Middle East ex-GCC region referred to travel restrictions as a key hindering factor. Other factors were also mentioned as discouraging talents, such as the lengthy recruiting process recognised by a public bank from the Europe and Türkiye region.

Emerging trends, such as digitalization and sustainability, also create some challenges for talent management. An important one is increased competition in the market for skilled personnel in these areas, making some banks experience personnel losses to other companies, especially in the technology field. These trends also require institutions to adapt their recruitment standards, training programmes, and workplace practices to stay competitive. A bank from West, Central, and South Asia echoed a concern in this area: "Emerging trends, such as digitalization and sustainability, impact talent management significantly where sustainability affects most. Without sustainable career growth, talents do not want to stay in an organisation." A bank from North Africa said: "[These] affect the structure and quality of talent retained in the bank and

High competition for talent is a common challenge for talent attraction and retention in Islamic banks.

their training needs in terms of being effective and understanding the requirements of digital transformation. This ... required developing a special strategy to attract and develop talent that is in line with the business strategy." Apart from challenges, though, these emerging trends also create positive impacts through increased efficiency in processes and the instilling of sustainable workplace practices that present positive effects on well-being.

Another bank from West, Central, and South Asia highlighted a specific opportunity in attracting new generations: "Digitalization has created a completely new-landscape of opportunities & generation Z prefers working independently (which is facilitated by the new-landscape)."

In response to the various challenges, Islamic banks are taking a number of actions to ensure attracting and retaining the best talents. These include offering more competitive salary and benefits packages and enhancing the work environment through hybrid work arrangements and career development opportunities to offer attractive conditions that would attract and retain talents. Some Islamic banks are also countering the lack of talent by developing and implementing internal and external training programmes to qualify employees and provide specialised knowledge. A bank from North Africa said: "The bank works to provide the best offers among these institutions and puts forward programmes to develop talents and open up opportunities for them to keep abreast of developments in all fields." For areas of emerging trends, such as digitalization and sustainability, a bank from GCC said: "We have created and introduced new learning programmes in those areas to upskill our employees and introduce new jobs among businesses."

Some banks are focusing on talent management strategies, including employee branding, promotions, and succession planning. A bank from Europe and Türkiye referred to building a strong employer brand through social media, career fairs, and other channels, among other initiatives: "We work with youth agencies to increase our awareness in physical and social media, [and] we cooperate with universities. For retention, we organise private talent programmes for young talents. At the same time, we organise long-term student internship programmes to bring talents to the institution while they are still students." Others are integrating technologies to enhance the talent management process. A bank from North Africa said: "Digitization played a major role in attracting talent through digital recruitment that relies on data and through specialised programmes based on artificial intelligence, in addition to the possibility of conducting employment interviews and tests remotely and in a short time."

Emerging trends, such as digitalization and sustainability, increased competition for skilled personnel, challenging talent management.

### **Interview Highlight 3: Factors Supporting and Hindering Talent Management Adoption in Islamic Banks**

Creating a supportive environment for effective talent management is crucial for Islamic banks to reap its benefits for long-term success and competitiveness. We identified several factors based on our interviews with key Islamic banks that both support and hinder the adoption of talent management in their institutions.

Multiple factors that support talent management adoption were outlined by Islamic banks from the Middle East ex-GCC and North Africa regions. A key component is the senior management's recognition and belief in the importance of talent management and its role in performance growth. This belief helps create a culture that values and prioritises the development of talent. Additionally, the existence of qualified staff with extensive experience and the HR department's strong focus on training and development contribute to the successful implementation of talent management strategies.

Another supporting factor is the use of sophisticated information systems and advanced technology, which enables banks to keep pace with industry developments and digitisation. This, in turn, facilitates the implementation of talent management initiatives that are agile and aligned with the rapidly changing financial landscape. Developing practical policies and procedures, along with organising training courses for new systems and product innovation, also plays a vital role in fostering a culture of continuous learning and development.

Despite these supporting factors, our interviews also revealed hindrances to talent management adoption in Islamic banks. One Islamic bank identified a major obstacle in creating and disseminating a talent management culture. This challenge stems from the difficulty of changing ingrained practices and beliefs across different levels within the organisation. The absence of such a culture prevents employees from adopting talent management practices as a basis for their success and can lead to a lack of employee engagement and motivation. Limited resources for talent management, including budgetary constraints and a limited talent pool, are other factors that may impede the effective implementation of talent management strategies and can make it difficult for banks to invest in the necessary tools and initiatives to develop and retain top talent.

Several considerations are crucial for Islamic banks to ensure effectiveness in implementing talent management practices. These include:

- Encouraging senior management to actively promote and support talent management initiatives, fostering a culture of talent development.
- Investing in advanced technology and information systems to enable the efficient execution of talent management strategies and keeping up with industry developments.

### **Interview Highlight 3: Factors Supporting and Hindering Talent Management Adoption in Islamic Banks**

- Developing and implementing practical policies and procedures and providing regular training courses for employees to enhance their skills and knowledge.
- Strengthening the HR department's focus on training and development to ensure a continuous pipeline of qualified staff with relevant experience.
- Addressing hindrances to talent management adoption, such as resistance to change and traditional organisational structures, by promoting a culture of innovation and agility.

Addressing these supporting and hindering factors can create a conducive environment for talent management, leading to long-term success and competitiveness in the ever-evolving financial landscape.

## COVID-19's impact on talent management in Islamic banks

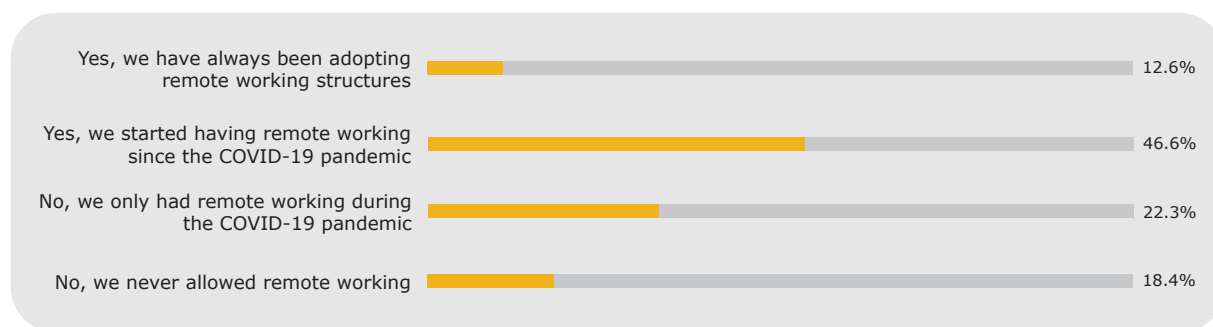
There is no doubt that the COVID-19 pandemic had a dramatic effect on organisations, specifically in areas of workforce planning and management. We thus asked Islamic banks several questions to understand how the COVID-19 pandemic shaped talent management in their institutions.

### Remote Working

The first aspect explored was remote working. A key impact of the pandemic was the paralysation of movement through lockdowns, forcing many to work from home to continue their operations. Remote working has thus become commonplace in many organisations, even when not previously tapped, and a key aspect affecting job hiring and talent attraction since then. We asked Islamic banks if remote working was common practice within their organisations. Almost half of the respondents said the pandemic spurred the adoption of remote working options within their institutions, while 12.6% stated they had already begun implementing remote work even before the pandemic.

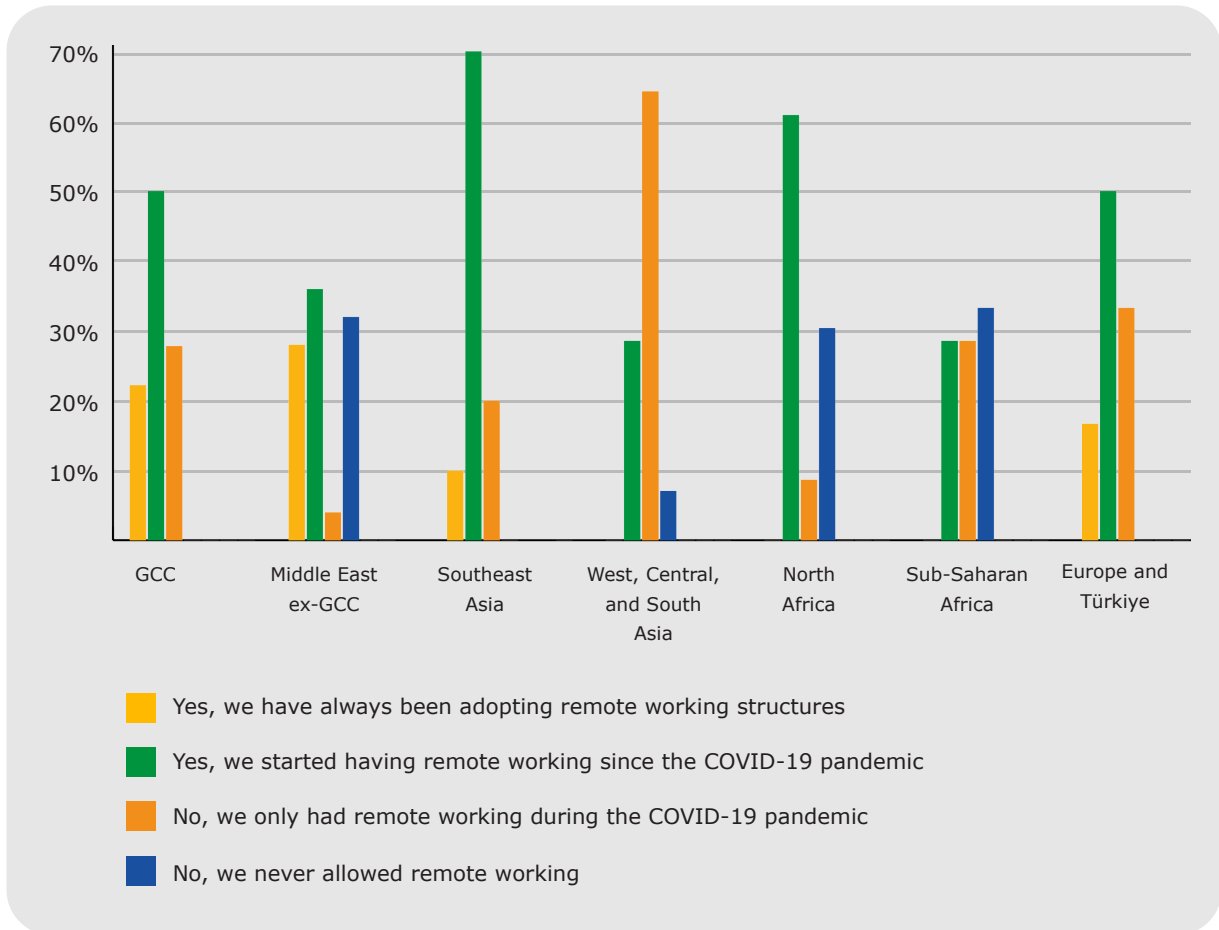
Almost half of the Islamic banks surveyed adopted remote working options in response to the pandemic, with 12.6% stating they had begun implementation even before the pandemic.

**Figure 32. Adoption of Remote Working in Islamic Banks**



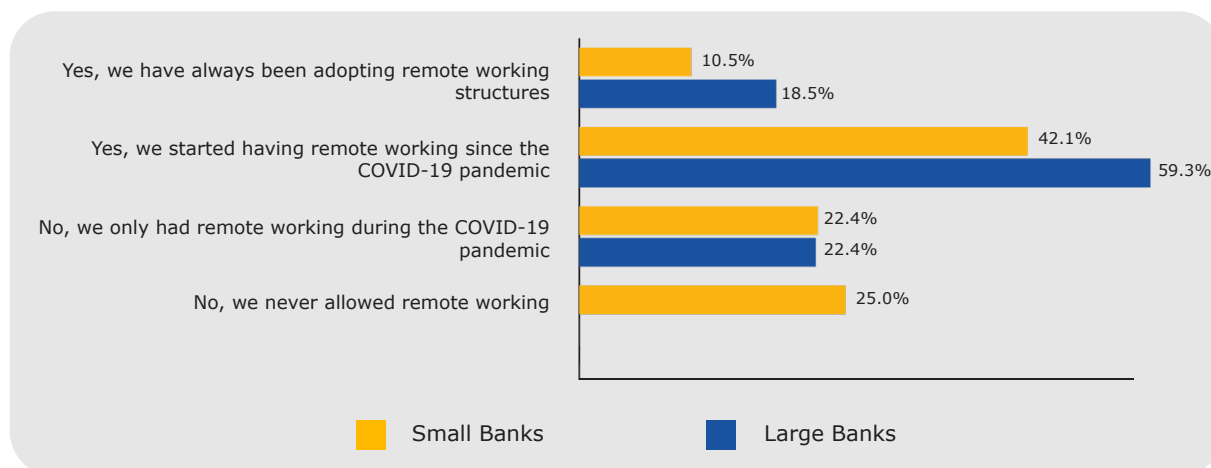
Responses about the adoption of remote work varied greatly by region. Banks in the GCC, Middle East ex-GCC, Southeast Asia, and Europe and Türkiye reported embracing remote work since the pandemic – and even before the pandemic, in some cases. Conversely, the West, Central, and South Asia region and Sub-Saharan Africa had higher percentages of institutions that did not implement remote work at all, or only implemented it temporarily while COVID-19 was at its peak. The perception towards remote work in the North Africa region appears mixed due to reasons that will be explained later; while respondents reported high rates of remote working alternatives since the start of the pandemic, with over 60% of banks incorporating it as a common practice, about 30% never allowed it at all.

**Figure 33. Adoption of Remote Working in Islamic Banks – Regional Breakdown**



Some of these differences in attitudes may be attributable to the sizes of banks in those regions, as 25% of small bank respondents reported never allowing remote work, compared to 0% of large banks. It is possible that large banks had greater ease of transferring their operations to be remote, especially to online operations, compared to smaller banks which may not have had a solid structure in place to move their staff to be remote on such short notice.

**Figure 34. Adoption of Remote Working in Islamic Banks – Small and Large Banks**



We followed up with an open-ended question to understand if Islamic banks believe remote working impacts talent attraction and retention in their institutions and in what functions could remote working be implemented. Responses explained to a large extent the differences in remote working adoption among regions.

Overall, Islamic banks see remote working as a positive tool for talent attraction and retention. The COVID-19 pandemic was a significant driver for the adoption of remote working, with many banks adapting their work arrangements during this period. Islamic banks that have embraced remote or hybrid working models report increased employee productivity, motivation, and work-life balance. This flexibility is seen to be particularly attractive to younger talent and those in technical specialisations. A bank from Europe and Türkiye said: “After the pandemic, remote working is one of the most important preferences for talent. This market practice is so popular in the technology and software industry. Most of the places where our talents have gone lately are in these sectors. For this reason, we must provide remote working for talent attraction and retention.”

While there is a general recognition of the importance of remote working for talent attraction and retention, many Islamic banks have highlighted challenges that hinder its adoption within their institutions, particularly in regions like North Africa and Sub-Saharan Africa. One bank in the Sub-Saharan Africa region noted, “Remote working has provided a new way of ensuring effective task completion. However, most institutions in the region have not fully embraced the potential of remote work.” Another bank from the same region

Several challenges hinder the adoption of remote work in some regions, including lack of digital literacy, inadequate training structures, limited internet access, and insufficient infrastructure.



pointed out that “For remote working to be effective, people must have some computer knowledge.” Factors such as lack of digital literacy, inadequate training structures to promote it, limited internet access, and insufficient infrastructure play a significant role in determining the extent to which a bank's operations can be conducted remotely. Many banks stated that their institution lacked the automation level necessary to go 100% remote. Some banks mentioned technical issues with remote work implementation, such as internet connection speed and employee monitoring.

Another important aspect relates to the functions where remote working can be adopted. Some banks had a very positive outlook on remote working, reporting that most functions support it. A bank from GCC said: “We implemented 85% remote working environment two years ago. This has positively impacted the employees’ productivity, especially our talented employees.” Others noted that while management, administrative, and IT positions lend themselves to online transition fairly well, the heavily customer-facing positions had to remain in-person, especially in branches. Some banks emphasised that in-person presence significantly impacts their customer service, and therefore, they were unwilling to compromise on it. As one bank from the Middle East ex-GCC commented, “We always need the presence of employees, especially those with a direct relationship with customers and control departments.” A few banks limited remote working to certain situations, such as emergencies or specific roles that do not require direct customer interaction.

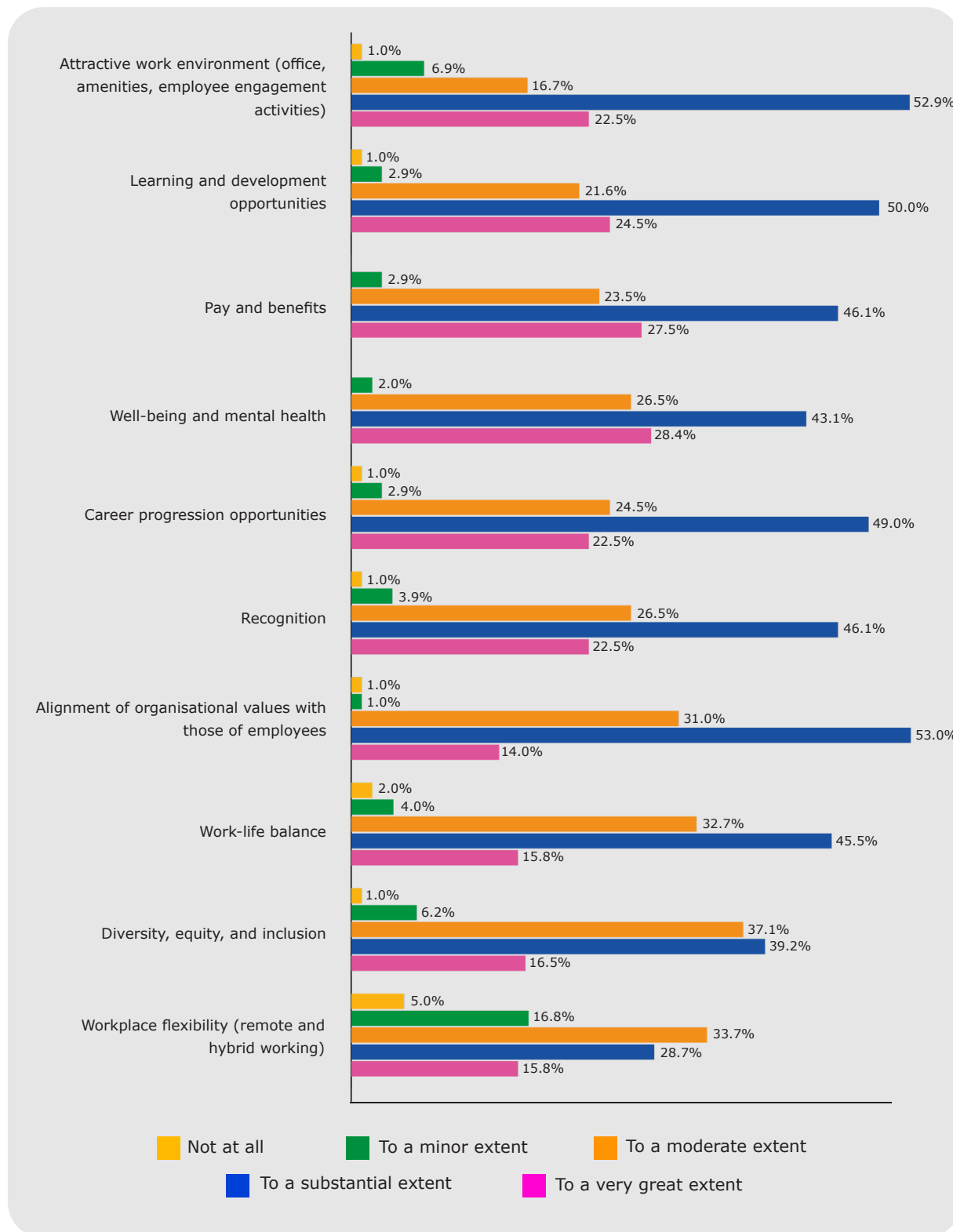
### Other Aspects Gaining Importance

Some aspects other than remote working were also examined. The survey asked Islamic banks to rank a list of aspects in terms of how COVID-19 made them more important for talent attraction and retention within their institution. The purpose of the question was to assess what components of banks’ strategies moving forward would consider talent management in a post-COVID-19 world.

Maintaining a positive work environment was a common theme across responses, seen as important for reducing turnover and retaining employees.

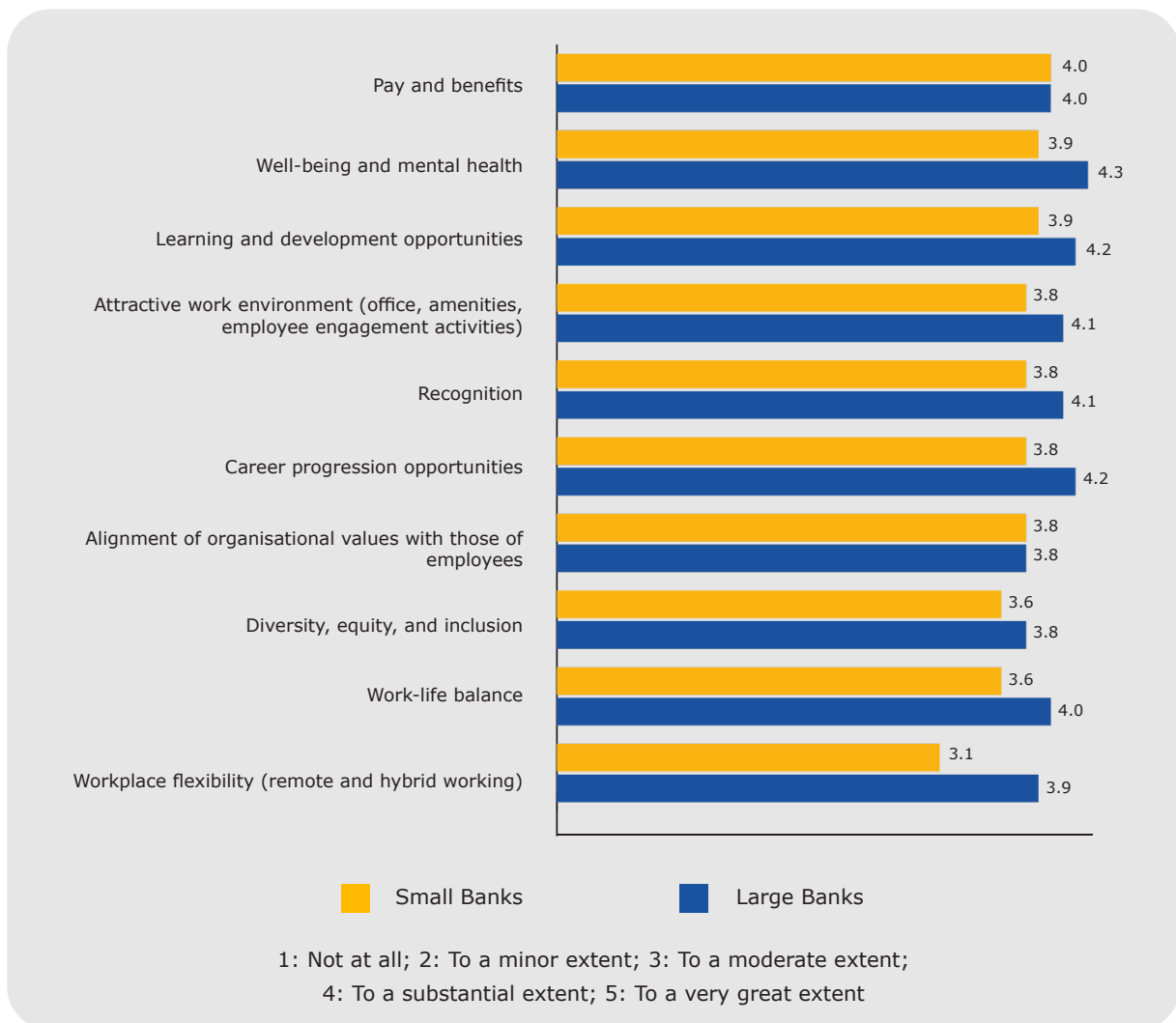
It seems, from the responses, that multiple areas are gaining importance – addressing employees’ needs through workplace optimisation such as well-being and mental health, professional development options such as educational enrichment, rewards such as pay and recognition, and overarching ideals such as helping employees attain their goals and diversity. A common theme in the open-ended responses was the importance of maintaining a positive work environment. As one bank in North Africa stated in an open-ended response, their institution emphasises talent wellbeing “through efforts to reduce turnover and to retain employees by providing an attractive and positive work environment that values them and motivates them to stay in the Bank.” Interestingly, among other aspects, workplace flexibility through remote and hybrid working ranked the least, indicating that although it is important, other aspects are far more valued by talents for attraction and retention.

**Figure 35. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**




There were disparities in the responses between small and large banks. Large banks placed greater emphasis on workplace flexibility regarding remote work, employee mental health, and work-life balance. This demonstrates that larger banks consider presenting employees with a balance between their careers and personal lives as an important aspect of talent attraction and retention.

**Figure 36. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19 – Small and Large Banks**



### General Impacts of COVID-19

A final question was posed to understand if COVID-19 had any other impacts on talent management in Islamic banks. Several themes emerged, some of which have already been alluded to, including the adoption of workplace flexibility, integration of technology and use of digital tools, adoption of online training and remote recruitment, focus on employee engagement practices (such as virtual team meetings and support for employees' physical and emotional health), and introduction of succession planning and agile workforce development.



A bank from the West, Central, and South region said: "COVID-19 presented opportunities through which the bank could conduct training sessions for employees online. This saved a lot of man-hours and costs in terms of arrangements and finances. Ultimately, this led to an increase in learning programmes for employees." A bank from Europe and Türkiye also highlighted the positive impacts of the COVID-19 pandemic: "Remote/hybrid working models, which were compulsorily deployed during the pandemic, have become a constant practice for companies thanks to positive experiences. ... As a result of the practices in this period, a flexible working system was adopted. With the adoption of a success-oriented approach, more space and responsibilities have been given to employees. On the other hand, during the pandemic period, employee benefits were also improved. These developments, which increased work efficiency and employee satisfaction, positively supported retention, and talent acquisition processes."

Another bank from Europe and Türkiye gave a comprehensive response on the changes brought up by the pandemic and to which banks will need to pay attention:

- "Change in hiring priorities: The hiring priorities are changed. Now, hiring managers no longer only pay attention to candidates with the requisite skills. The talent that enterprises really need is "compound talent" with skills and professional knowledge that is adaptable to market development and economic progress.
- Adopting strategies to retain talent: Focus on flexibility and set boundaries. Younger workers prefer to be measured by performance rather than time. Provide good, actionable feedback and motivation in a timely manner. People also need to receive respect and approval for their work, which can come from constructive feedback. Employer brand value is increasingly gaining widespread attention and recognition and has become one of the best indicators of workplace culture for job seekers. Establishing a strong employer brand will therefore help us to stand out in the job seeker market and ultimately help attract and retain better talent."

A number of banks, however, reported no significant impact or changes in their talent management practices due to the pandemic.

Islamic banks were also asked if their institution was affected by "The Great Resignation", a phenomenon that started in early 2021 during the COVID-19 pandemic when workers left their jobs in droves to seek more flexible and beneficial work. While many banks said they were unaffected or did not experience this occurrence, several institutions said they actively avoided it by providing more adaptable work models for their employees. As one bank from the GCC reflected, "It did not affect us and we did not witness such a phenomenon, due to the flexibility of our system and the possibility of working remotely."

# Conclusion and Recommendations



# Conclusion and Recommendations

## Conclusion


In this year's survey, we captured the perspectives of Islamic banking executives as they navigate the aftermath of a three-year COVID-19 pandemic struggle, contending with an array of economic and political challenges that have significantly impacted the global economic outlook. Consequently, banks find themselves grappling with an unfavourable economic environment characterised by unstable market conditions and a rapidly evolving landscape driven by technological advancements, sustainability acceleration, and increased regulatory oversight.

The findings from the CIBAFI Islamic Banking Confidence Index and the CIBAFI Islamic Banking Risk Dashboard reveal a cautiously optimistic outlook for the future of the Islamic banking industry. Despite persistent global economic challenges and geopolitical tensions, most regions have regained or surpassed pre-pandemic optimism levels, reflecting a strong belief in the industry's recovery. However, lingering concerns and risks remain, in alignment with the uncertain market conditions, albeit with a less severe projection than in previous years.

Digitalization and technological advancements emerged as the primary concern and risk confronting Islamic banks. This is unsurprising, given the rapid pace of technological innovation that is transforming banking functions and causing significant shifts in customer preferences and expectations. Consequently, Islamic banks are intensifying their efforts to adopt technology, although the level of sophistication varies based on regional developments. In some areas, basic infrastructure remains a priority, while in others, technology is leveraged to enhance offerings and maintain a competitive edge.

Macro-economic uncertainty, fuelled by factors such as geopolitical tensions, high inflation rates, policy rate hikes, and tightening financial conditions, further complicates the challenges faced by Islamic banks. These concerns loom over the industry as they pose threats to profitability through increased credit, liquidity, and foreign exchange risks. High profit rates present obstacles in raising funds, and unfavourable economic conditions hinder customers' ability to service debts. Some regions experience these concerns more acutely due to inherent structural conditions and lingering pandemic effects. As a result, strategic risk has intensified as Islamic banks strive to navigate these challenges and ensure business continuity.

Compliance and regulatory concerns also gained prominence this year, with many references to AML/CFT regulatory requirements and Shariah compliance as essential factors for reputation and customer attraction. Sustainability has similarly grown in importance; particularly given the increased attention it received following the pandemic. Some banks mentioned plans to integrate ESG factors into their product development strategies in the coming years, while larger banks prioritised climate change risk more than their smaller counterparts.



The risk of extreme disruptive events diminished in importance this year, indicating that Islamic banks are confident in recovering from the effects of such events such as the COVID-19 pandemic. Nevertheless, many banks remain vigilant for potentially disruptive events that could impact their operations and businesses, implementing continuity plans to better prepare for such occurrences.

Islamic banks are increasingly cognisant of the trends shaping their industry in the coming years and are making concerted efforts to stay ahead of these developments. However, regional disparities in economic development and political circumstances create varying levels of market advancement. Greater collaboration and cooperation across the industry, supported by key global institutions, are necessary to aid the development of emerging or nascent Islamic banking markets.


In the report's third section, we examined a specific concern consistently ranking high among Islamic banks' priorities in past GIBS editions and among the top three concerns in this year's survey (by score): the HR and talent landscape. Our analysis explored talent management dynamics in Islamic banking, scrutinising the industry's talent landscape and Islamic banks' practices for managing their talent.

The Islamic banking industry displayed a generally positive outlook toward talent, with hopes for its continued development. The majority of responding Islamic banks in the GCC and North Africa reported high availability of talent in their markets. In contrast, more nascent or developing Islamic banking markets, such as the Middle East ex-GCC and Sub-Saharan Africa, acknowledged significant talent deficiencies requiring attention. Respondents identified key areas of talent shortage in the industry, including Islamic banking principles and knowledge of Shariah, financial technology and digitalization, innovation in product development, risk management and compliance, and financial analysis.

There is a broad recognition that rapid industry developments are causing a shift in the skill sets required by organisations and the talent they seek. The acceleration of digitalization, the strong emergence of sustainability concerns, stakeholders' expectations, increasing regulations, and standardisation efforts all contribute to the growing demand for talent in these areas. However, there is an understanding that this cannot be achieved in isolation; instead, it necessitates concerted efforts and collaboration between industry players. Education and training are essential components in this equation, requiring the combined efforts of the industry, academia, and governmental support.

Islamic banks are increasingly acknowledging the critical role of talent management within their institutions and prioritising it as part of their overall strategy. Key areas of focus for promoting talent management include investing in employee learning and development and building a robust employer brand to attract talent. However, there is room for improvement in leveraging employee data, technology, and knowledge management to optimise talent management strategies.





Despite the unique challenges faced by Islamic banks, such as high competition for skilled personnel, they are investing in competitive salary packages, flexible work arrangements, and career development opportunities to remain competitive and attract talent for success. Additionally, the COVID-19 pandemic has prompted changes in talent management practices, emphasising the importance of work-life balance, employee mental health, and online training.

In the post-pandemic world, it will be crucial for Islamic banks to remain adaptable and responsive to the evolving needs and preferences of their workforce. By adopting flexible work models, investing in employee well-being, creating a positive work environment, focusing on professional development, and promoting diversity, Islamic banks can successfully attract and retain top talent in an increasingly competitive market.



## Recommendations

The unstable global economic outlook and rapid market developments require Islamic banks to take strategic steps to navigate seamlessly through looming concerns and risks in the coming years, including leveraging talent for organisational performance and business continuity.


In today's digital age and with the rapid acceleration in technological advancements, Islamic banks must continue undertaking their journey of digital transformation, expediting the implementation of digital technologies to bolster their operational efficiency and enhance the customer experience. However, as the digital footprint expands, so does the risk of cyber threats. Therefore, alongside this digital journey, Islamic banks must fortify their cybersecurity infrastructure to defend against potential threats, ensuring continuous monitoring and regular staff training to maintain operational security.

In general, Islamic banks should also maintain robust risk management frameworks and risk governance. Given the unique nature of Islamic banking and shifting market conditions, risk management must be tailored to address the specific issues faced. Adherence to and continuous monitoring of regulatory requirements will thus be essential. To effectively manage these complexities, human capital development is also crucial. Investment in building capacity and developing human resources will enable banks to identify and mitigate risks effectively, make sound strategic decisions, and drive innovation.

In the same context, recognising the increasing importance of sustainability and integrating it into their activities is a must. This can be achieved through proper strategizing, risk management, and disclosure practices. By developing and promoting green finance products, and incorporating environmental, social, and governance (ESG) risks into their risk management frameworks, Islamic banks can contribute to sustainable development, enhance their reputation, and drive long-term growth.

Addressing customer needs and satisfaction remains paramount in this process. This involves delivering personalised, high-quality customer service and fostering innovative product development. Particularly, there are vast opportunities in areas such as sustainability and financial inclusion, which can be capitalised upon. Collaboration between Islamic banks, regulators, and industry stakeholders should also be encouraged and strengthened. This collaboration can facilitate knowledge sharing, the creation of best practices, and the harmonisation of standards, all of which promote the global growth and acceptance of Islamic finance.

In the specific area of talent management, Islamic banks should begin by designing talent management strategies that align with their overall business objectives. This approach ensures that talent management efforts are not siloed but are contributing directly to the achievement of the bank's strategic goals. The strategies should identify the skills and competencies required for the bank's success and outline the processes for attracting, developing, and retaining individuals with these skills. Importantly,



these strategies should not be static; they should be adaptable to the changing talent landscape and industry shifts. As business needs, workforce demographics, and labour market conditions evolve, talent management strategies must be updated to ensure they remain effective and relevant.


Building on this foundation, Islamic banks should then leverage employee data and technology to refine and optimise these talent management strategies. Technologies such as talent analytics can provide valuable insights into talent performance, engagement, and turnover, which can inform talent management decisions. For example, if data indicates high turnover in a particular role or department, further analysis could reveal the underlying issues and inform solutions. Meanwhile, predictive analytics can help banks anticipate future talent needs and proactively address them. By leveraging data and technology, banks can make more informed, evidence-based decisions and improve their talent management outcomes.

In order to build essential skills and attract top talent, Islamic banks should also focus on providing employee training and development opportunities, both internal and external. Training programmes can be used to develop technical skills, such as understanding of Shariah-compliant financial products, as well as soft skills, such as communication and leadership. Meanwhile, opportunities for external development, such as attending industry conferences or pursuing further education, can help employees stay abreast of industry trends and best practices. By investing in their employees' development, banks can improve their performance, enhance their competitiveness, and demonstrate their commitment to their employees' growth, thereby attracting high-quality talent.

In addition, Islamic banks should invest in fostering a positive work environment. This involves not just physical working conditions, but also aspects such as leadership, culture, and work-life balance. A positive work environment is one where employees feel valued, motivated, and engaged. This can involve recognising and rewarding performance, promoting open communication, and supporting employee wellbeing. Moreover, part of nurturing such an environment includes adherence to labour laws and regulations, ensuring fair treatment and respect for employees' rights, which further enhances trust and satisfaction within the workforce.

Building on these internal efforts, partnerships should be fostered between industry leaders, academic institutions, and governments. These partnerships can serve multiple purposes. They can raise awareness about Islamic finance and the career opportunities it offers. They can design specialised programmes to develop the necessary skills for the industry. They can also create a supportive ecosystem for the growth of Islamic finance talent, for example, through scholarships, internships, or research initiatives.

In conjunction with these partnerships, Islamic banks and training institutions should work together to address talent needs and create training programmes that meet industry expectations. Banks can provide input on the skills and competencies they need, while training institutions can design and deliver the curriculum to develop these skills. This collaboration ensures that training programmes are relevant and practical and can improve the transition from education to employment.



Finally, cross-border collaboration between Islamic banks and educational institutions should be fostered. This can help align efforts and skills development across the industry, promoting the exchange of best practices and the harmonisation of standards. It can also create opportunities for student and staff exchanges, joint research, and other forms of international cooperation. By working together, Islamic banks and educational institutions can contribute to the development of a highly skilled, globally mobile workforce that can drive the growth and innovation of the Islamic finance industry.



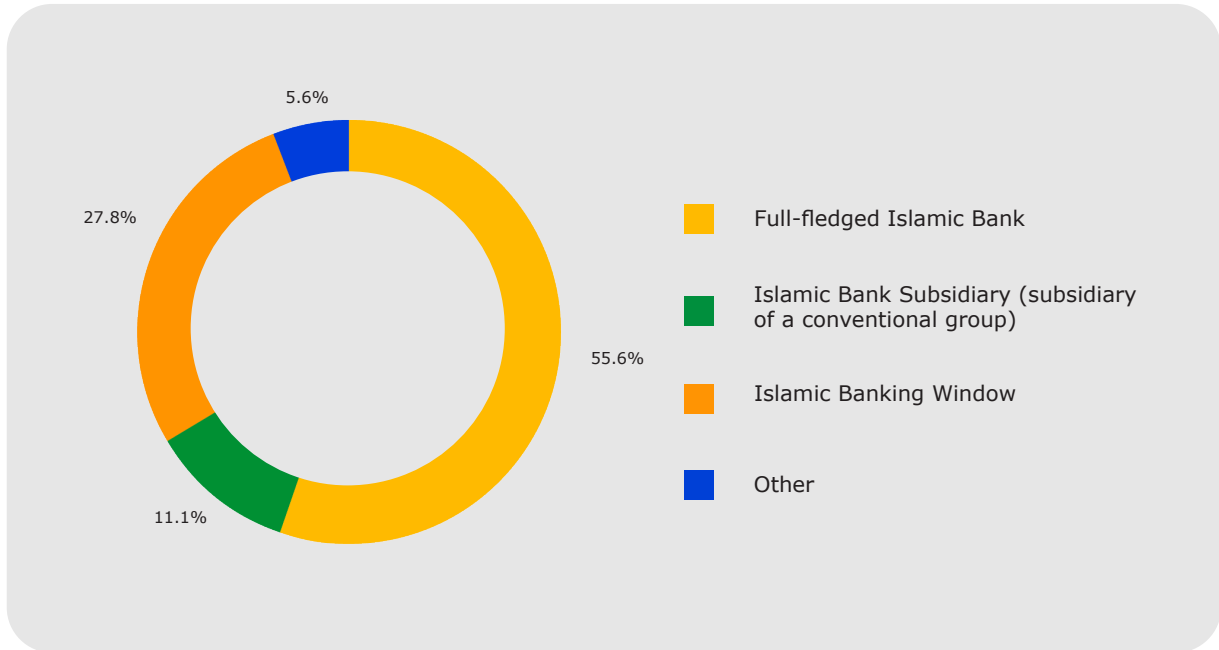
# Appendix

## Survey Findings: Region-Focused

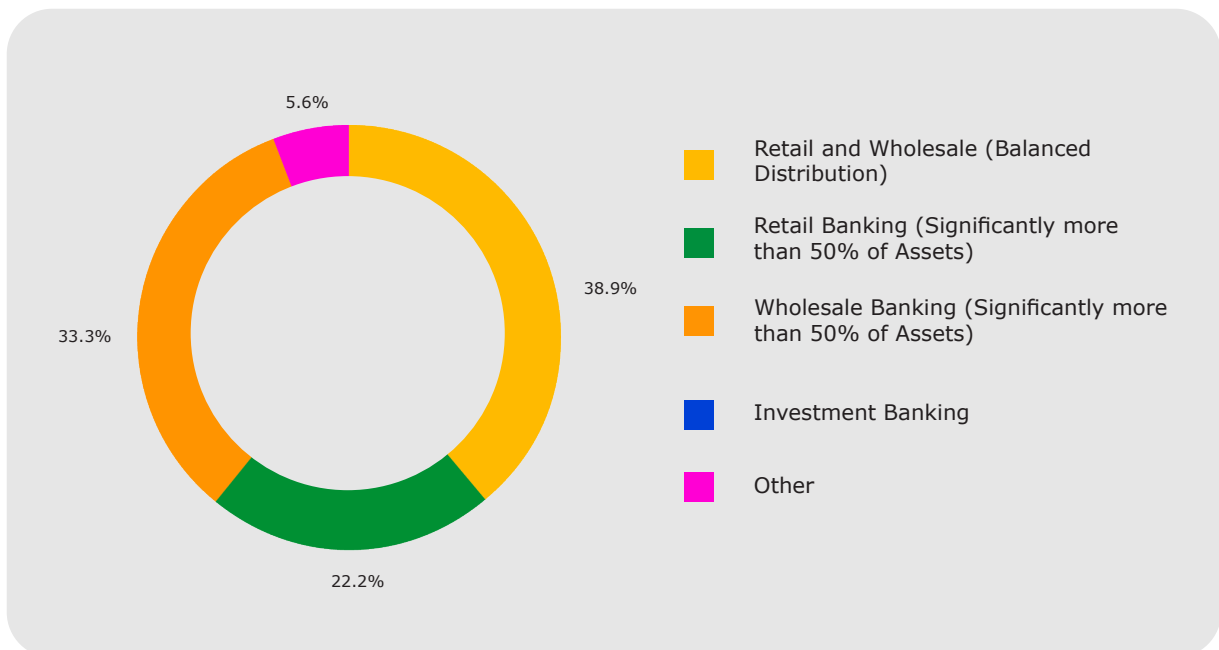


## Group 1: GCC

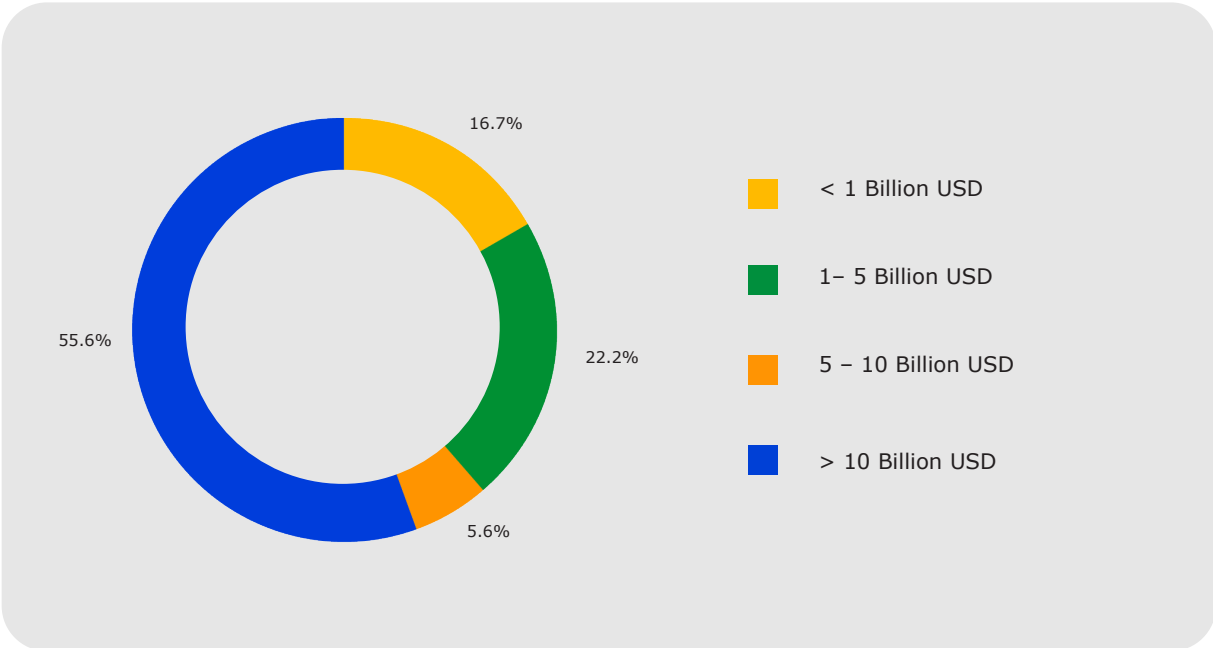
**Figure 1. Type of Islamic Banking Operation**



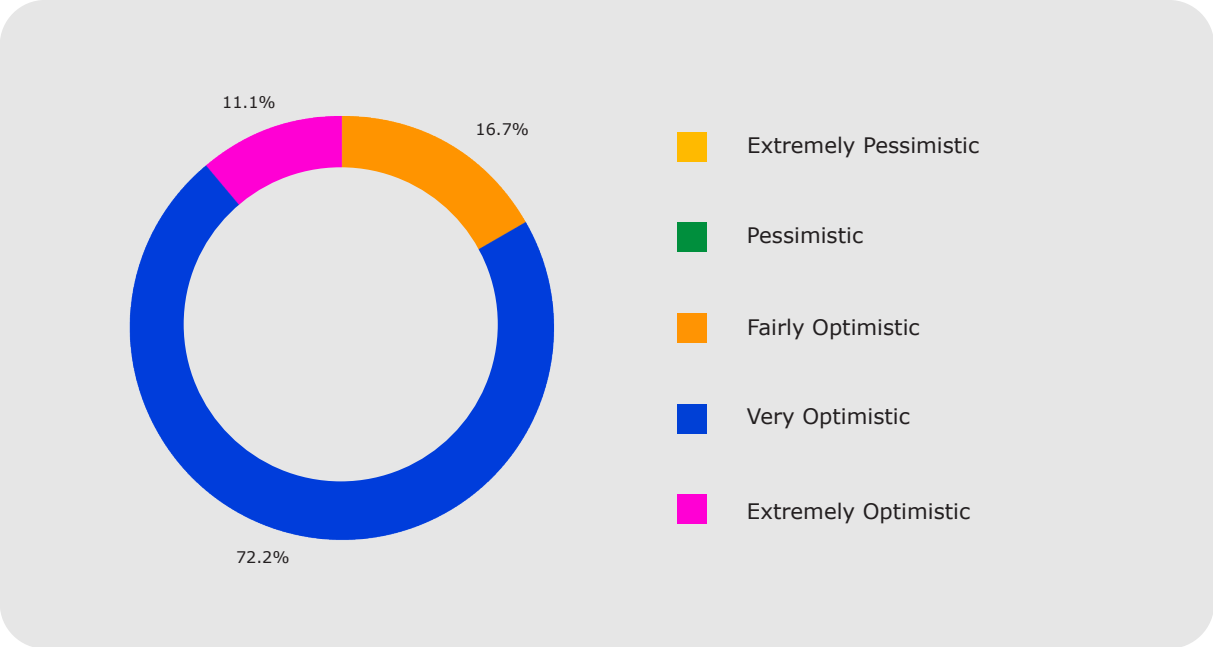
**Figure 2. Core Business**



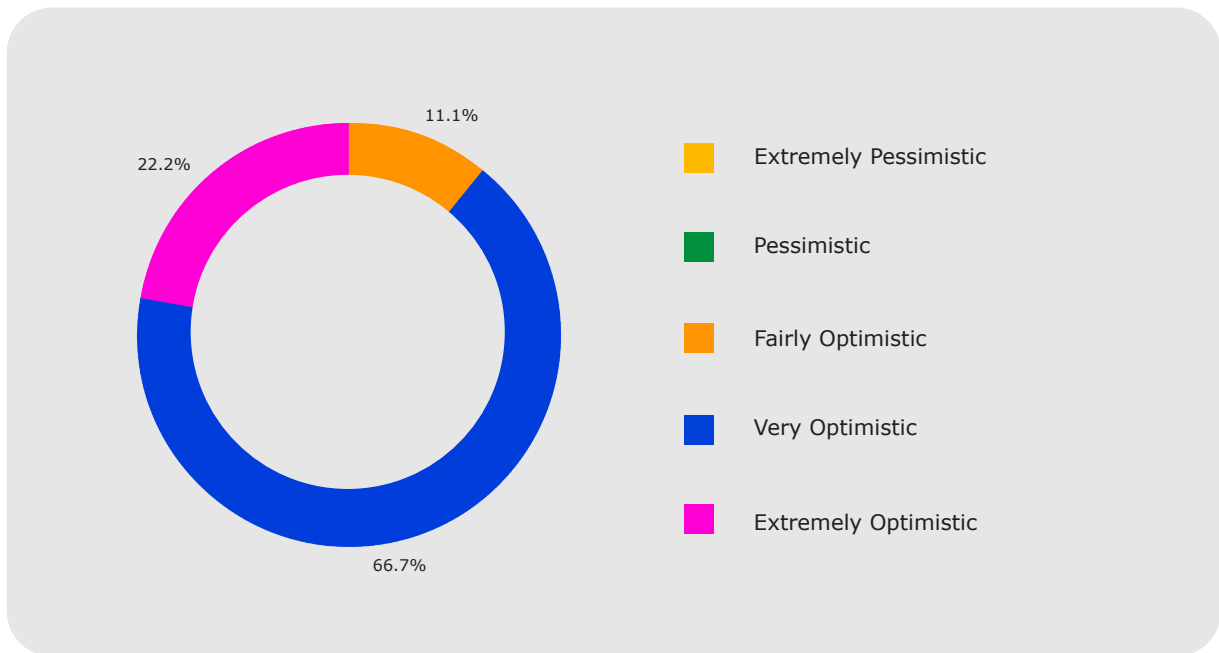
**Figure 3. Size of Total Islamic Assets**



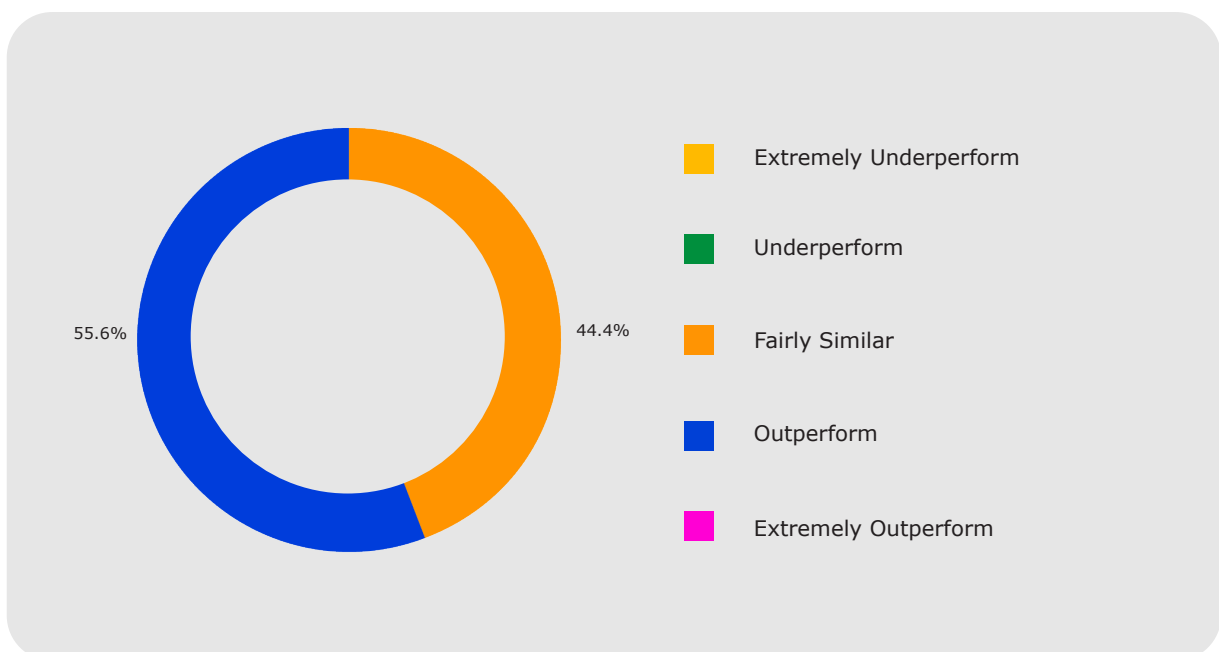
**Figure 4. Overall Banking Industry Optimism Level**



**Figure 5. Islamic Banking Industry Optimism Level**



**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**





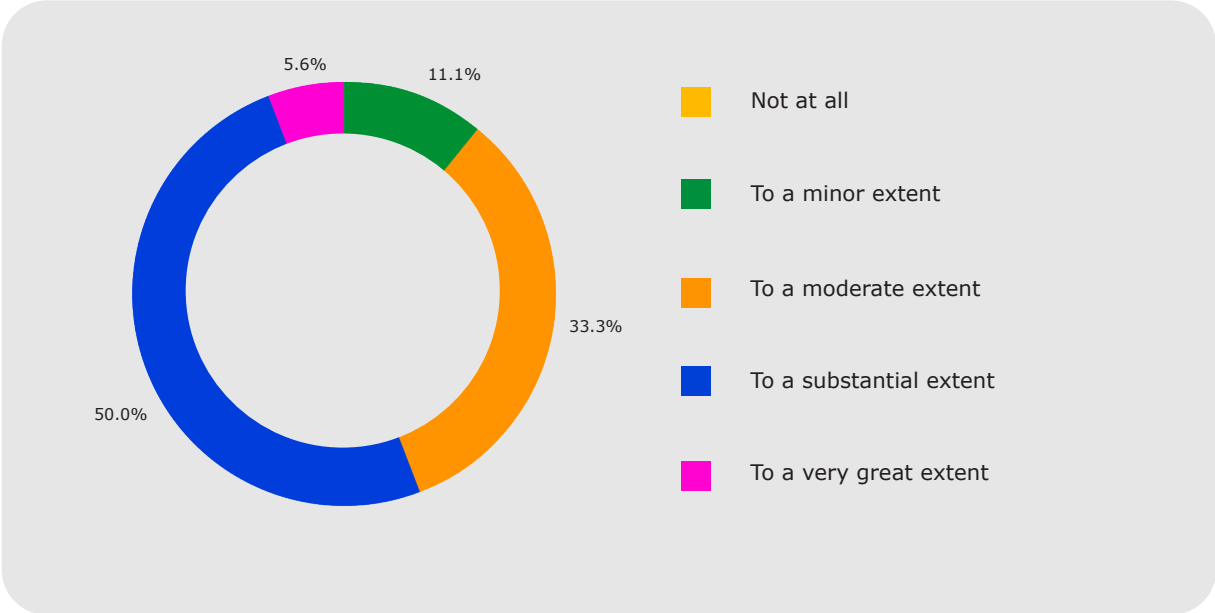
**Figure 7. Islamic Banking Top Concerns**



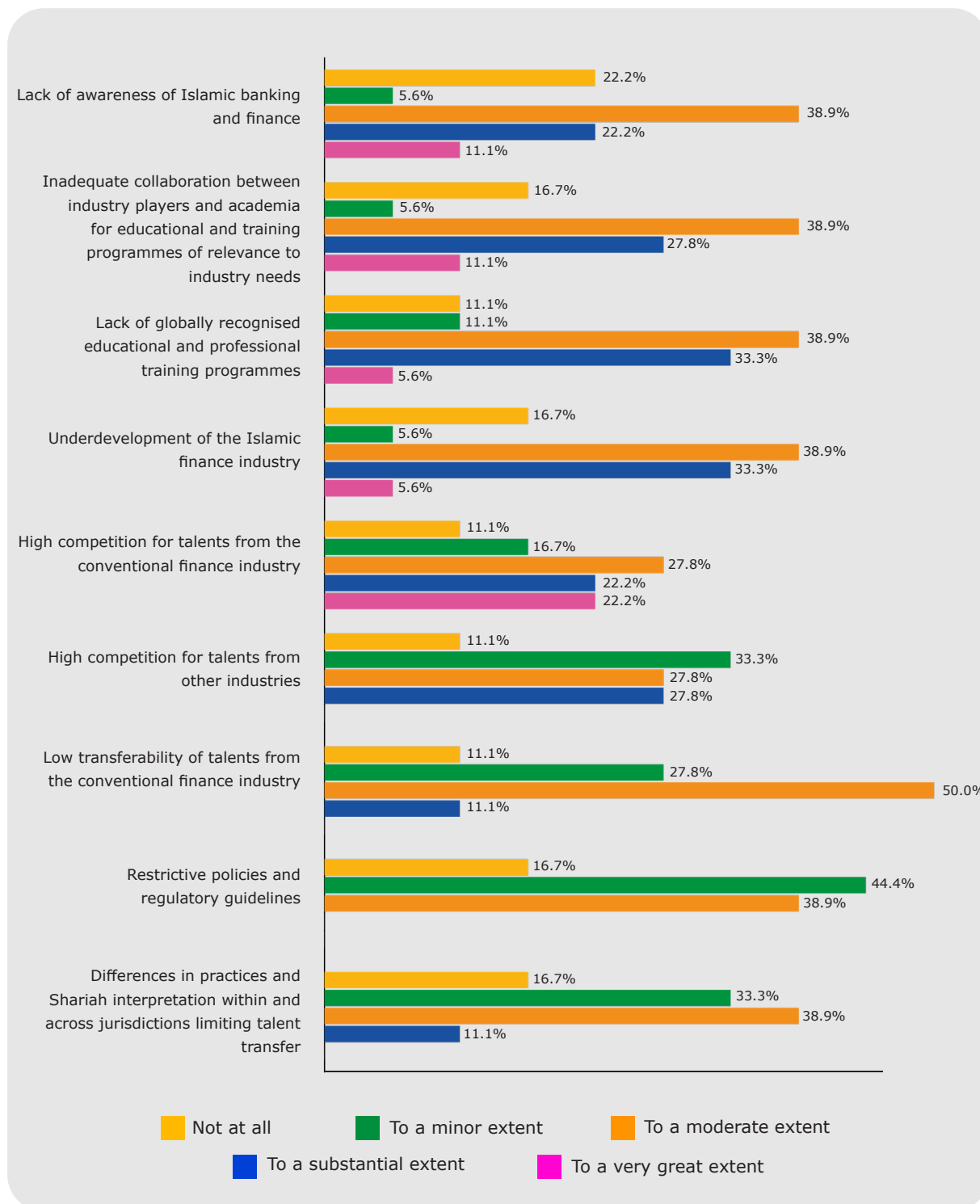
**Figure 8. Islamic Banking Risk Dashboard**



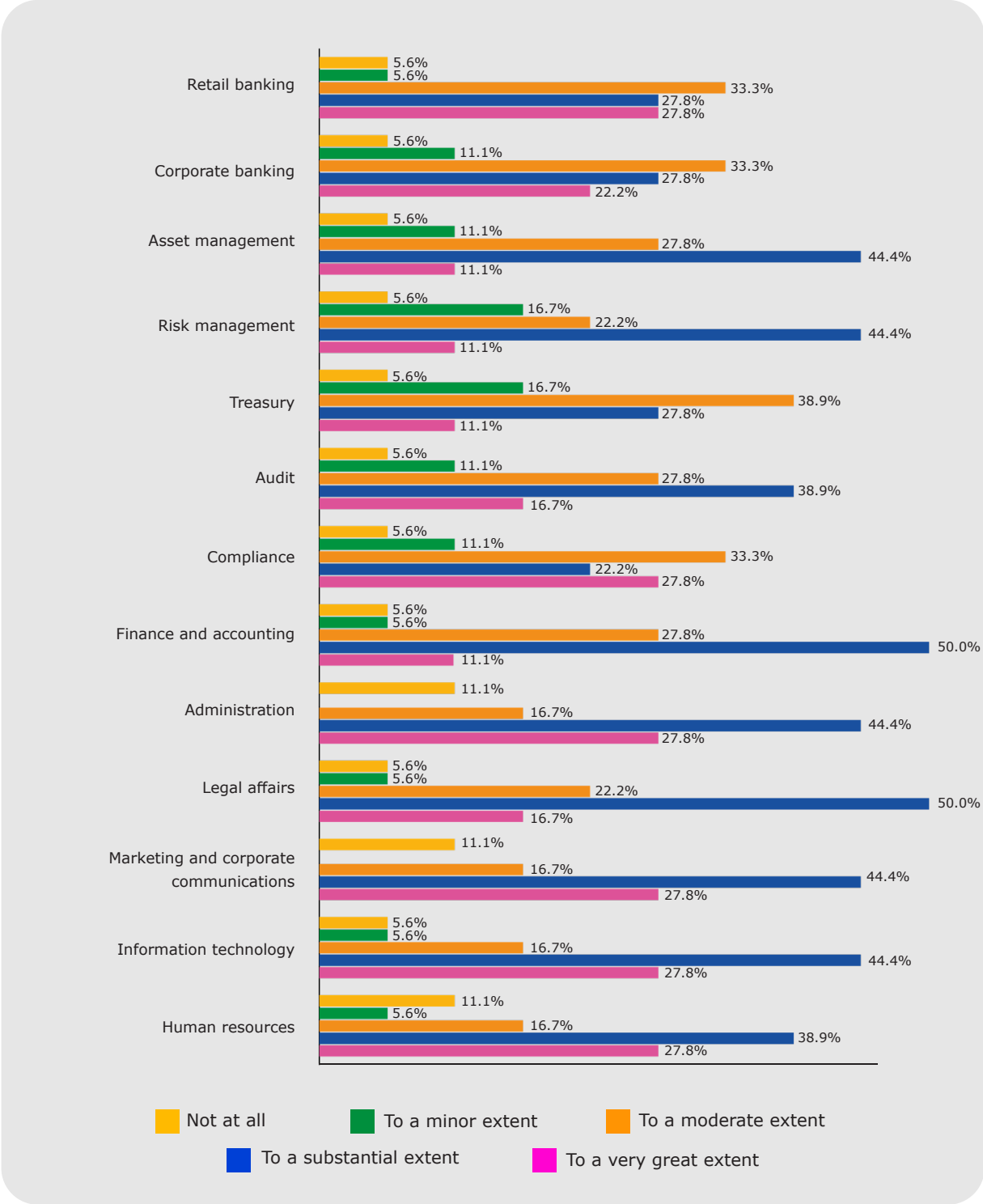
**Figure 9. Talent Availability to the Islamic Finance Industry**



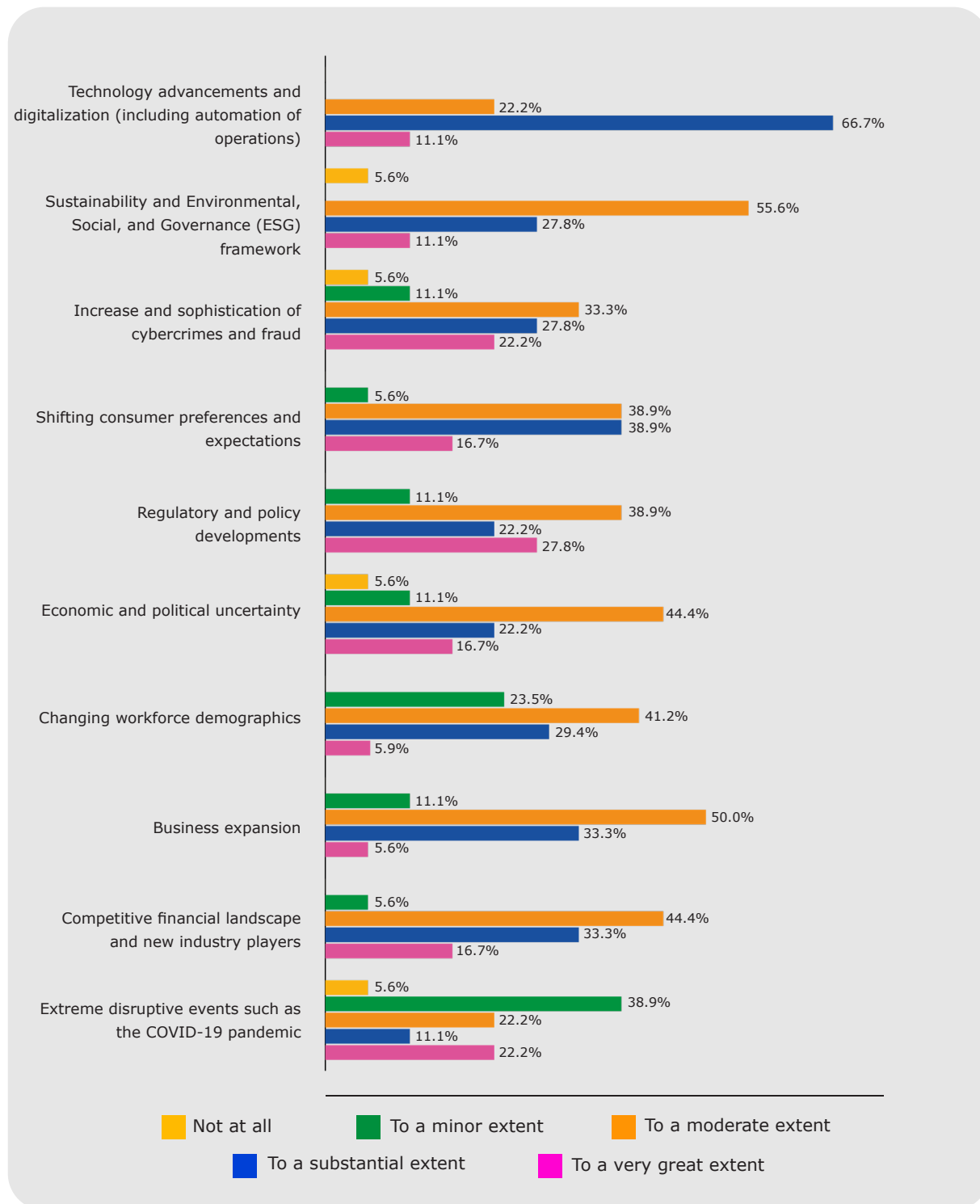
**Figure 10. Challenges to the Availability of Talent in Islamic Finance**



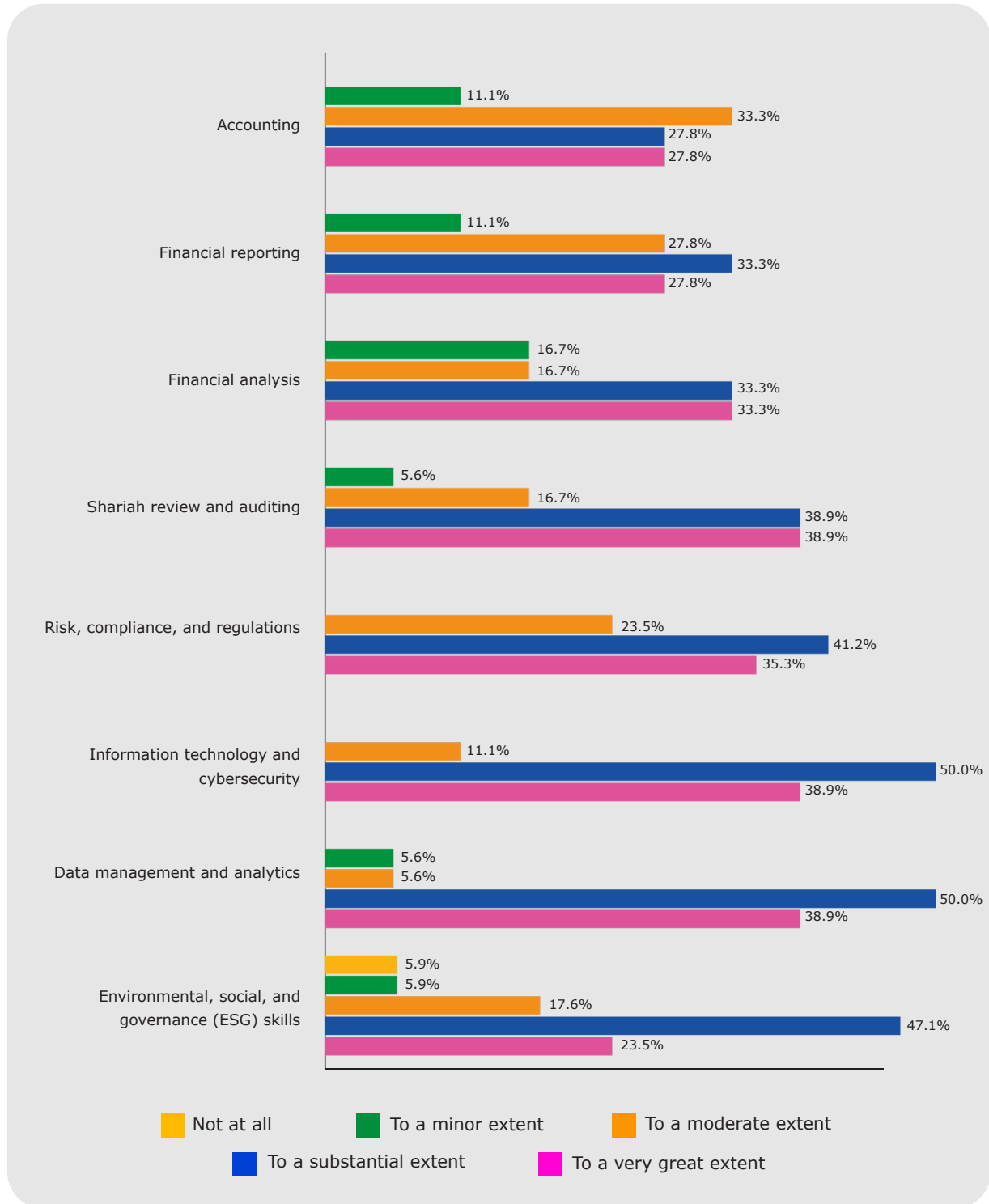
**Figure 11. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**



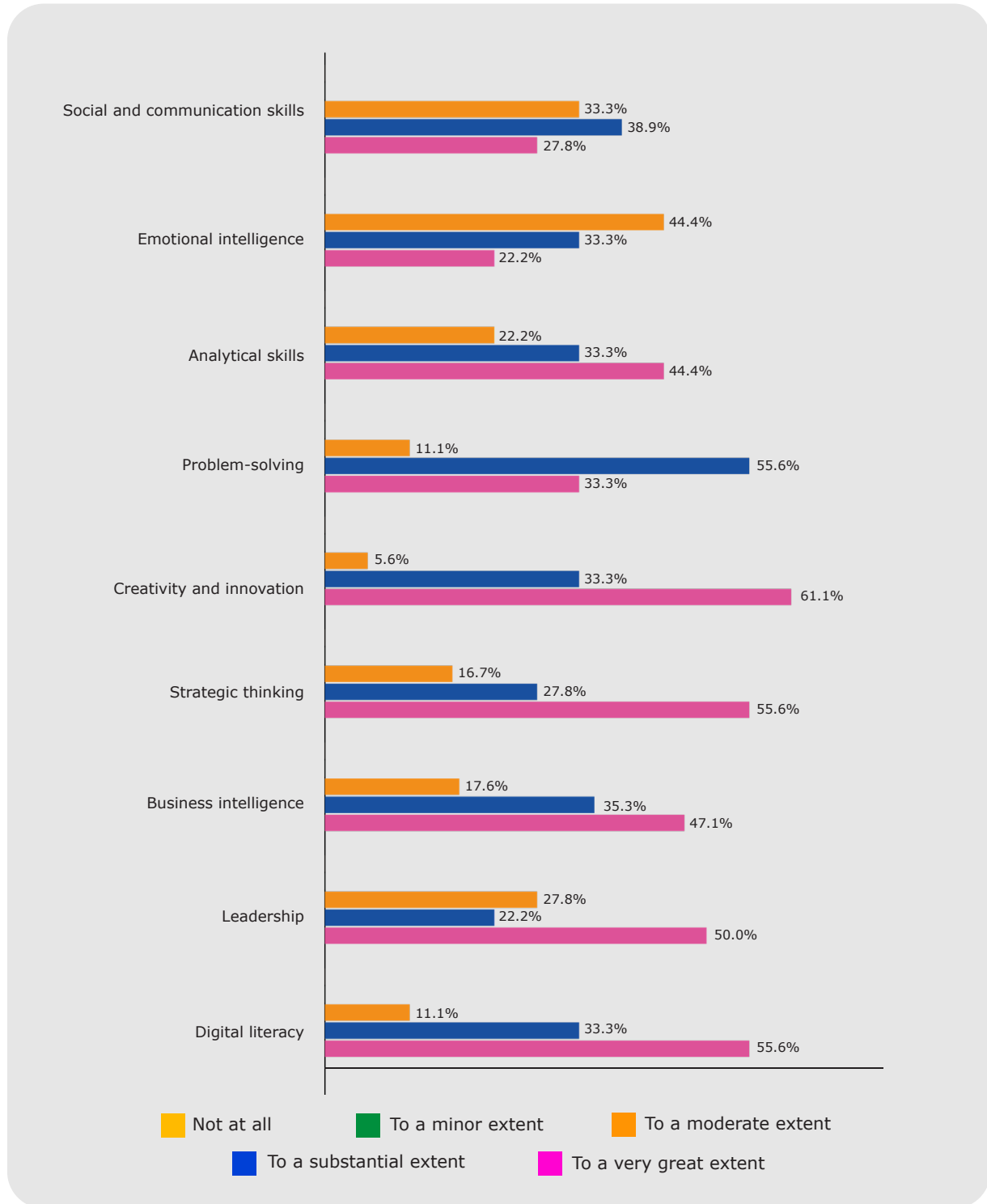
**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**



**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**

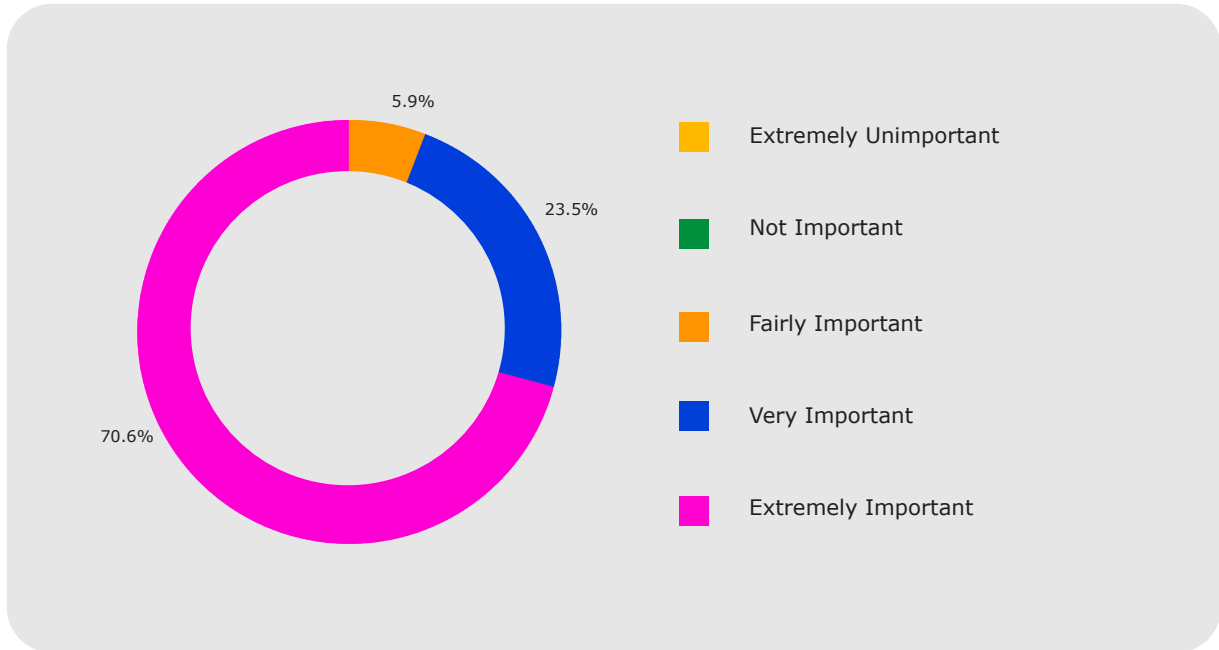


**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**

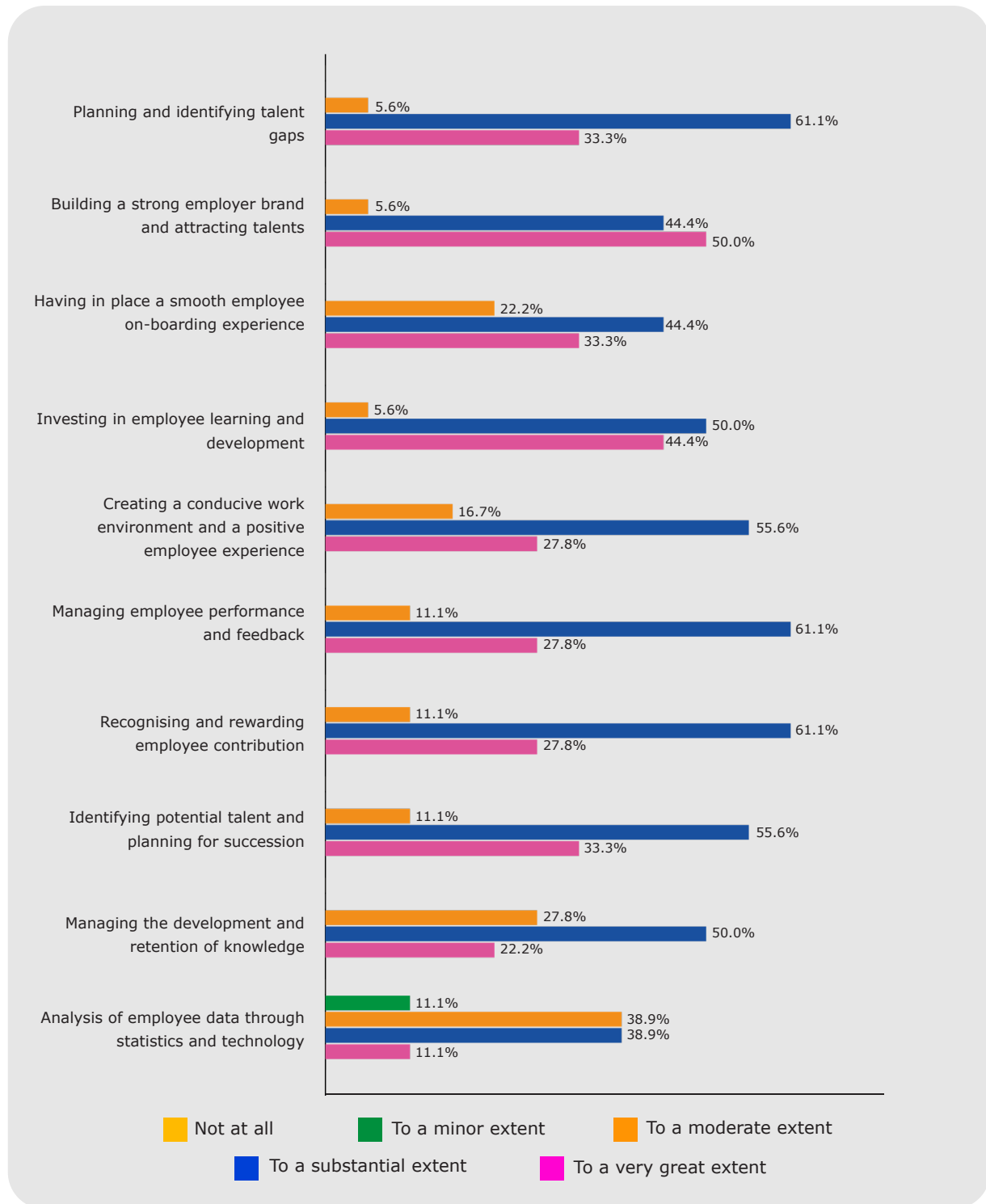




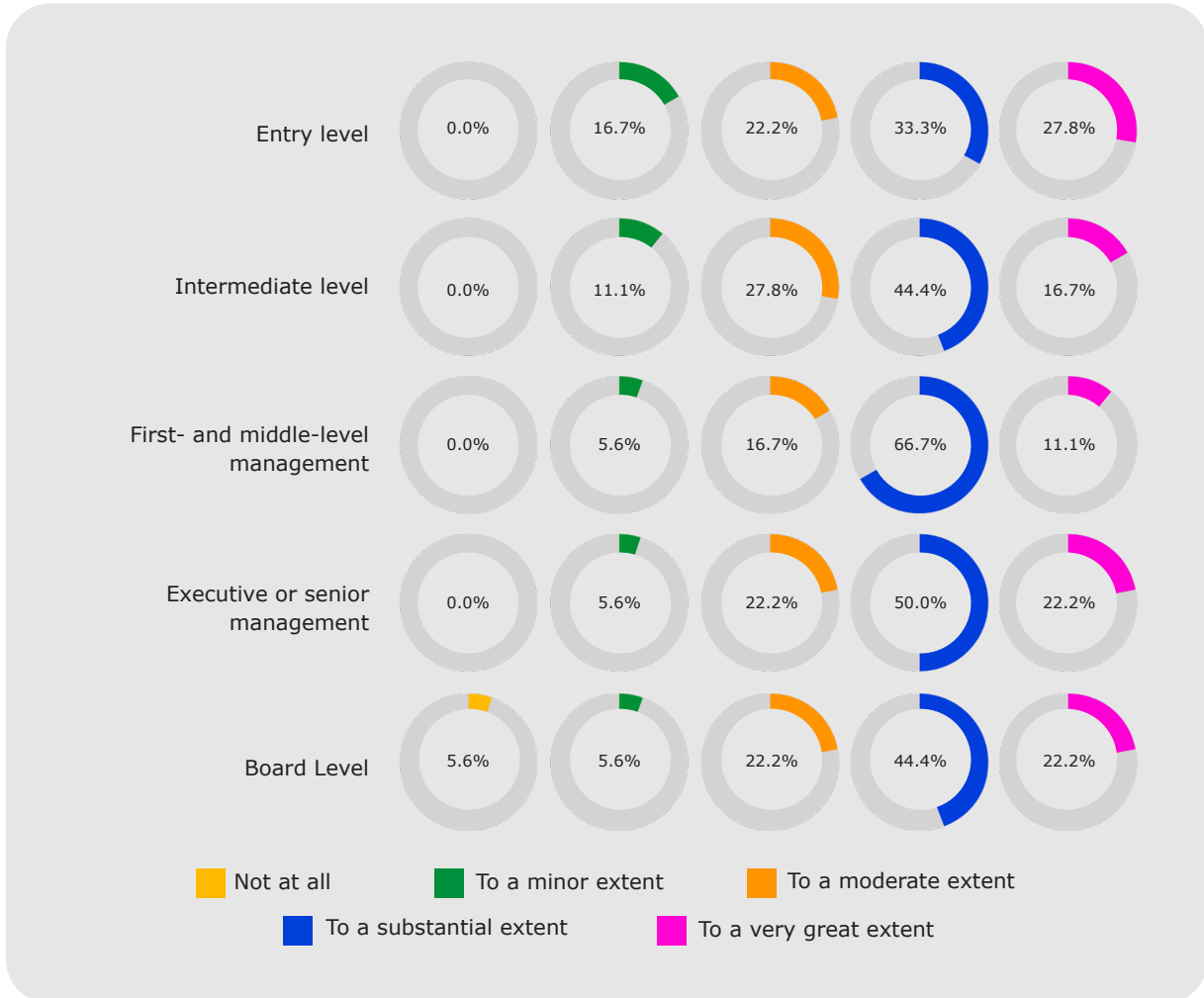
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



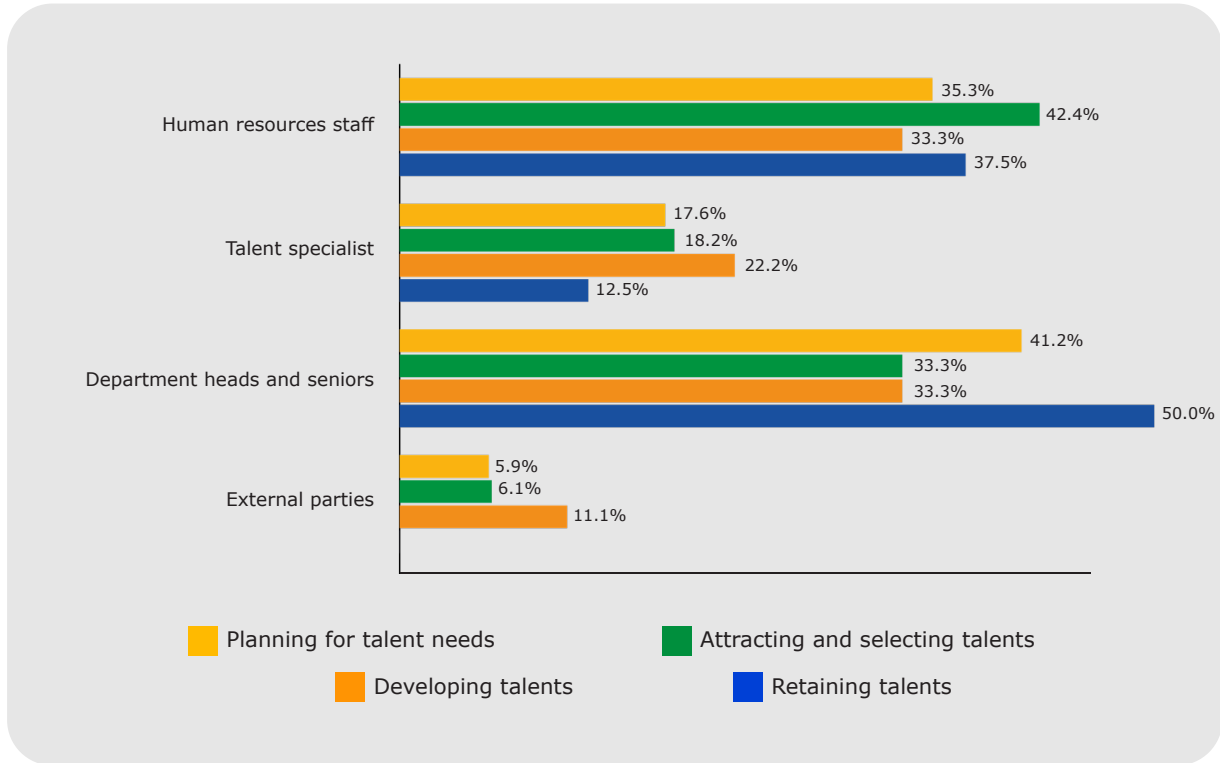
**Figure 16. Priorities of Talent Management in Islamic Banks**



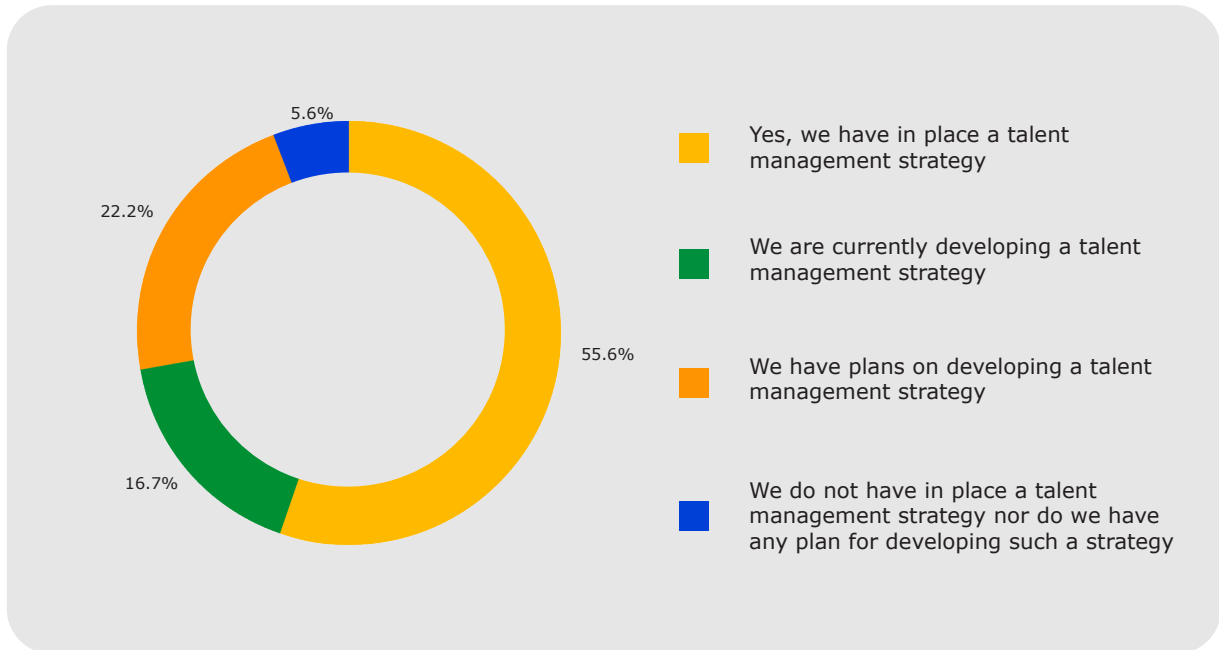
**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**



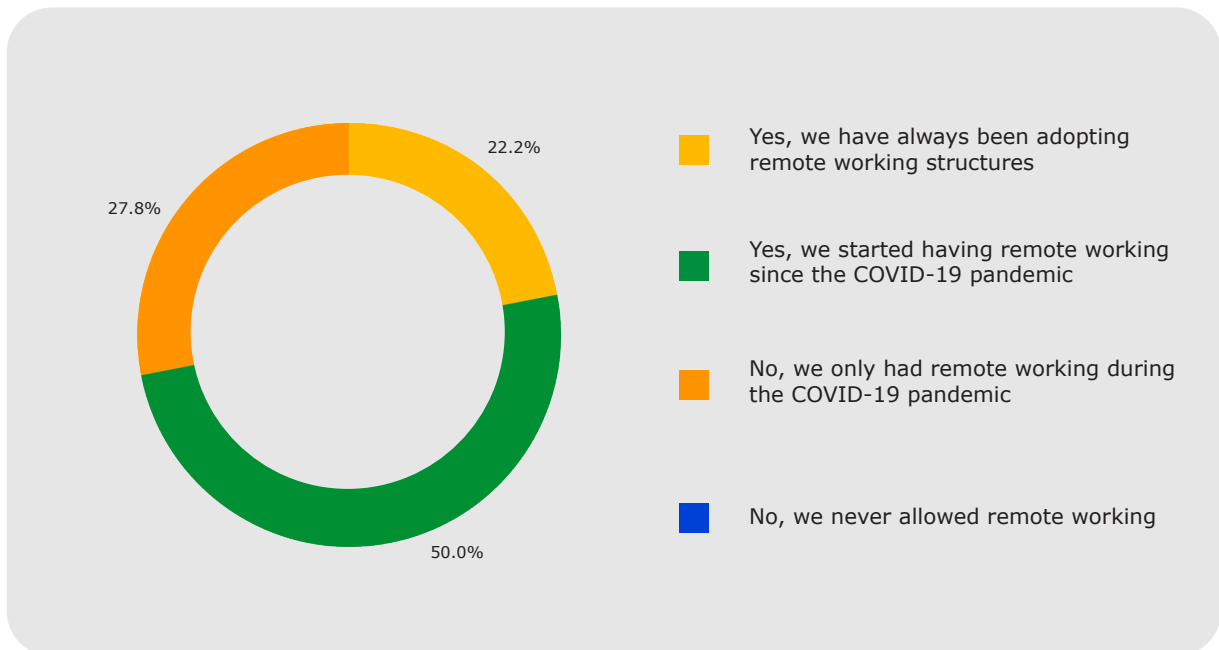
**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**



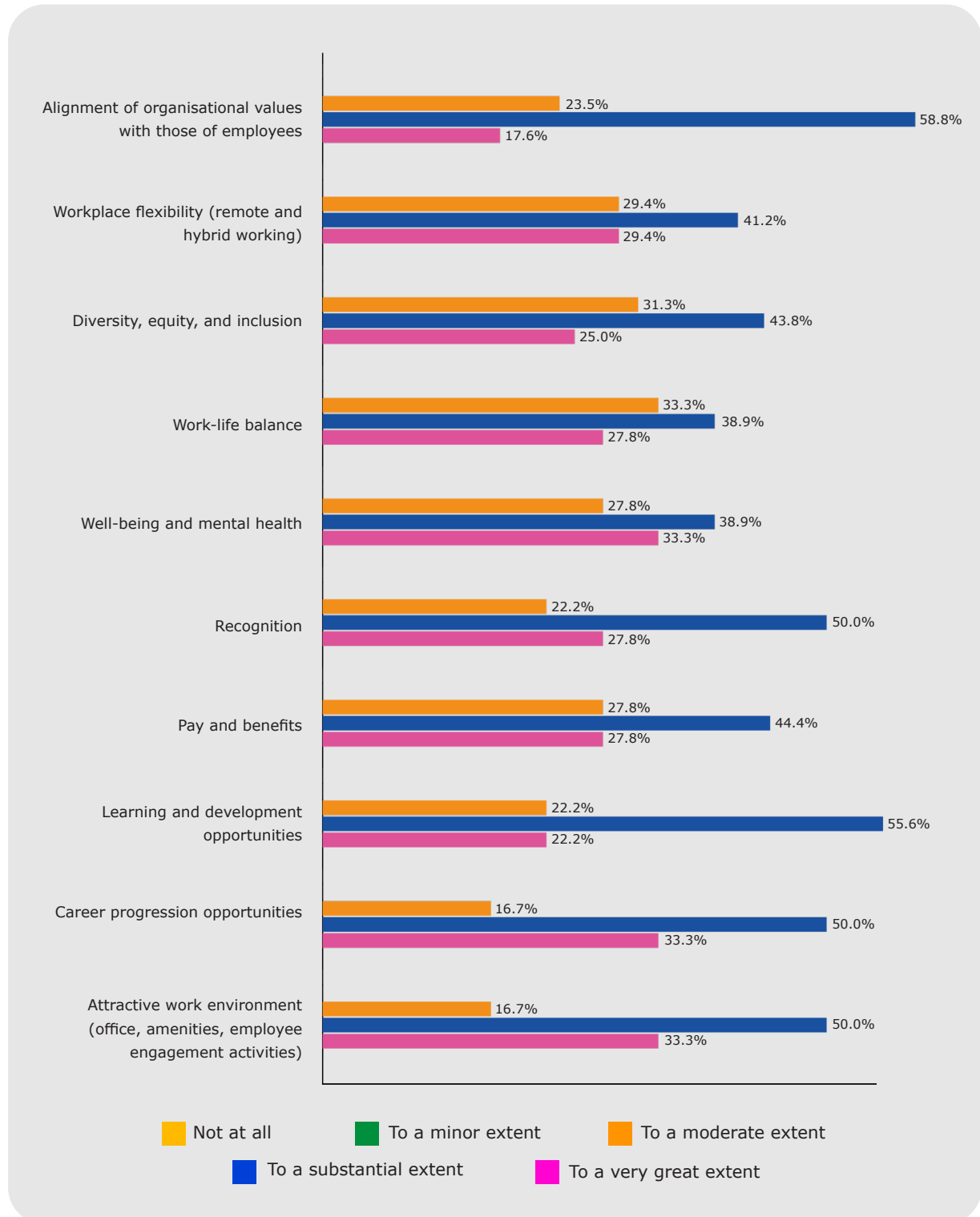
**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



**Figure 20. Adoption of Remote Working in Islamic Banks**

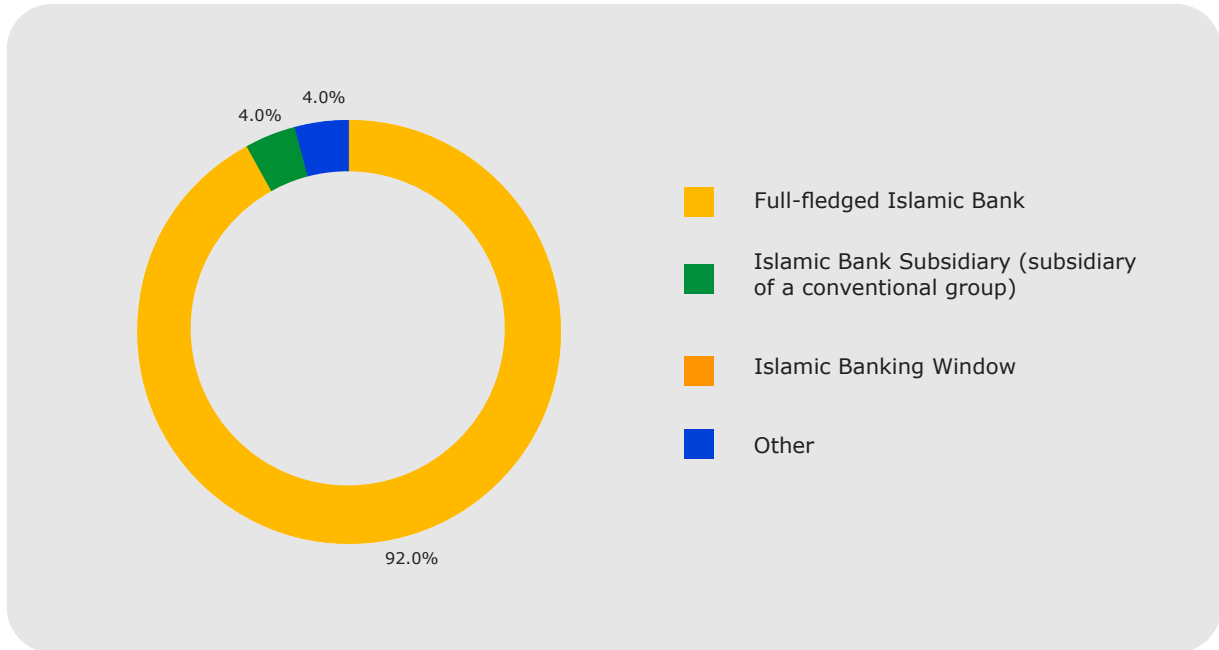


**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**

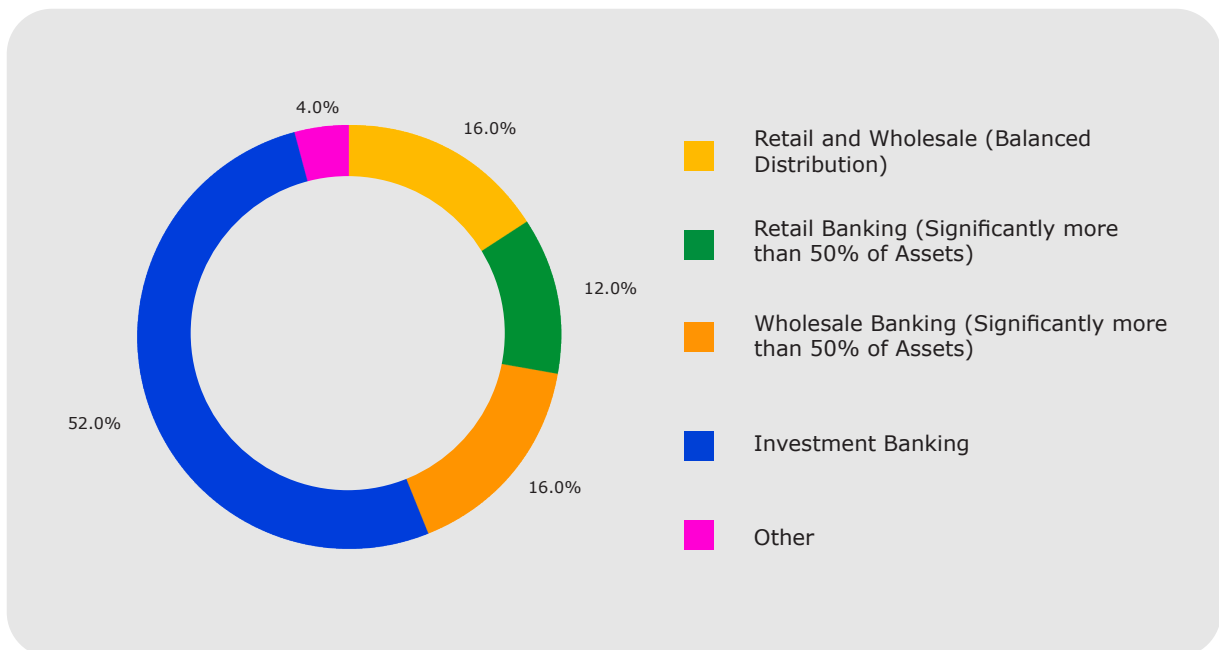


## Group 2: Middle East ex-GCC

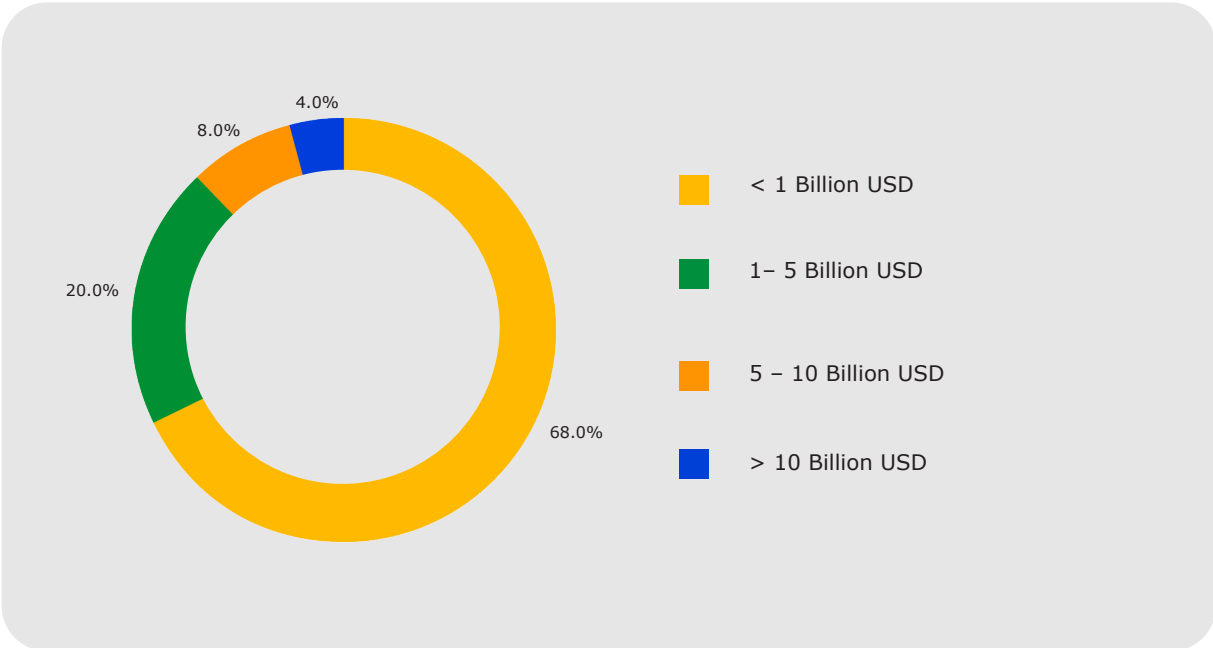
**Figure 1. Type of Islamic Banking Operation**



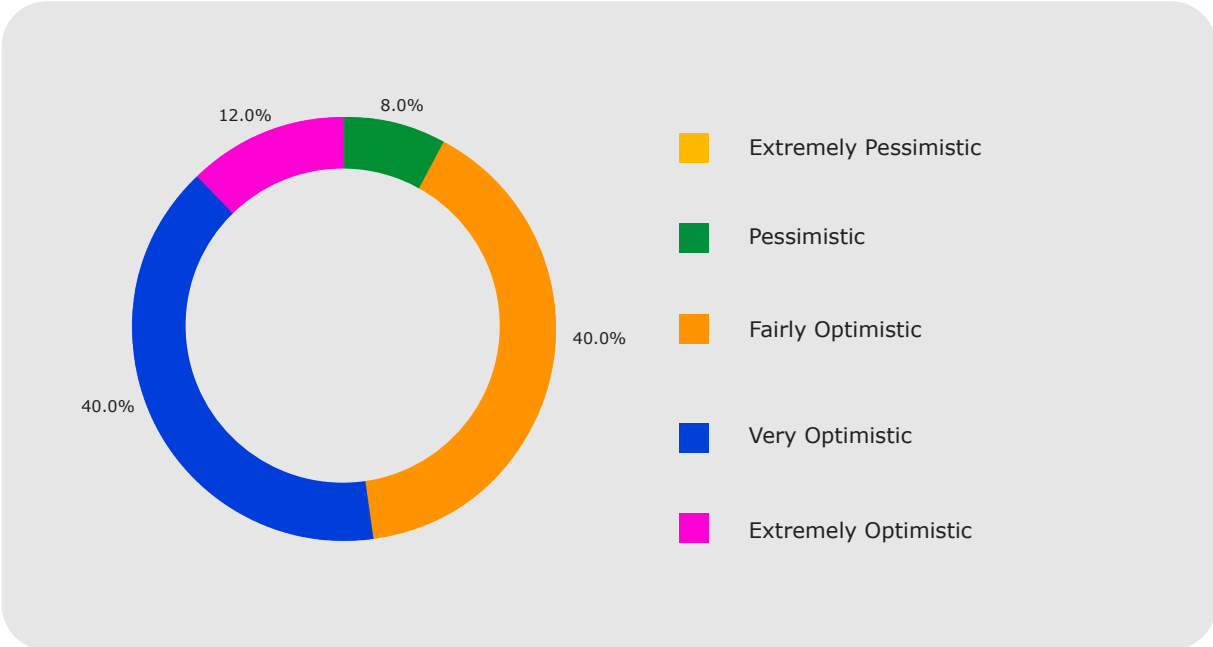
**Figure 2. Core Business**



**Figure 3. Size of Total Islamic Assets**

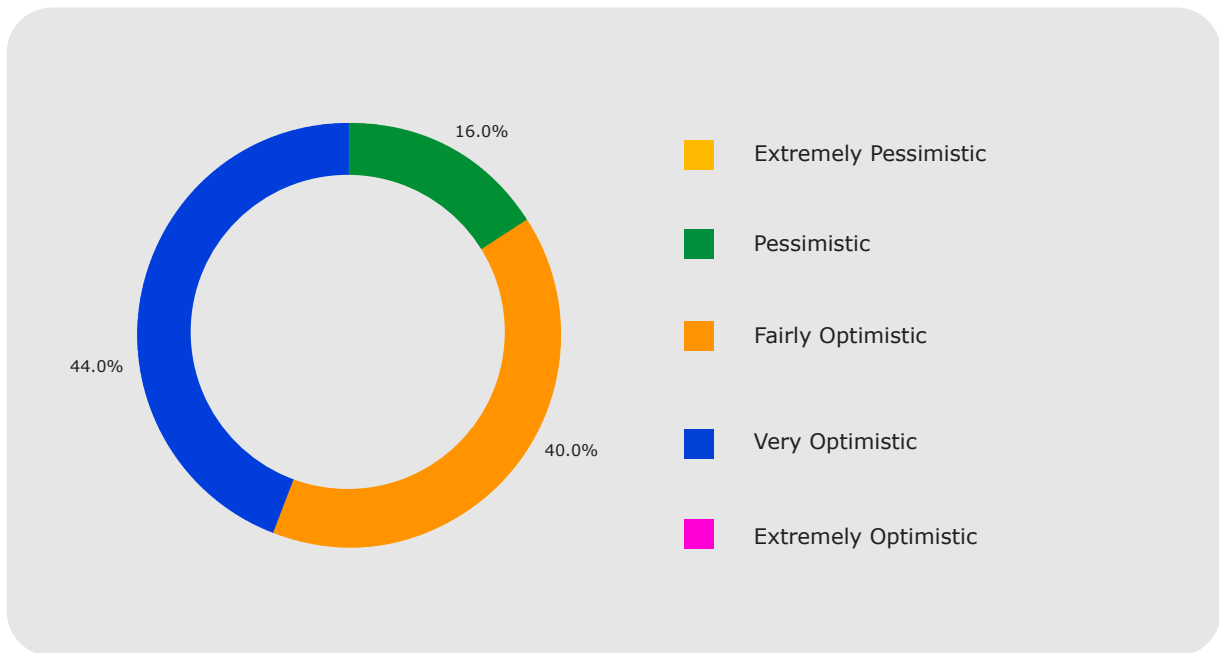


**Figure 4. Overall Banking Industry Optimism Level**

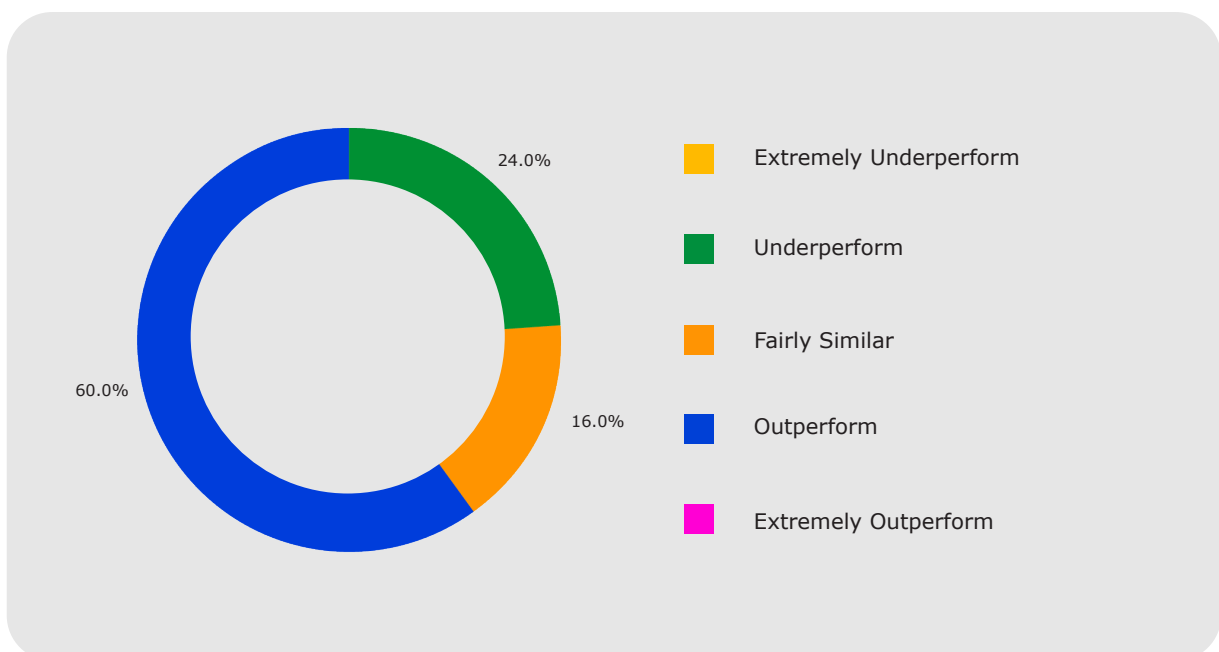




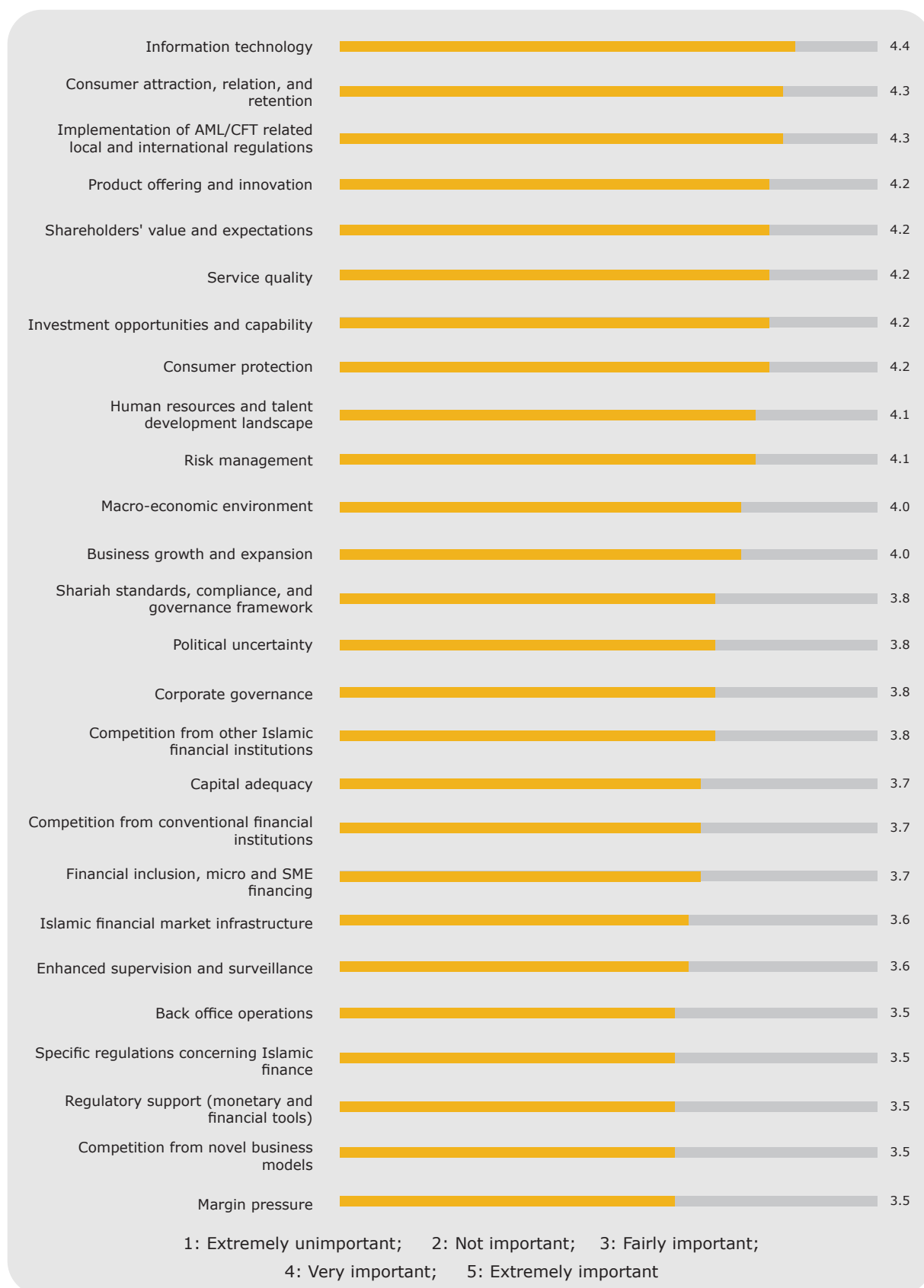
**Figure 5. Islamic Banking Industry Optimism Level**



**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



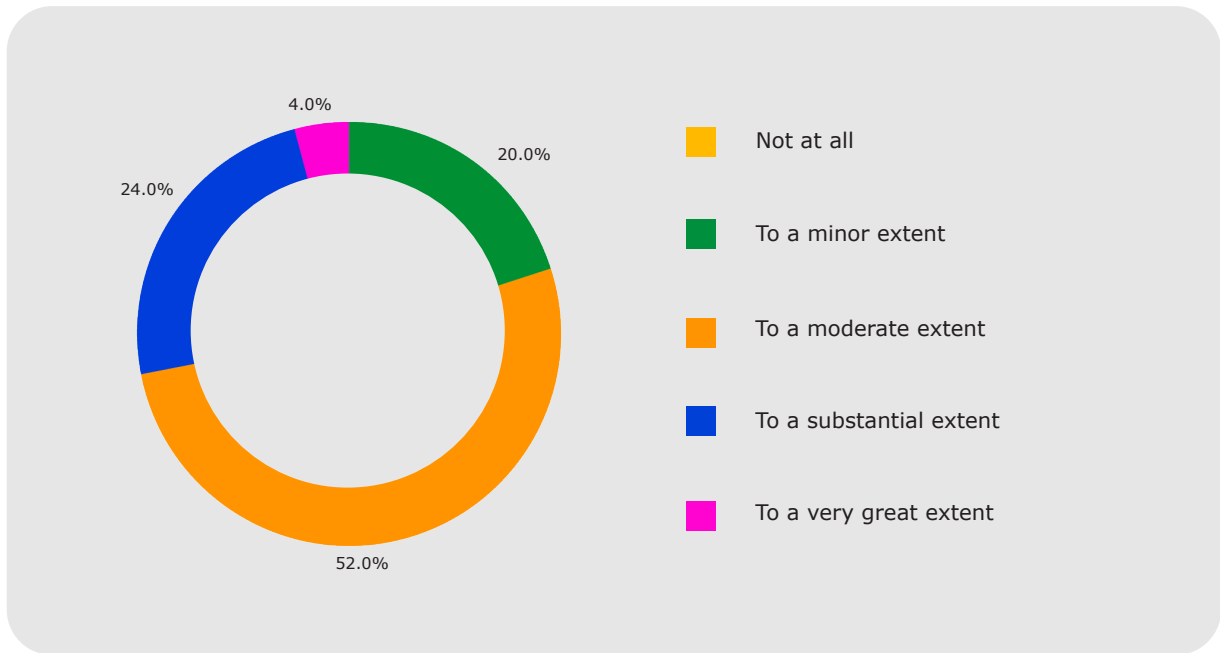
**Figure 7. Islamic Banking Top Concerns**



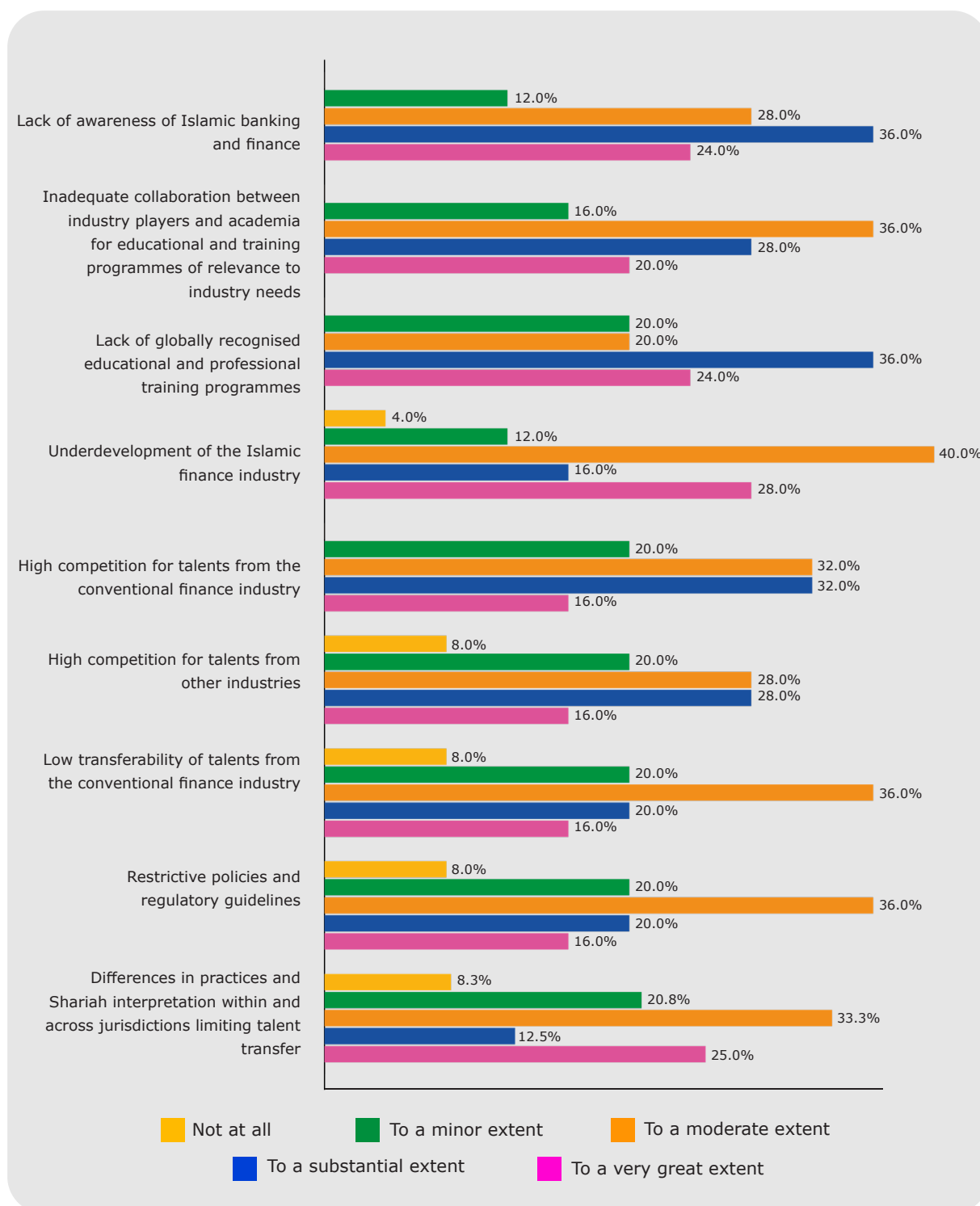
**Figure 8. Islamic Banking Risk Dashboard**



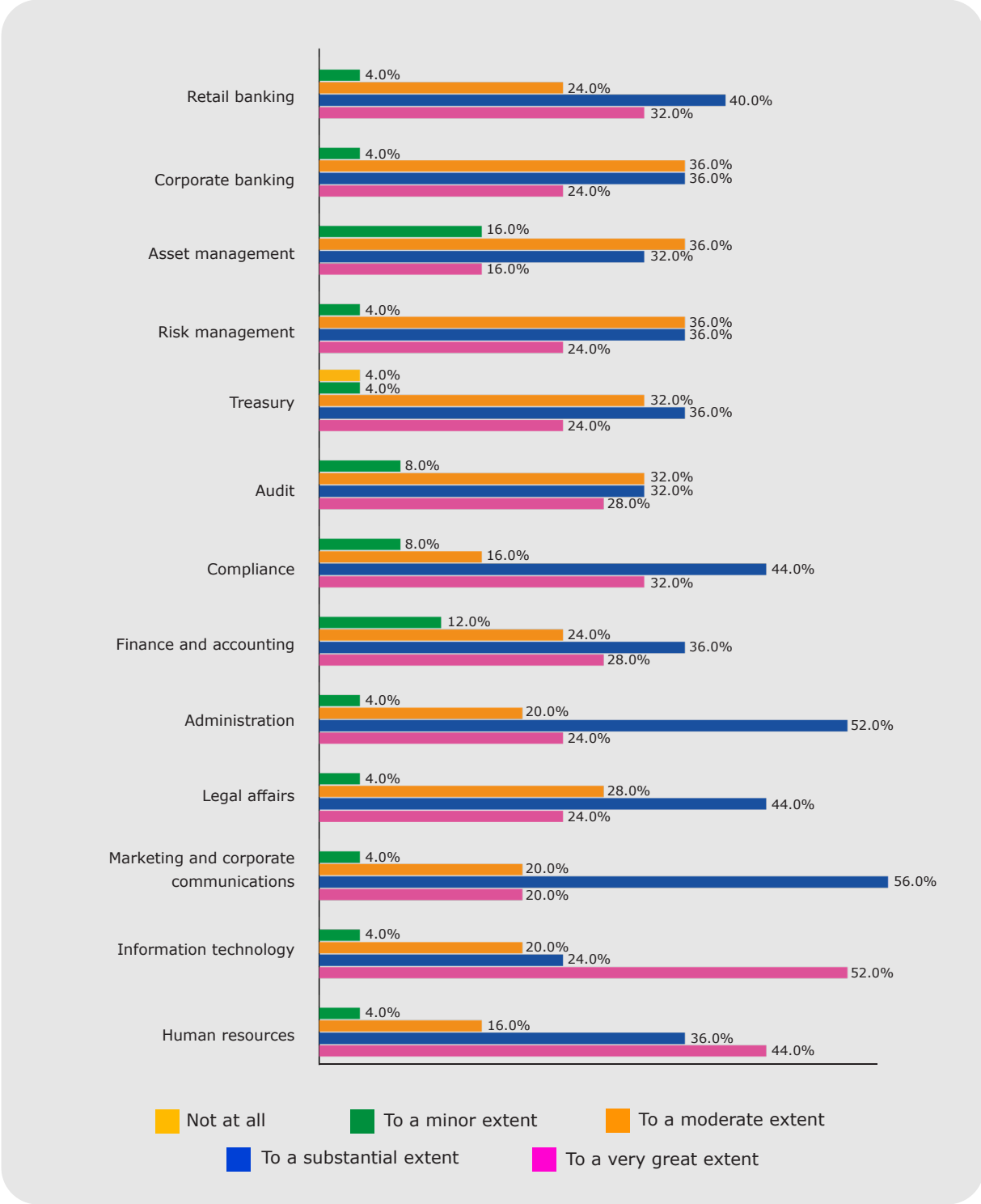
**Figure 9. Talent Availability to the Islamic Finance Industry**



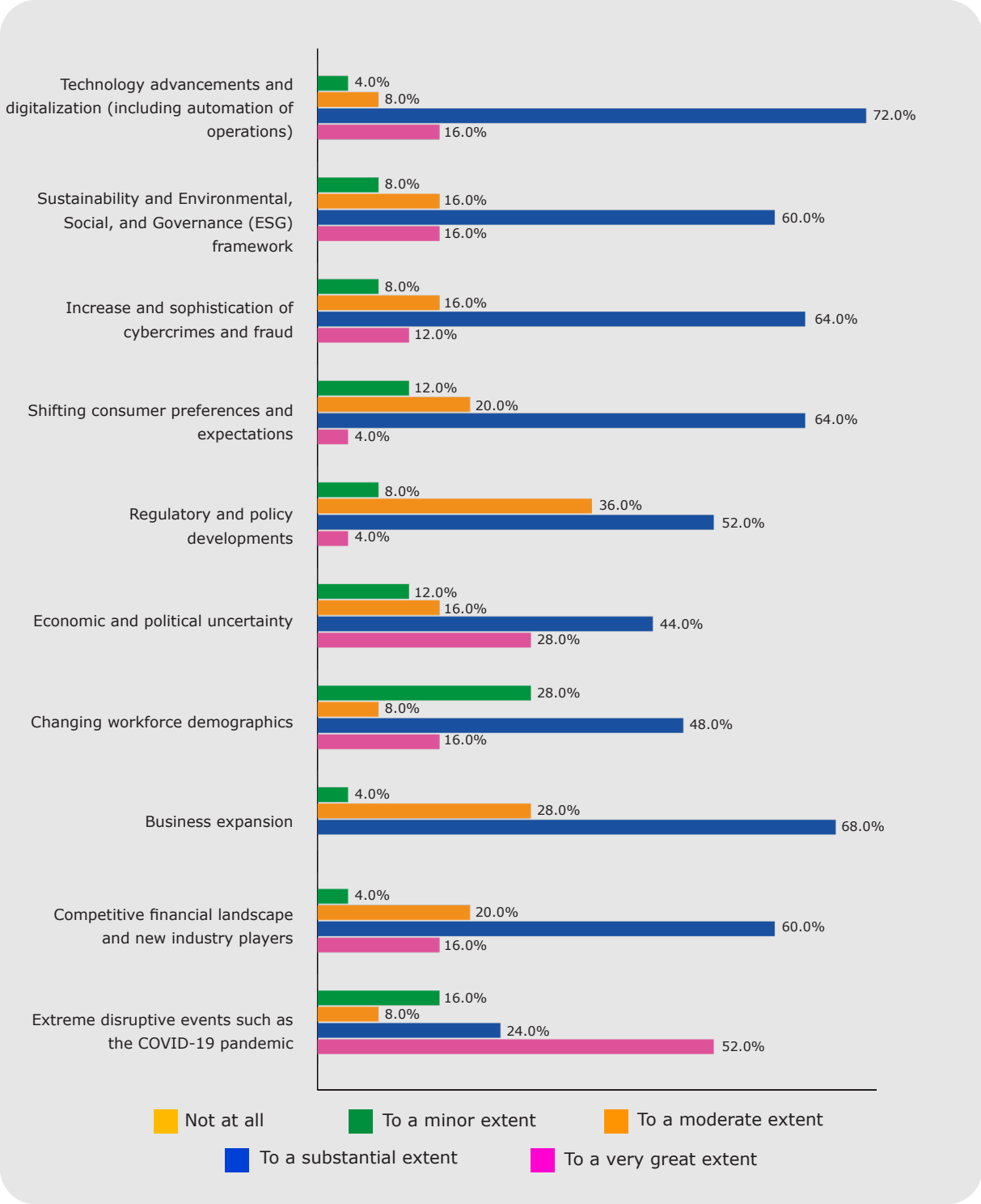
**Figure 10. Challenges to the Availability of Talent in Islamic Finance**



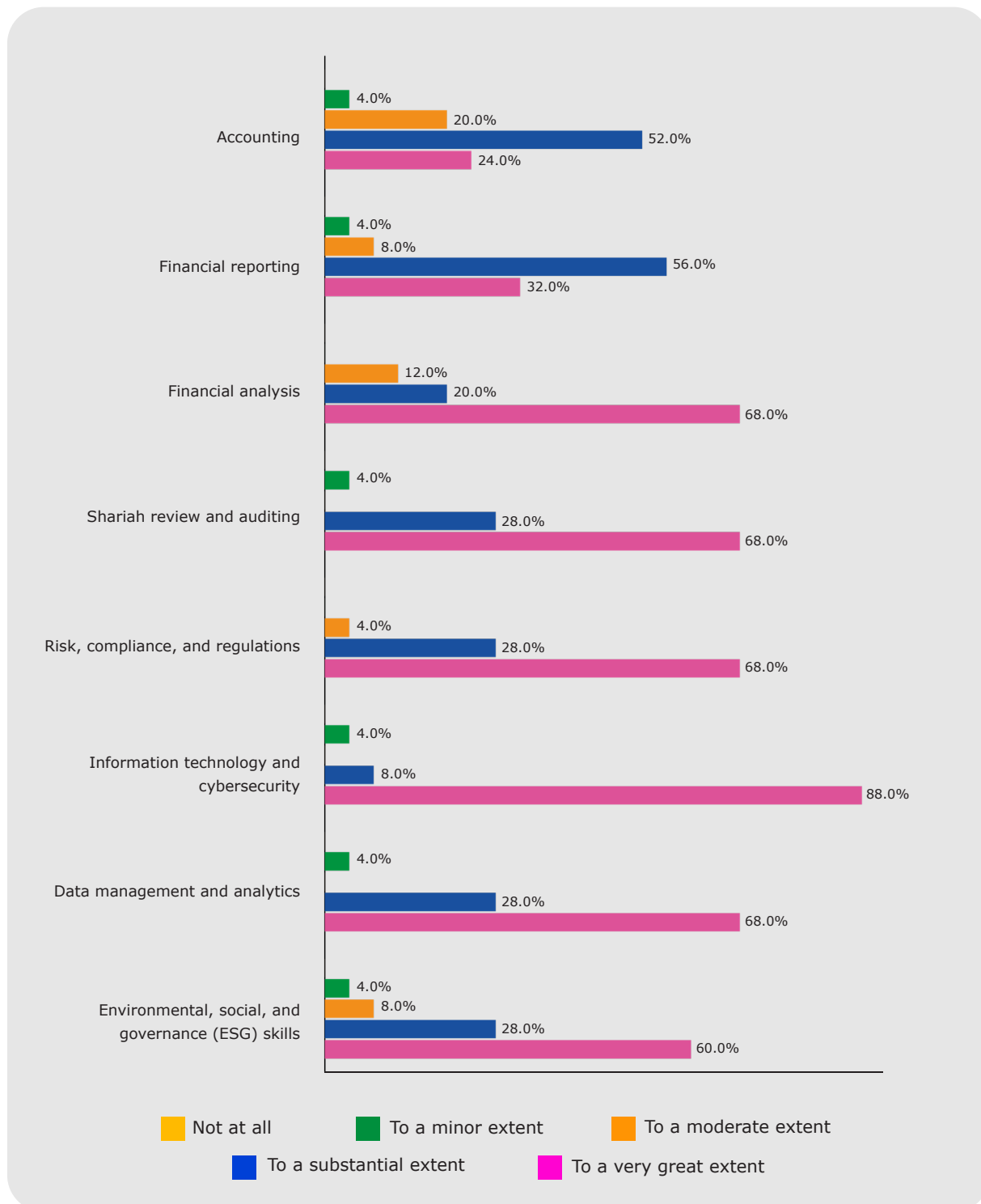
**Figure 11. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**



**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**

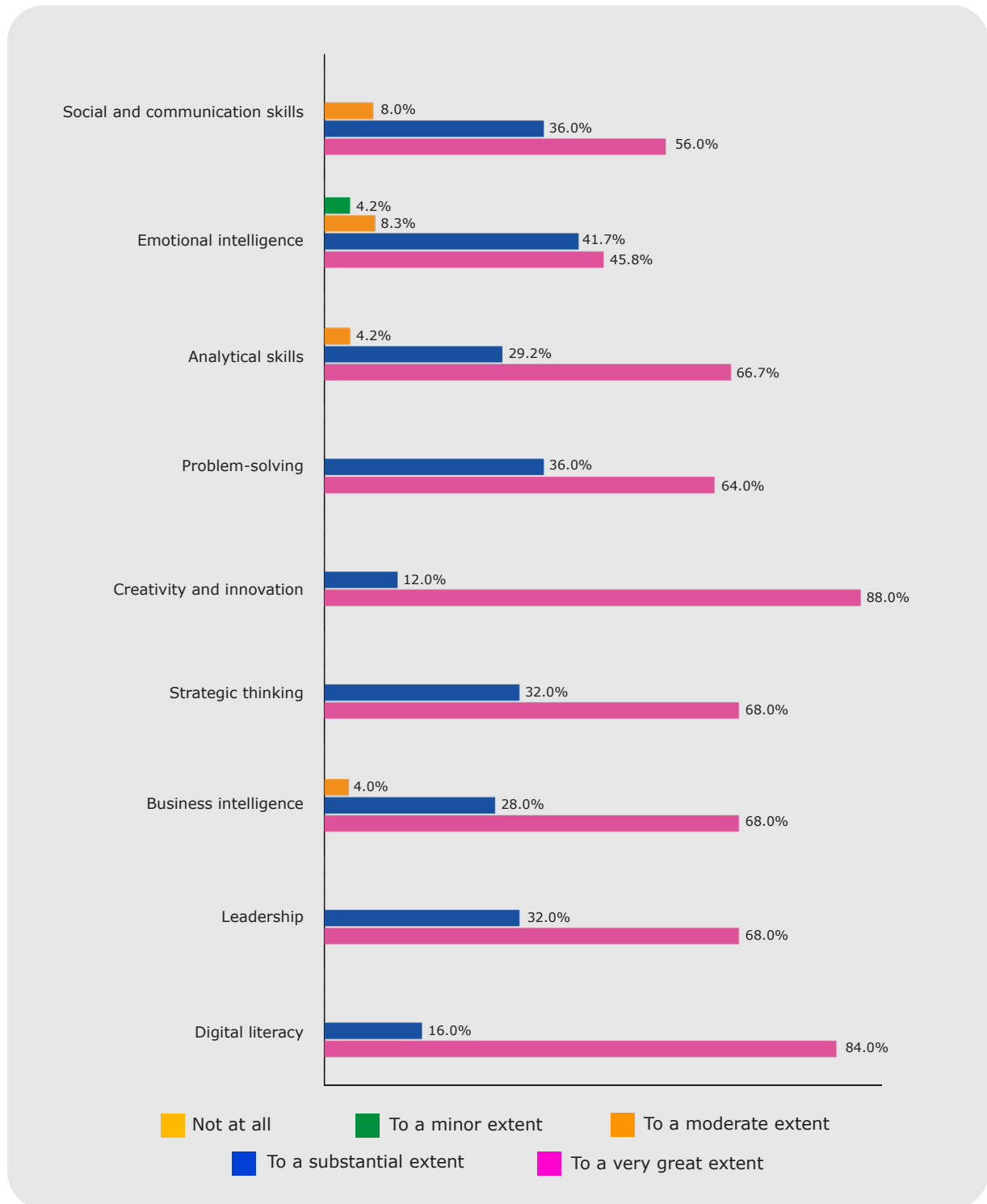


**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**

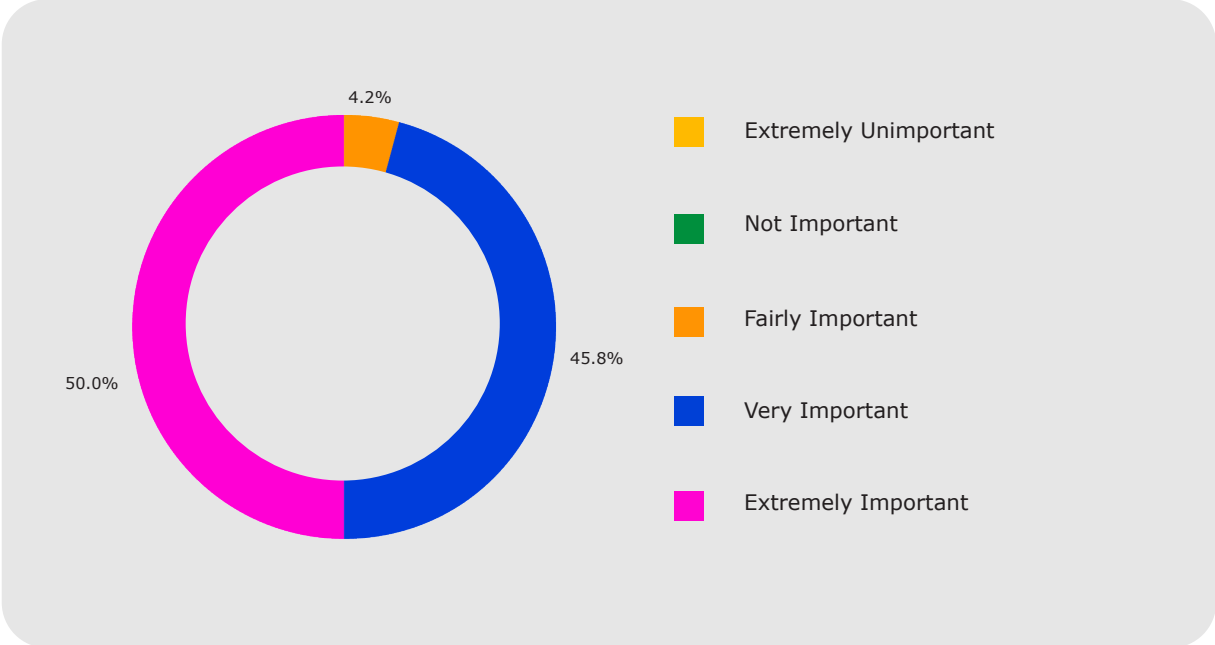




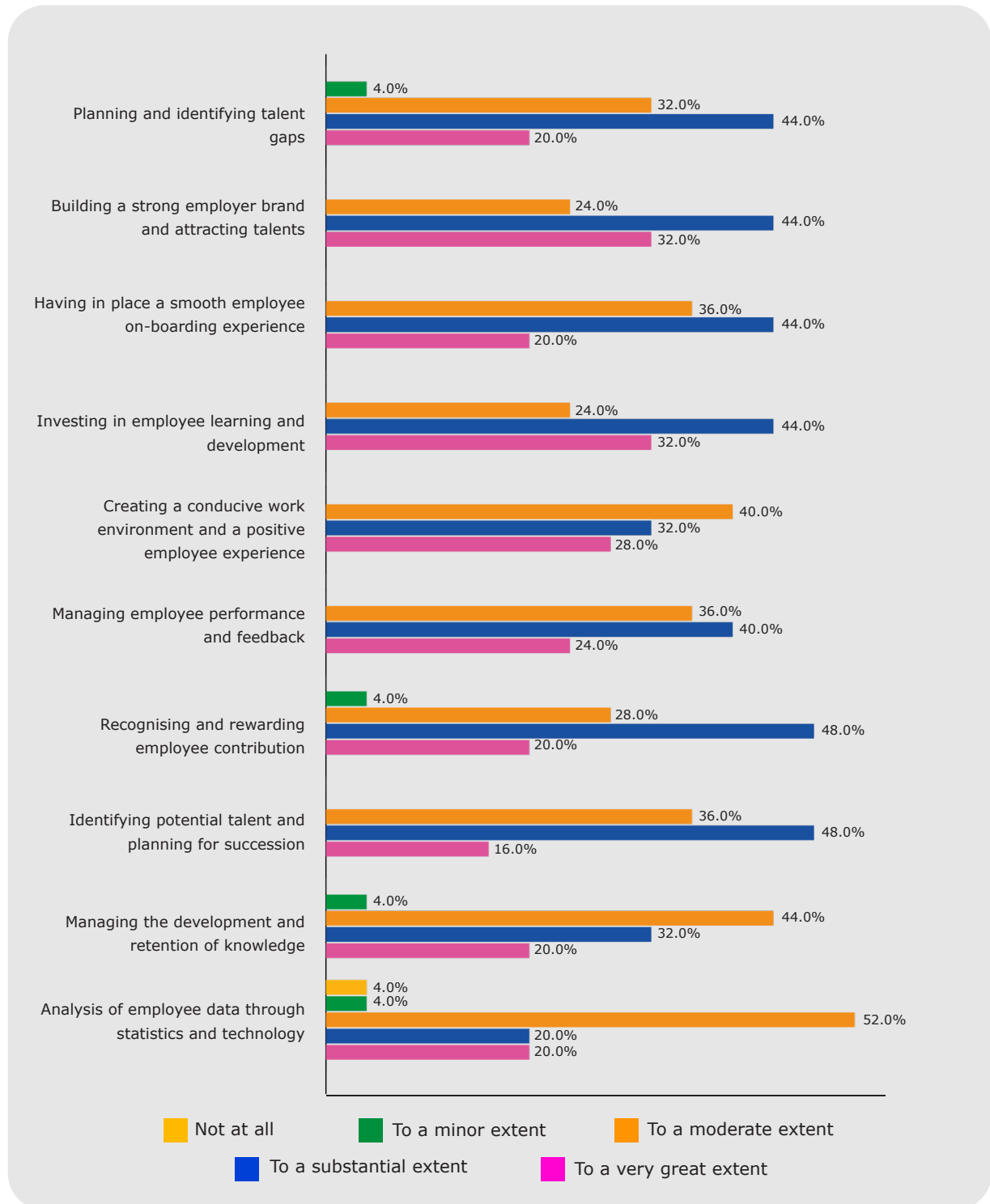
**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



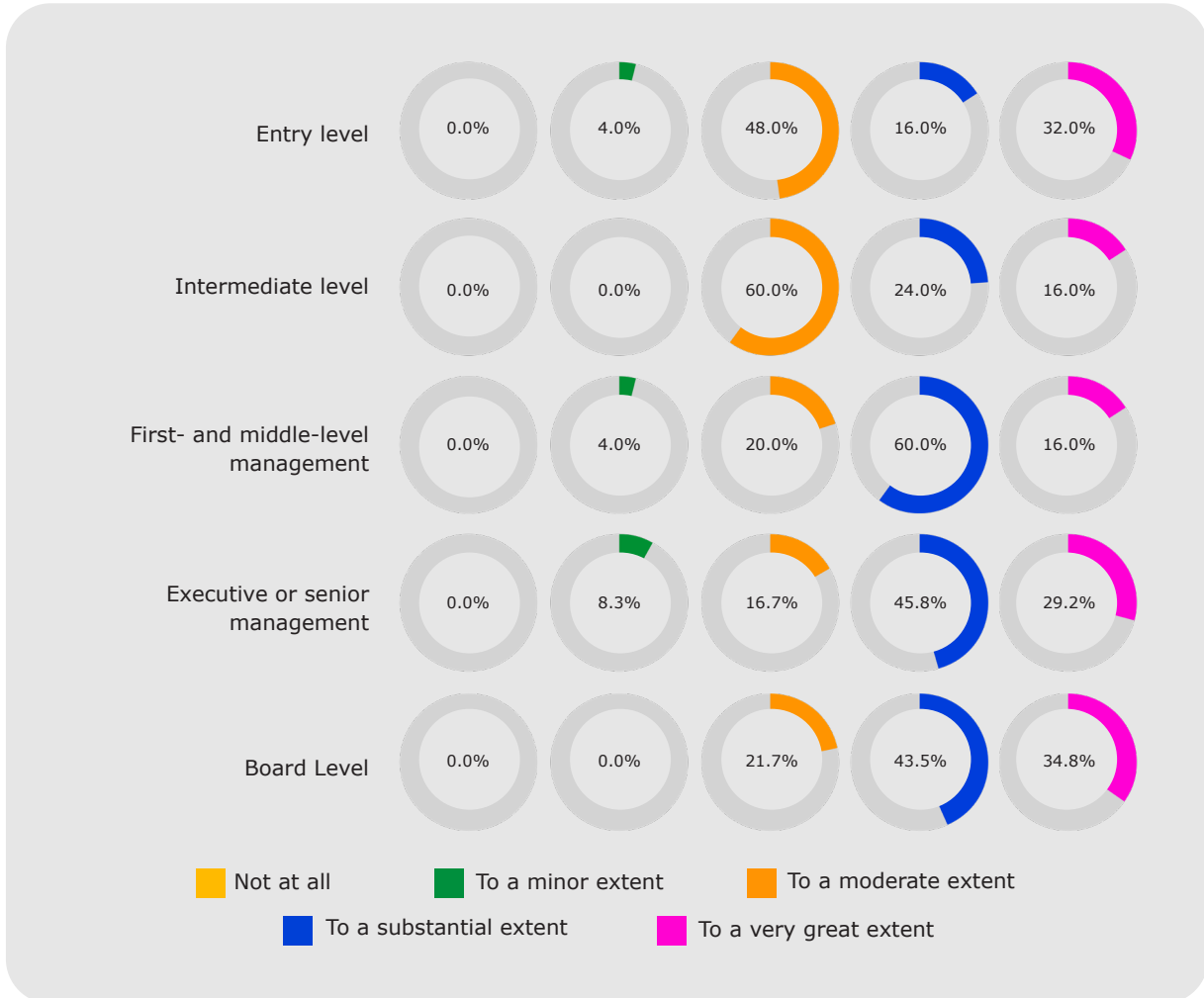
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



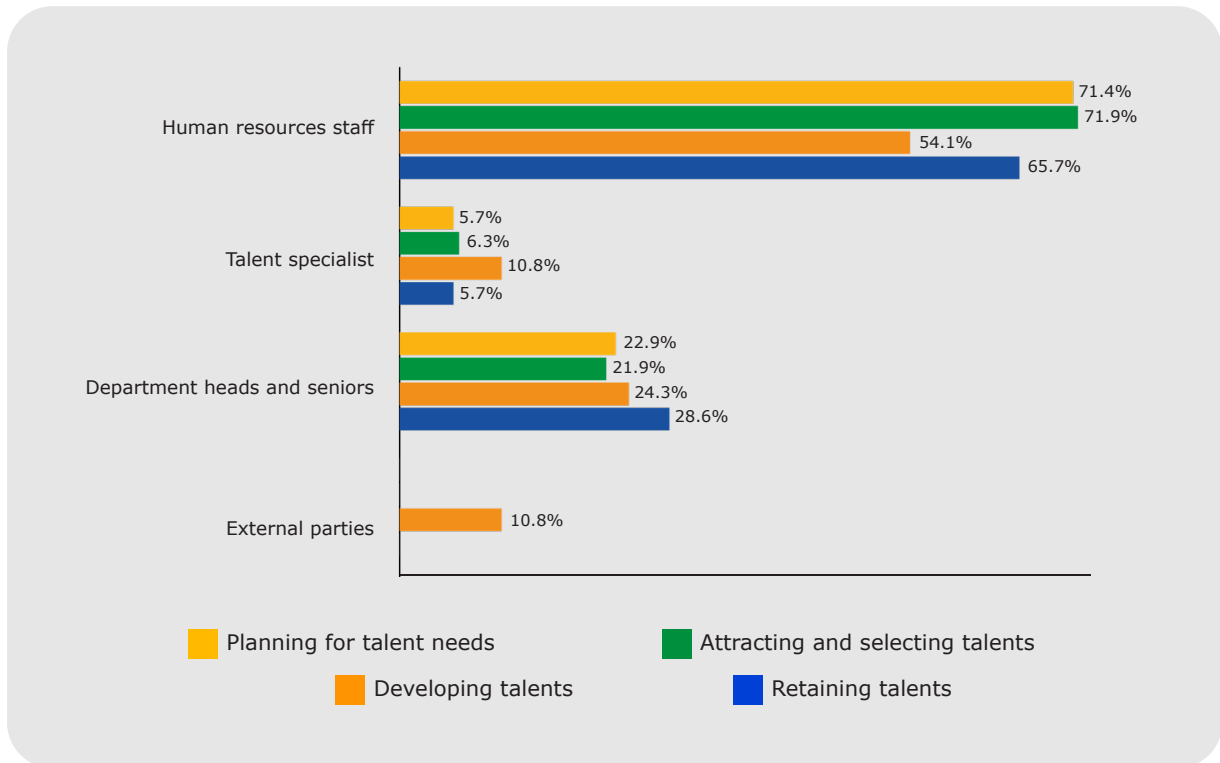
**Figure 16. Priorities of Talent Management in Islamic Banks**



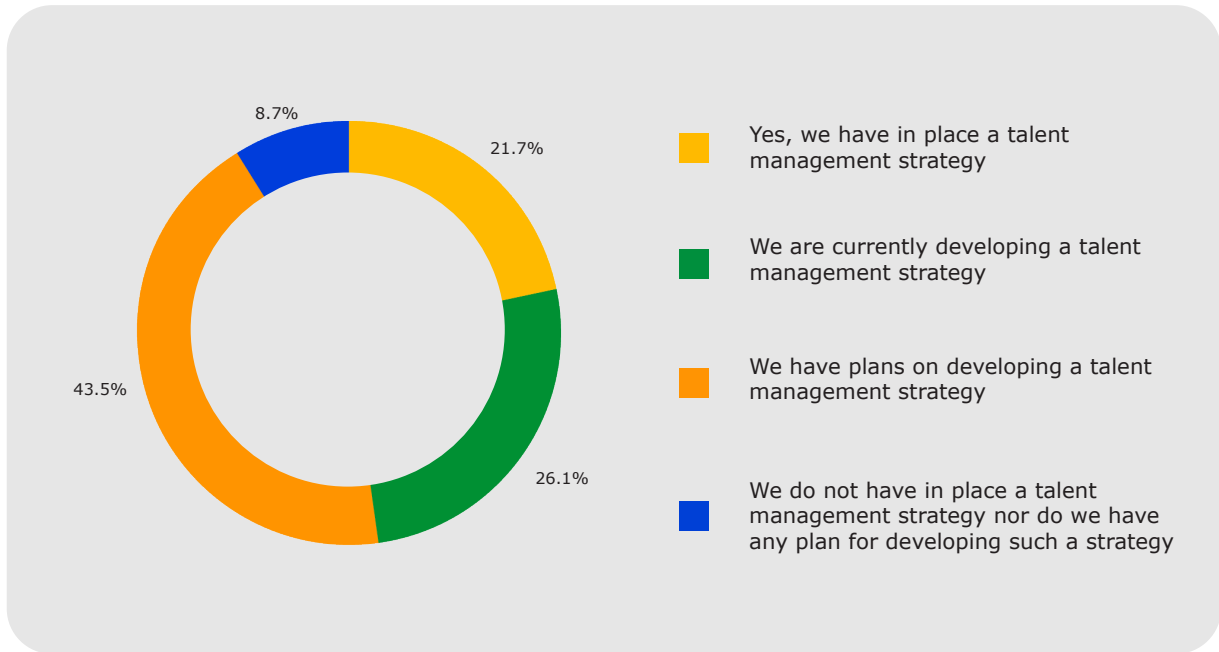
**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**



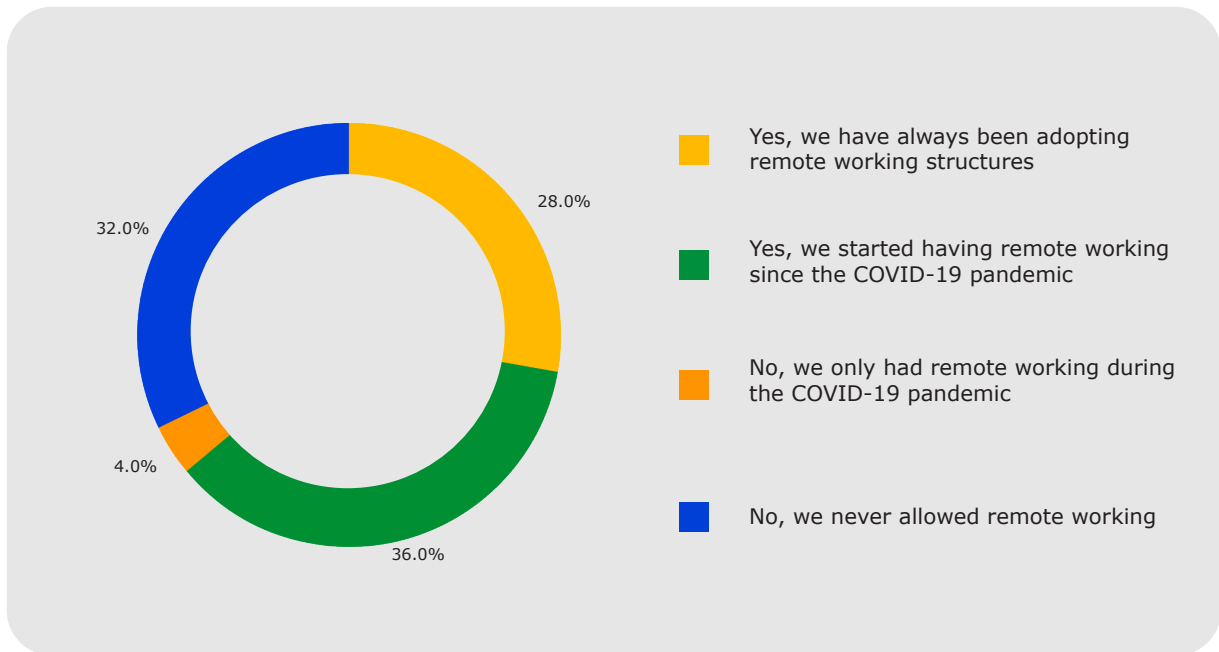
**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**



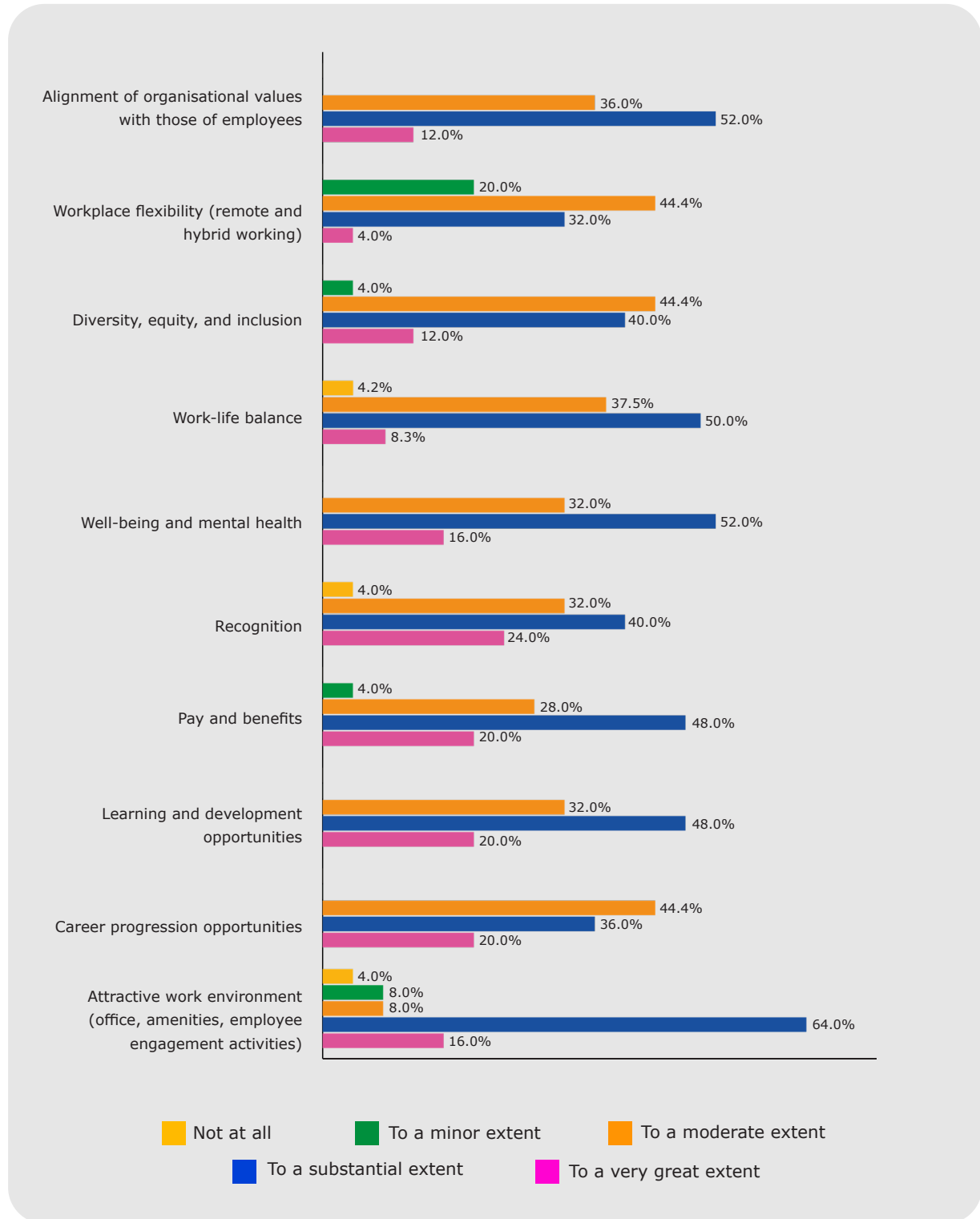
**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



**Figure 20. Adoption of Remote Working in Islamic Banks**



**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**



### Group 3: Southeast Asia

Figure 1. Type of Islamic Banking Operation

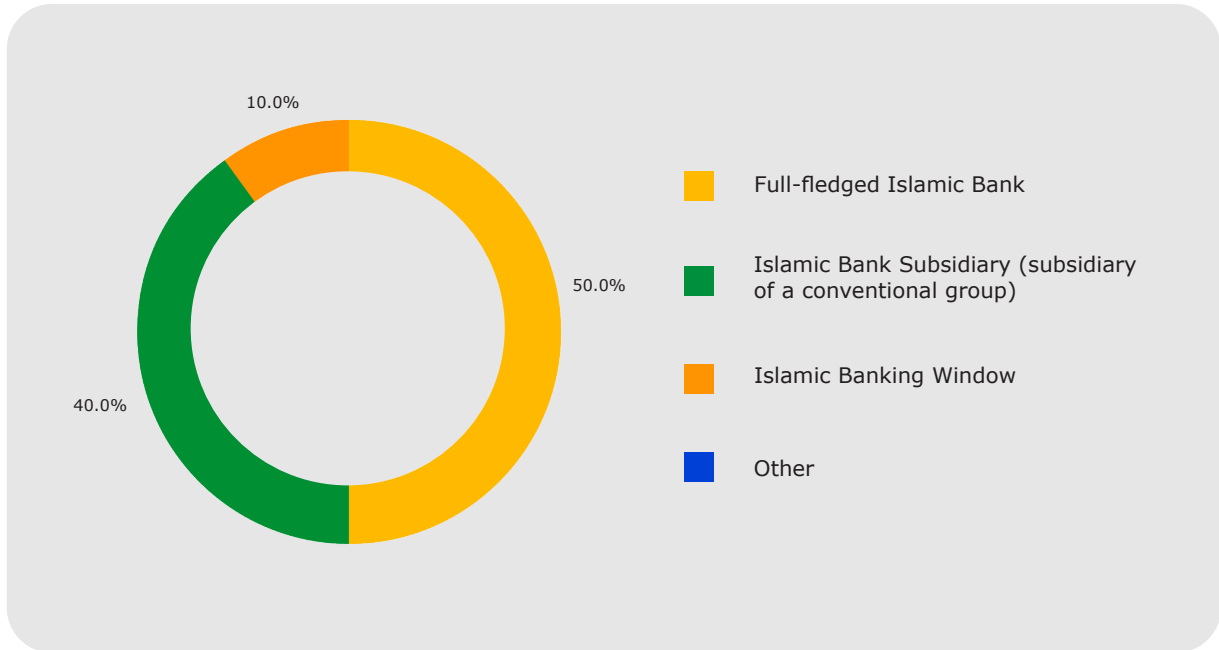
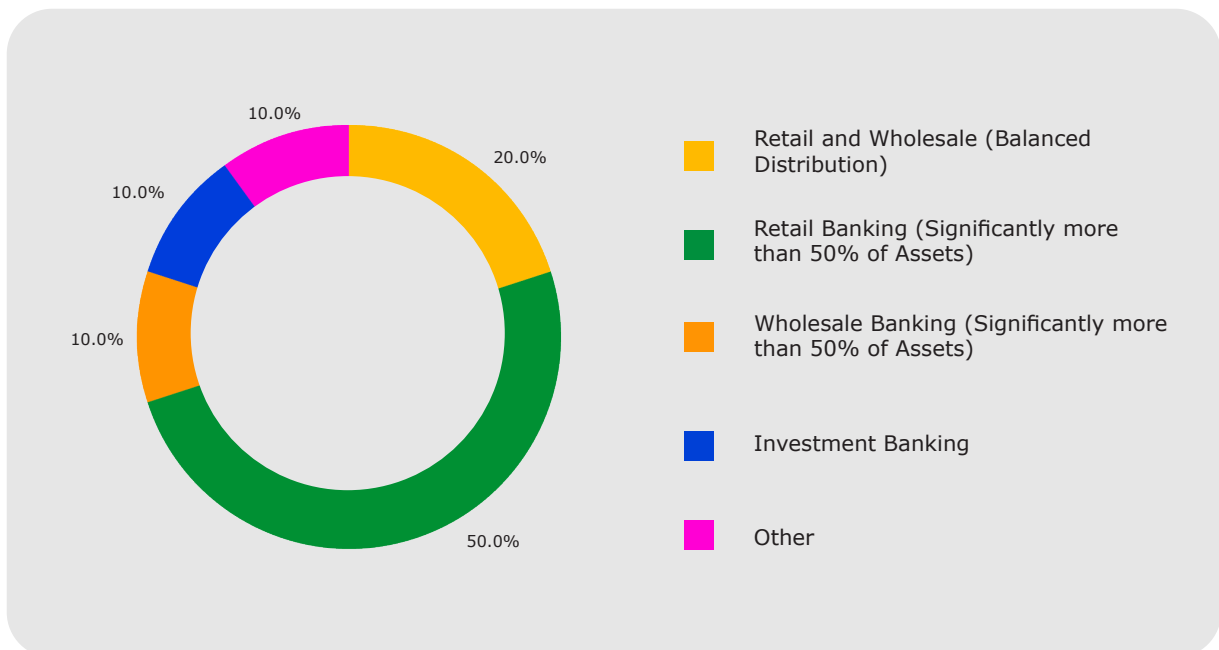
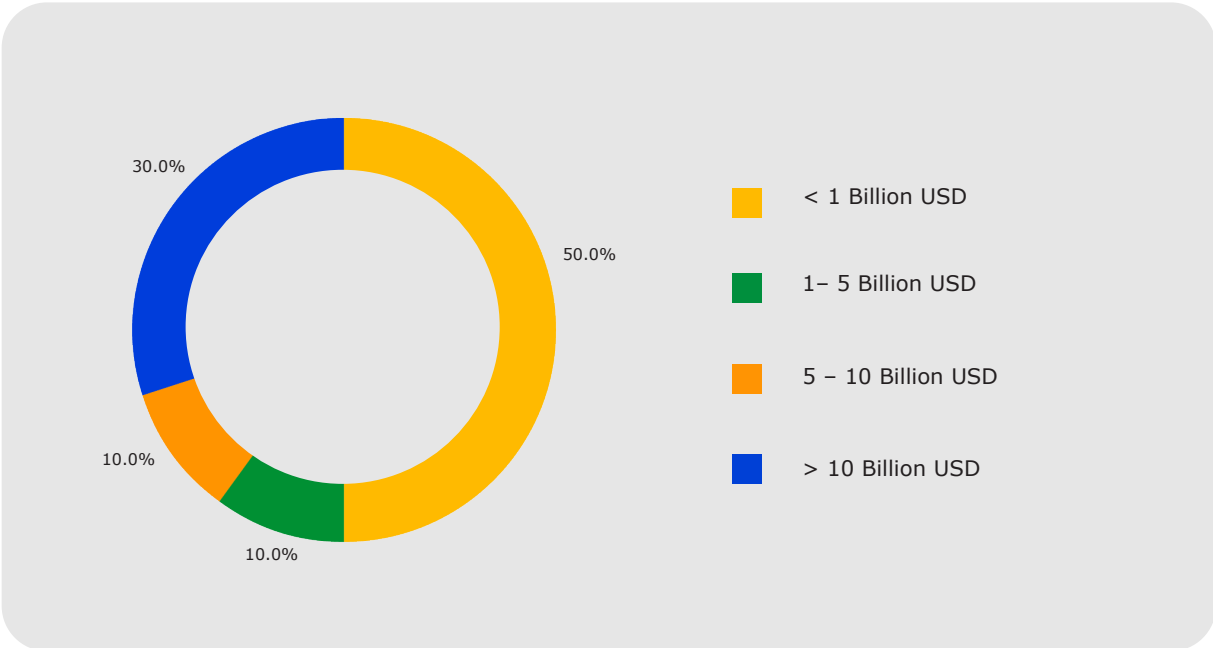


Figure 2. Core Business

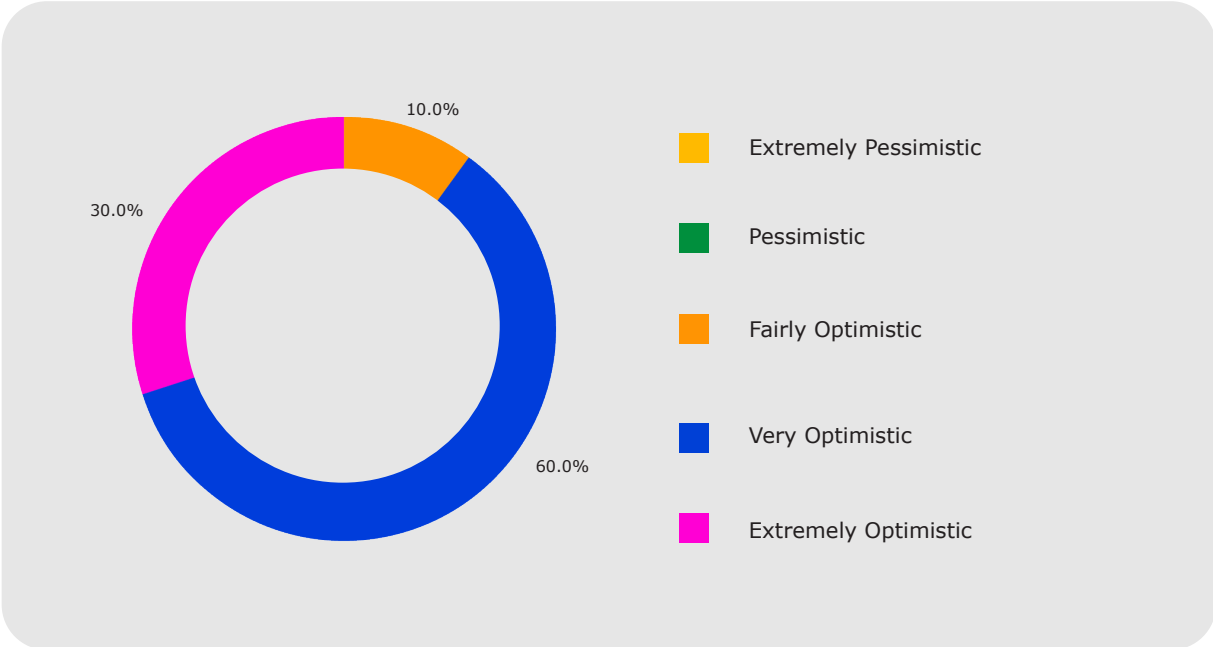




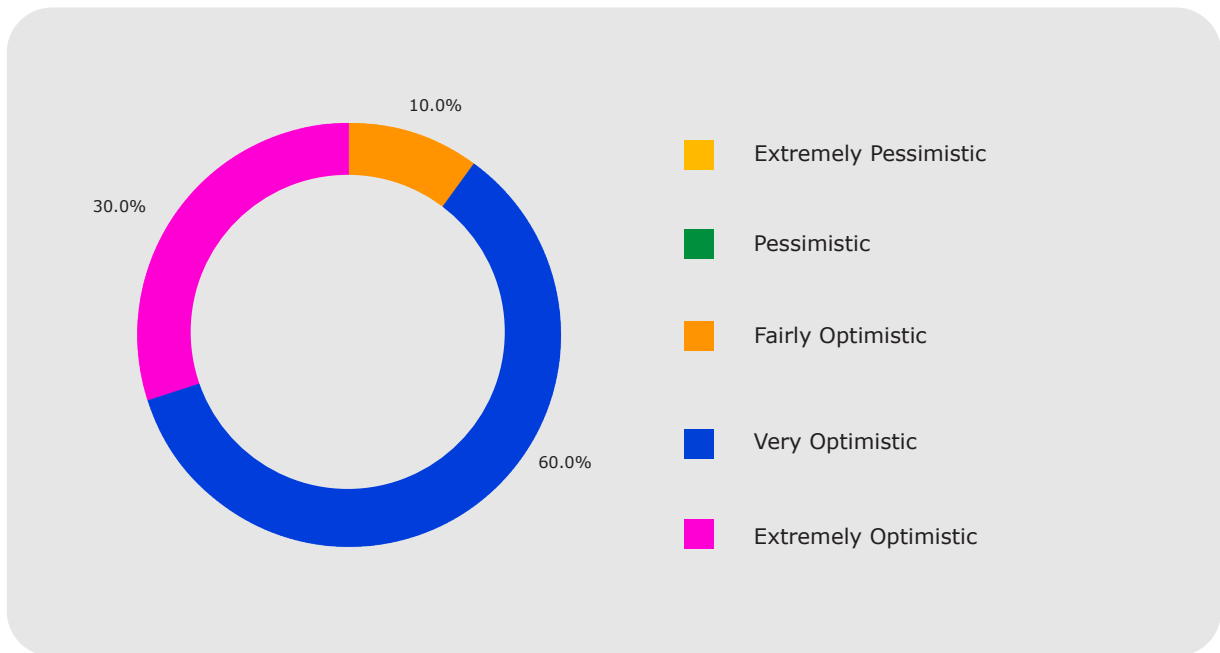
**Figure 3. Size of Total Islamic Assets**



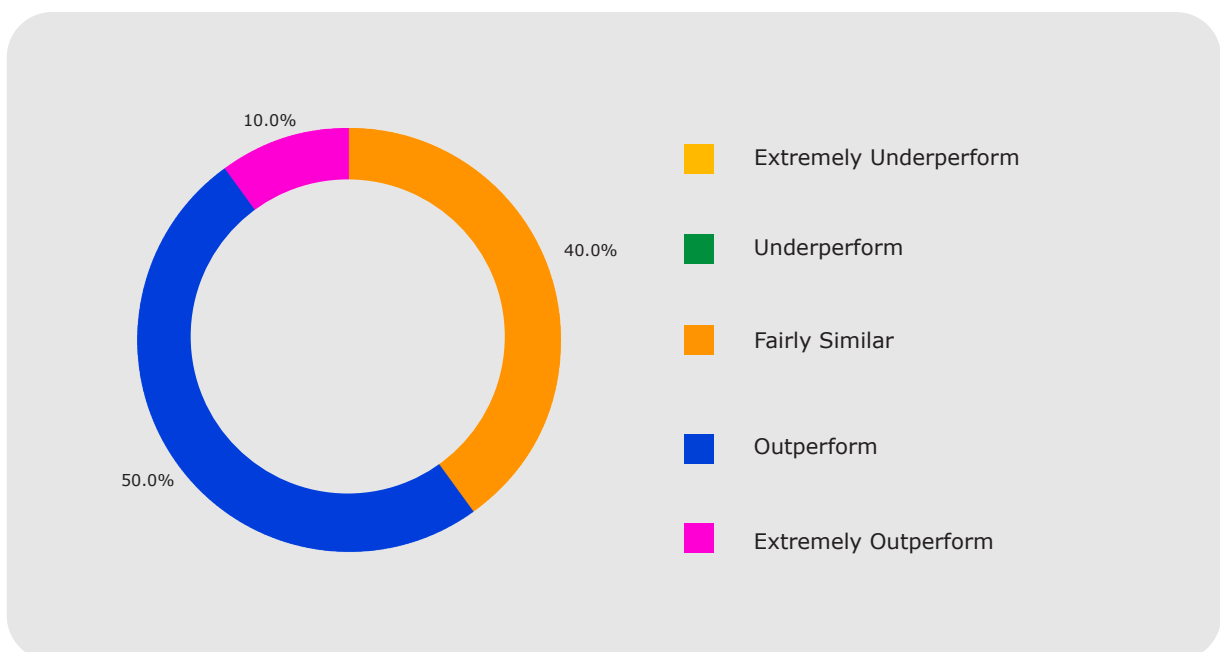
**Figure 4. Overall Banking Industry Optimism Level**



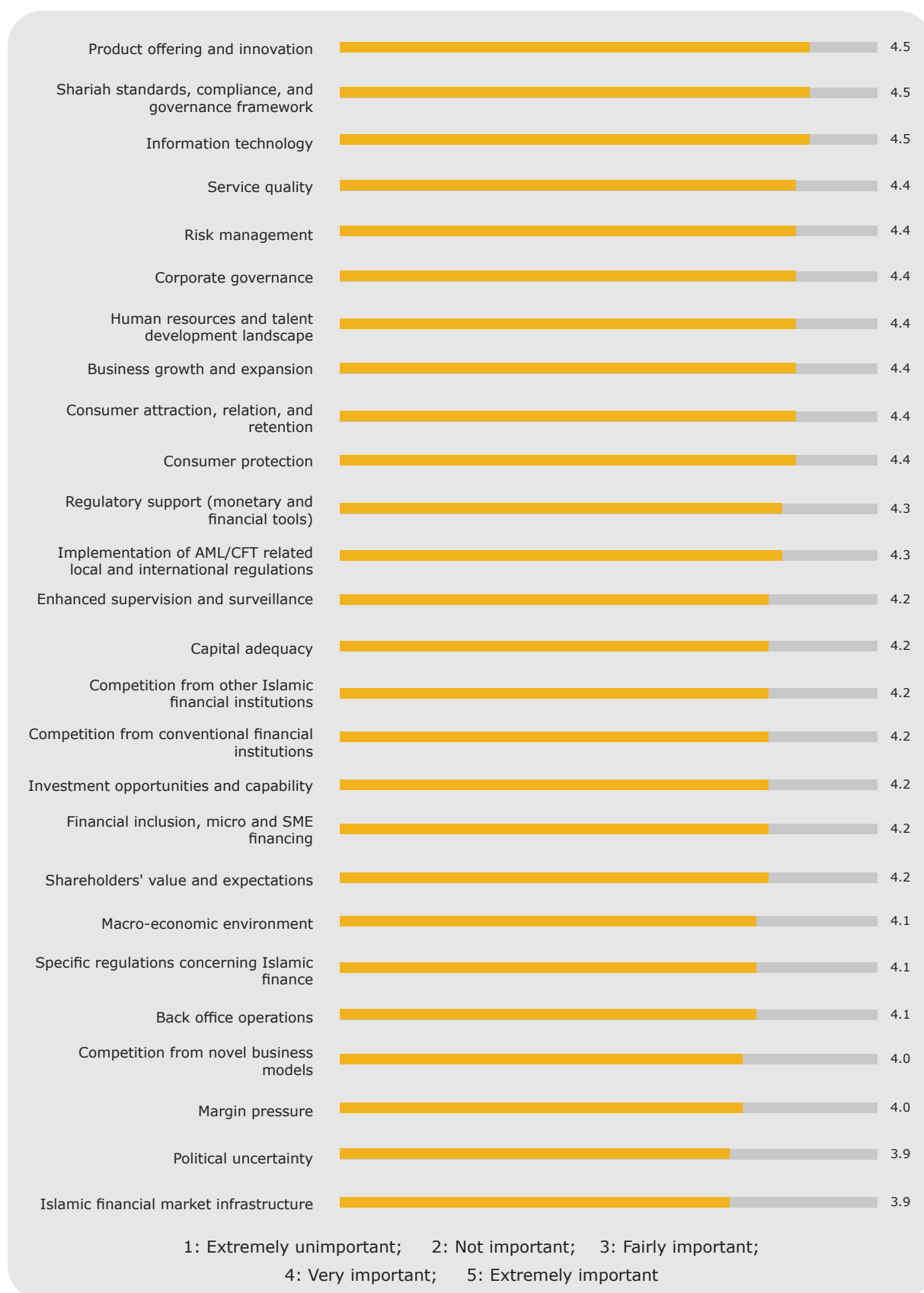
**Figure 5. Islamic Banking Industry Optimism Level**



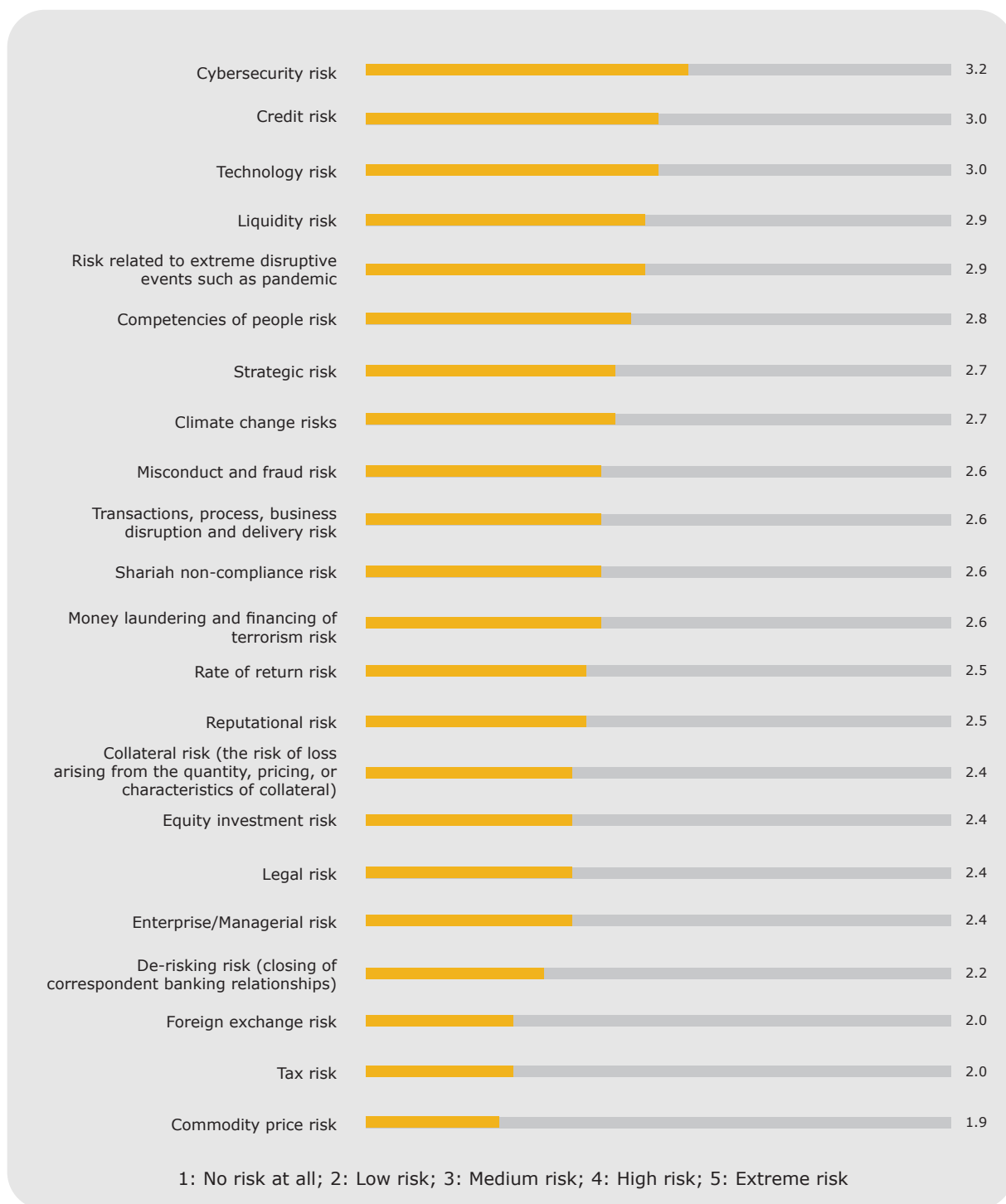
**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



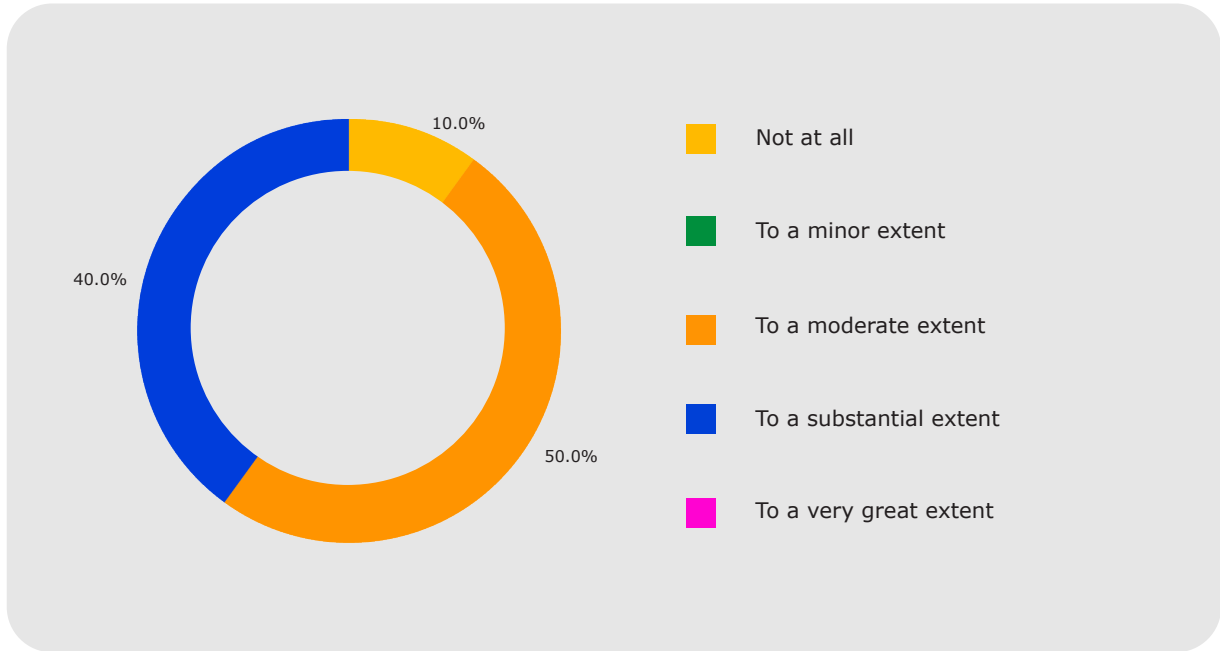
**Figure 7. Islamic Banking Top Concerns**



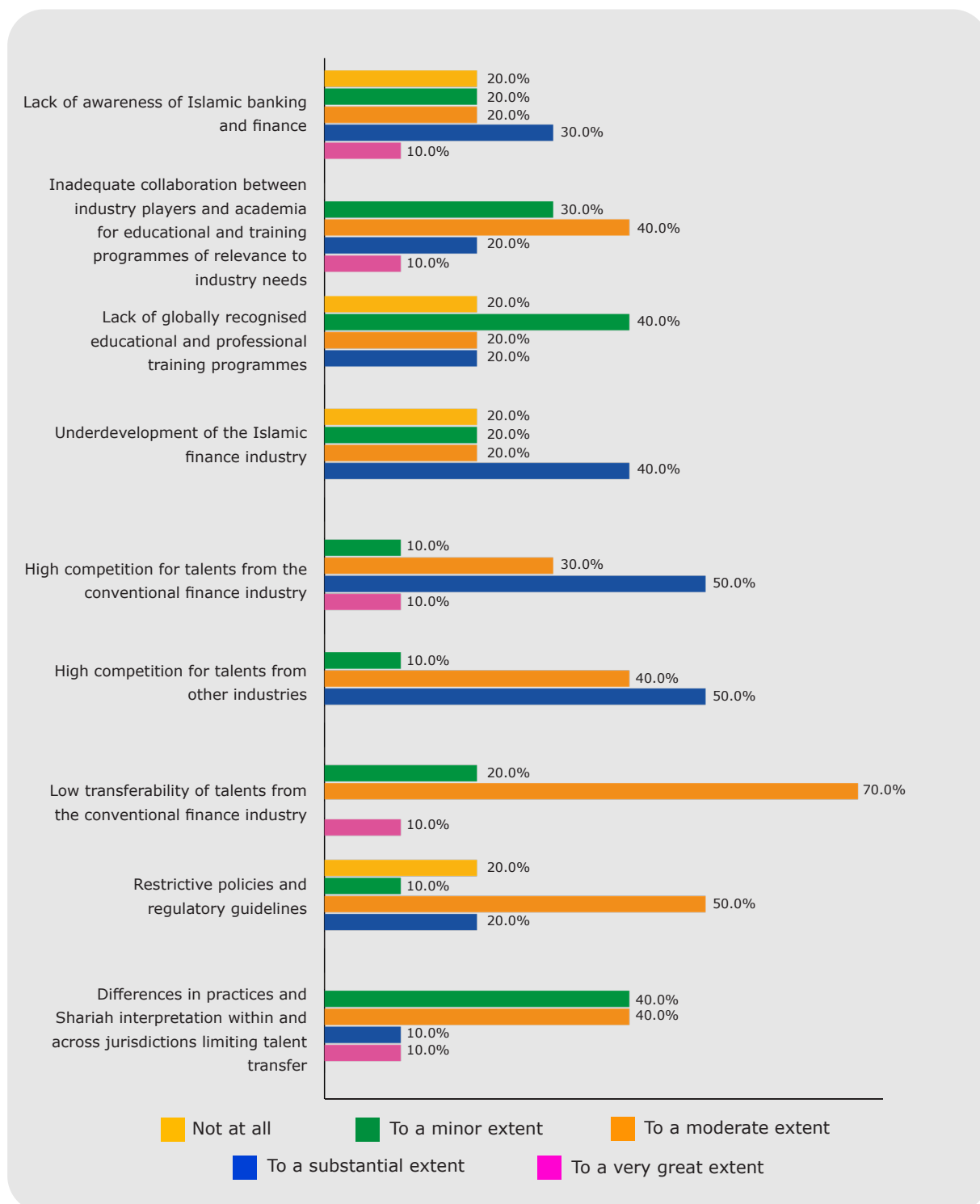
**Figure 8. Islamic Banking Risk Dashboard**



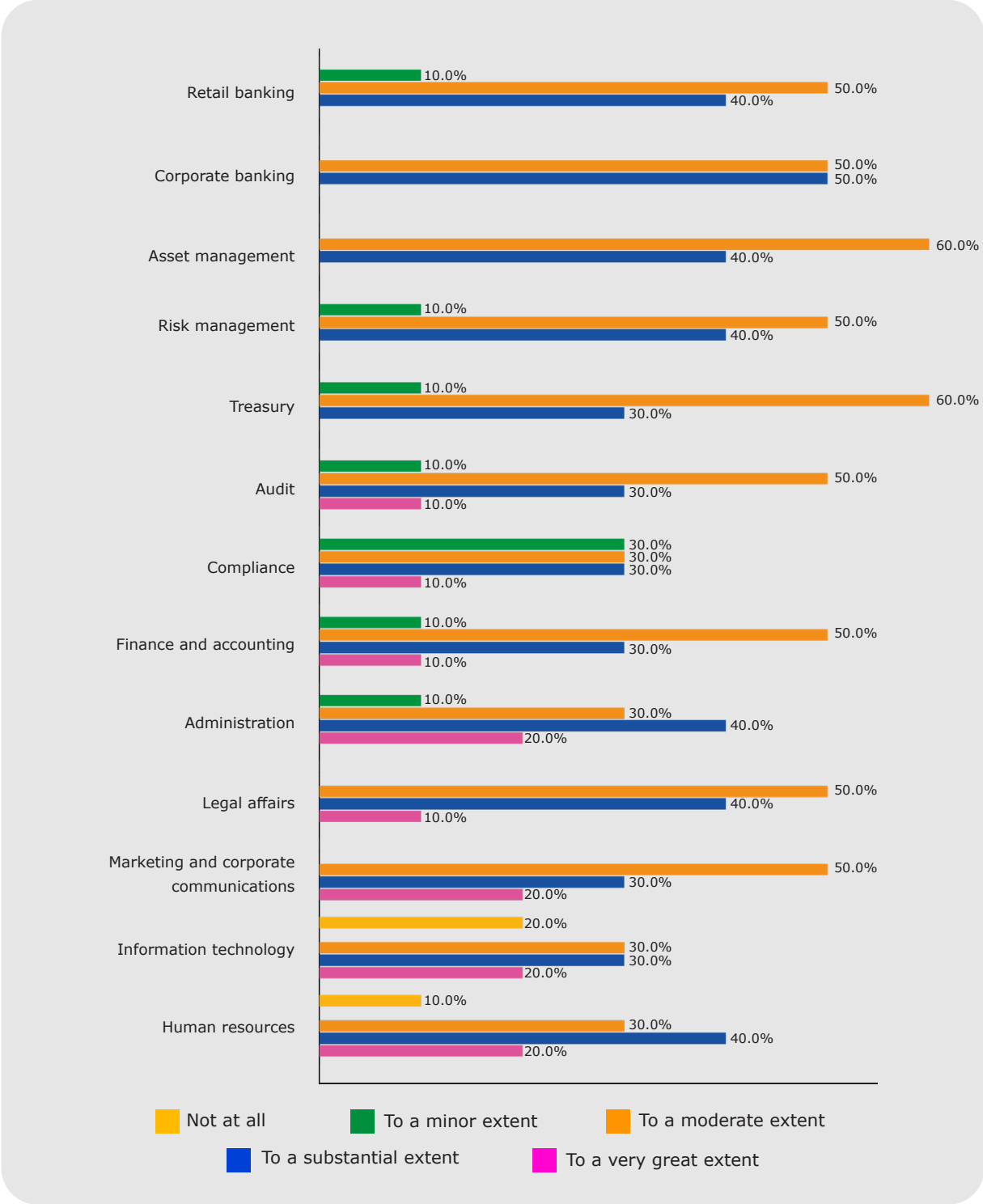
**Figure 9. Talent Availability to the Islamic Finance Industry**



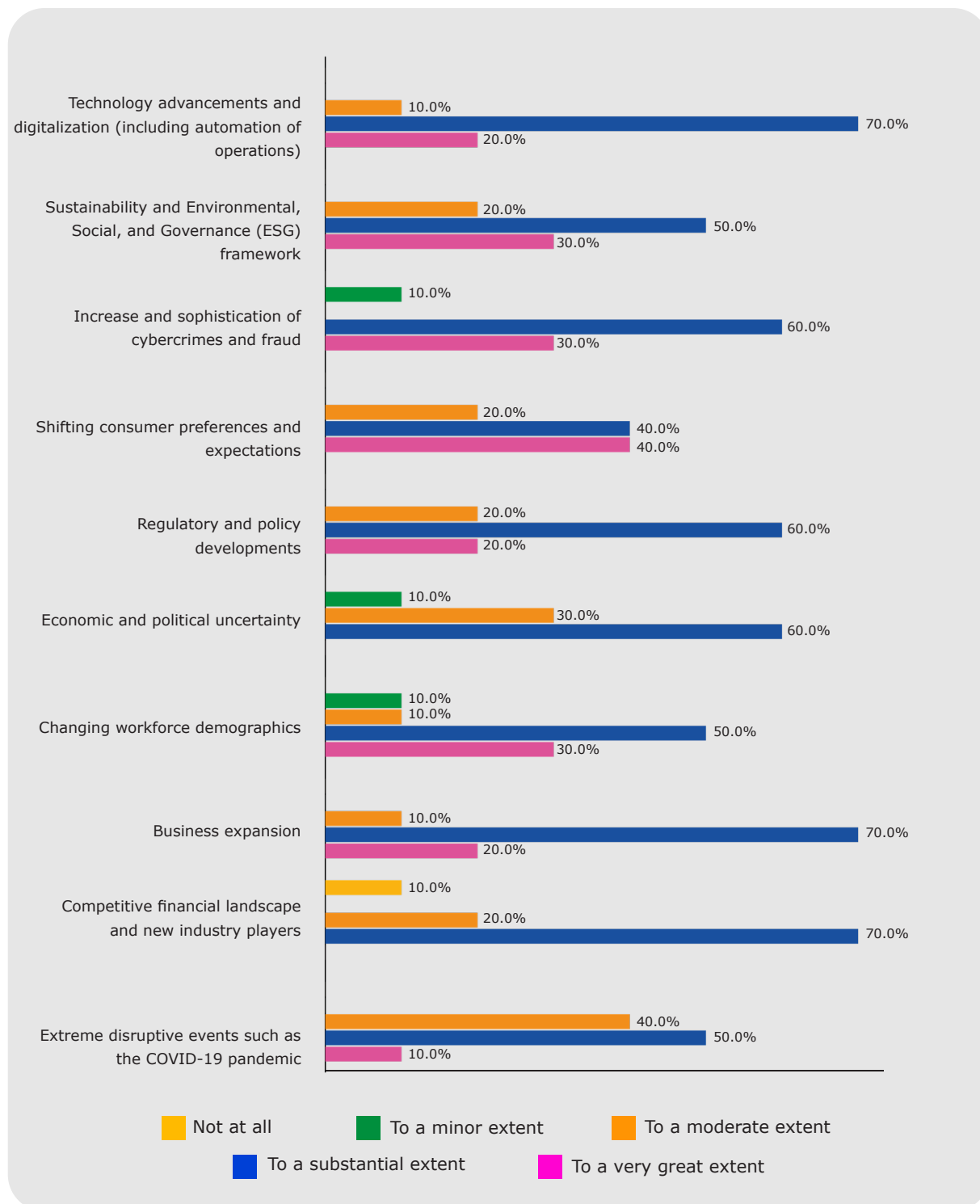
**Figure 10. Challenges to the Availability of Talent in Islamic Finance**



**Figure 11. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**

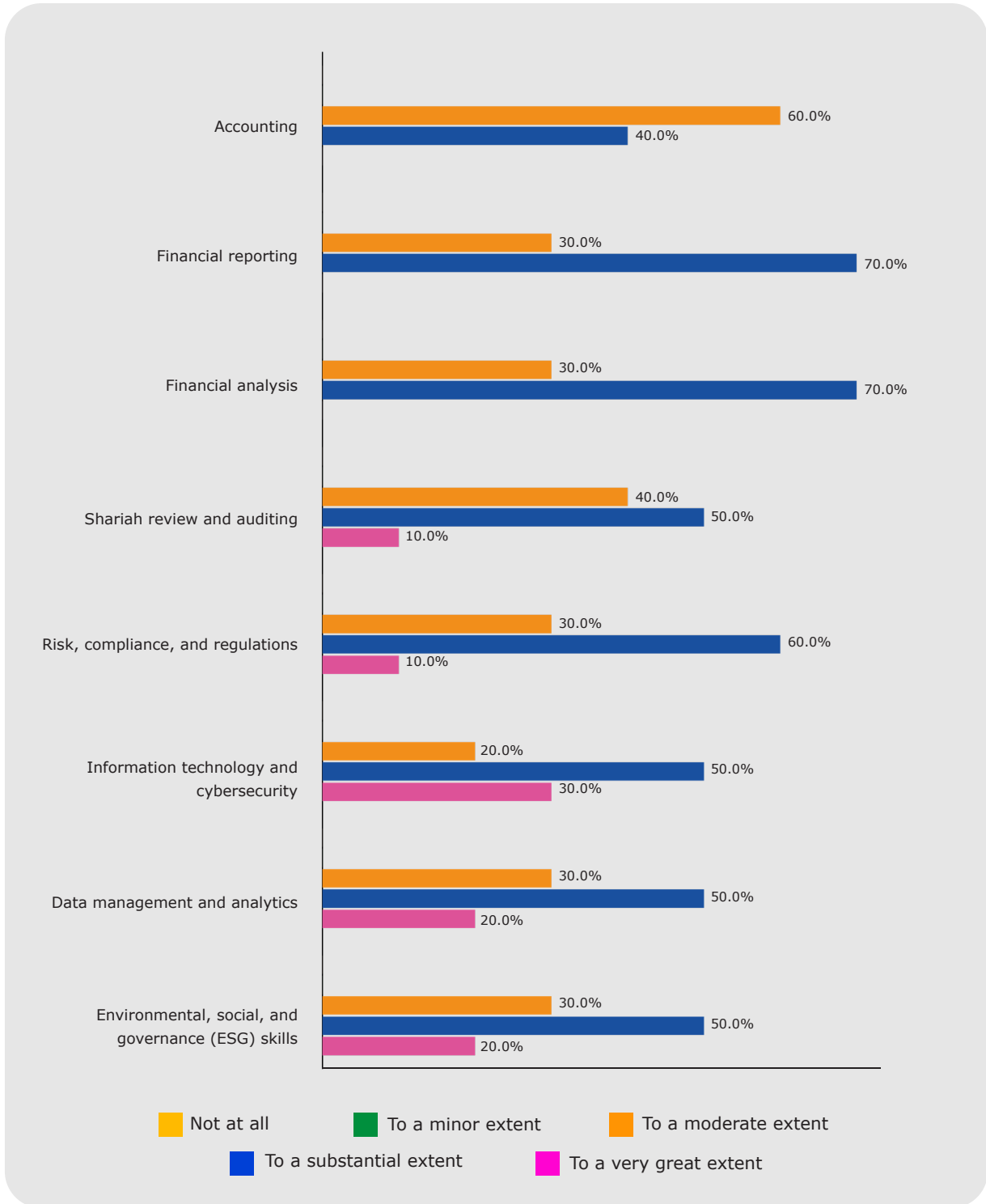


**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**

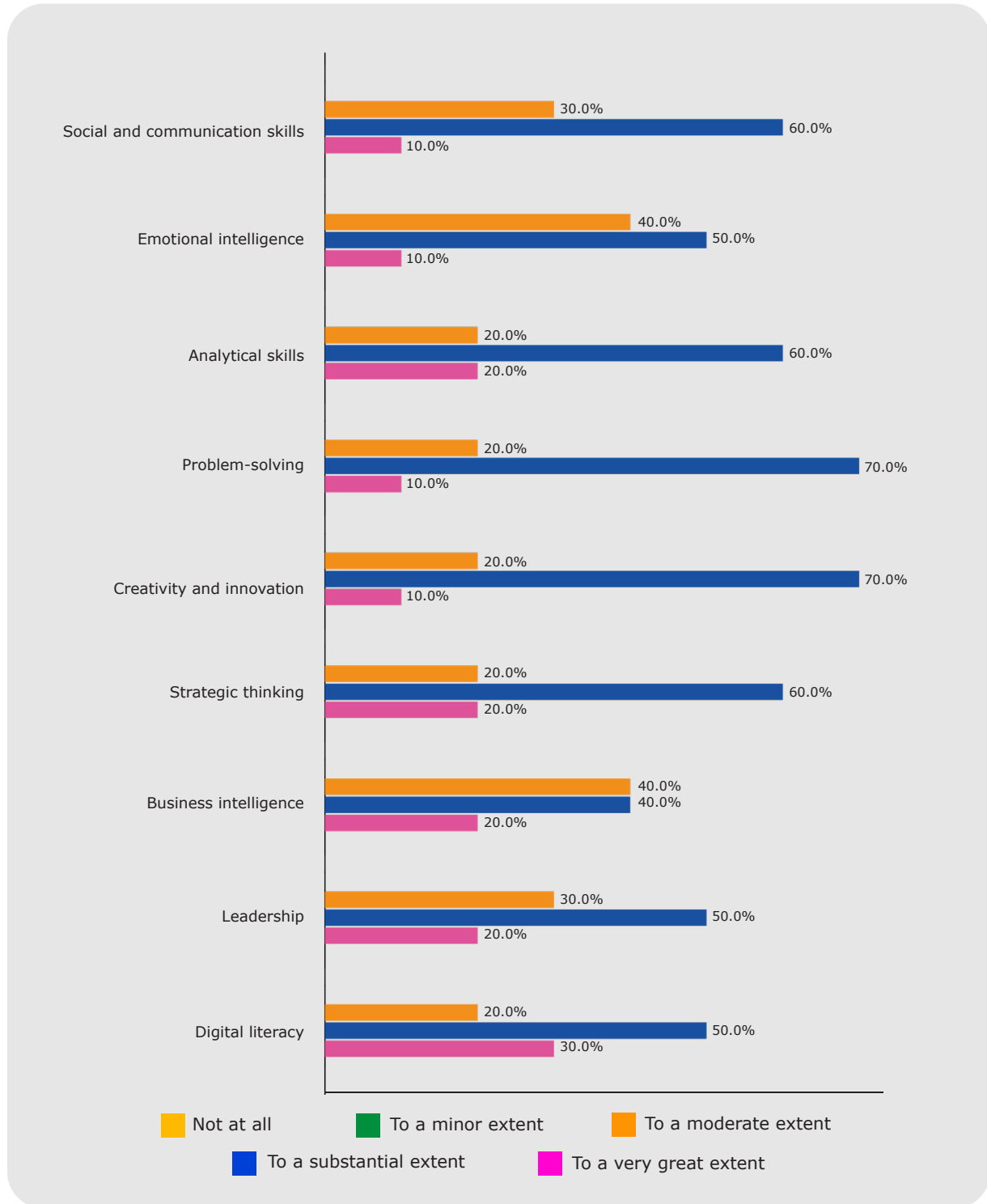




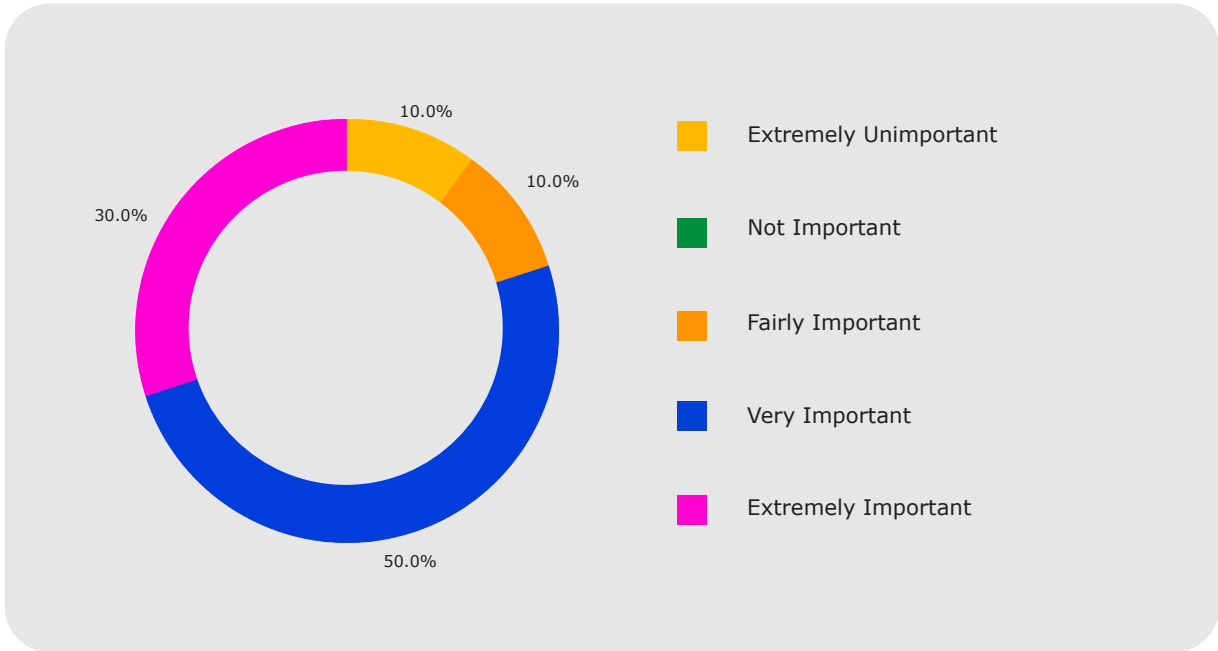
**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



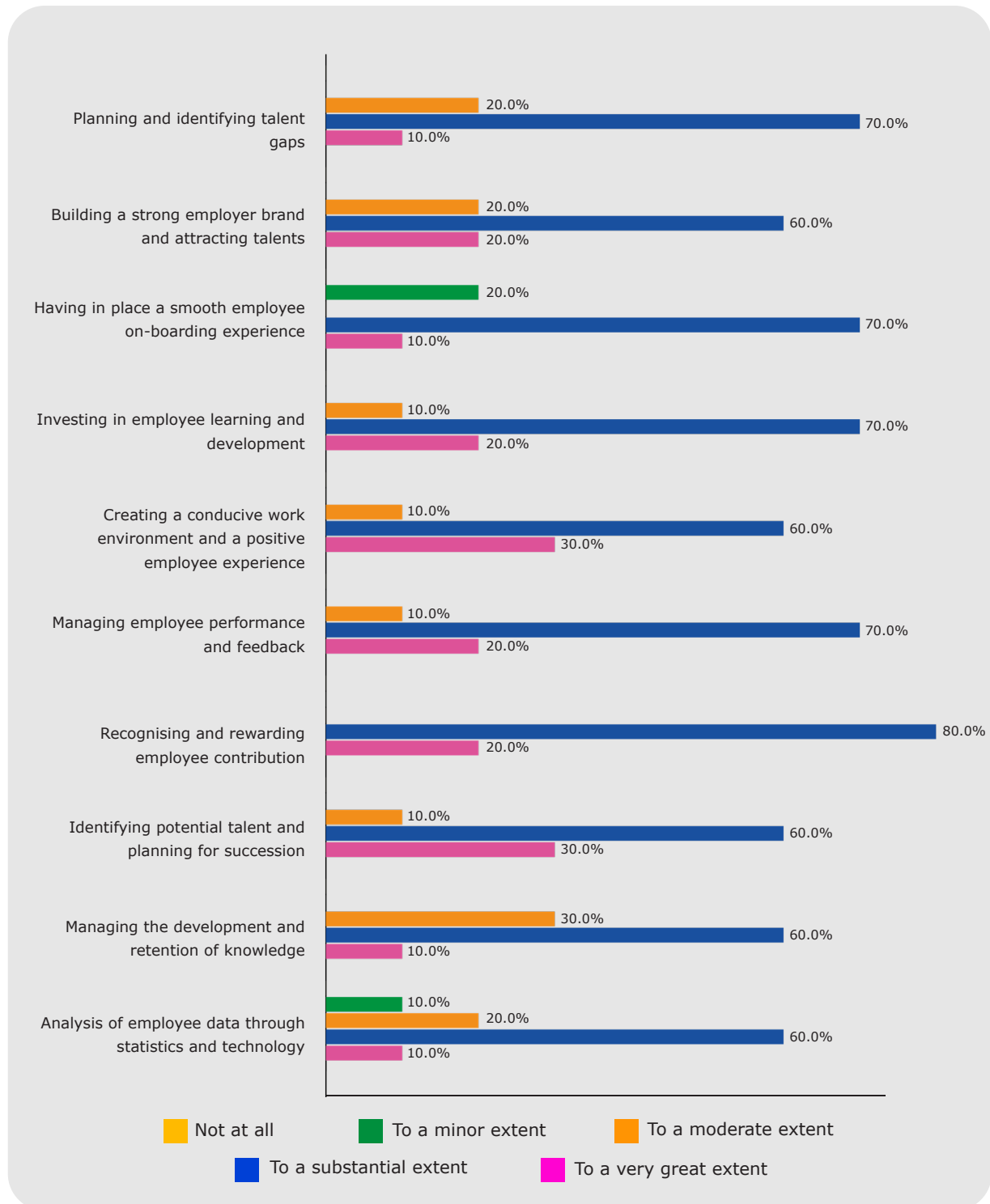
**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



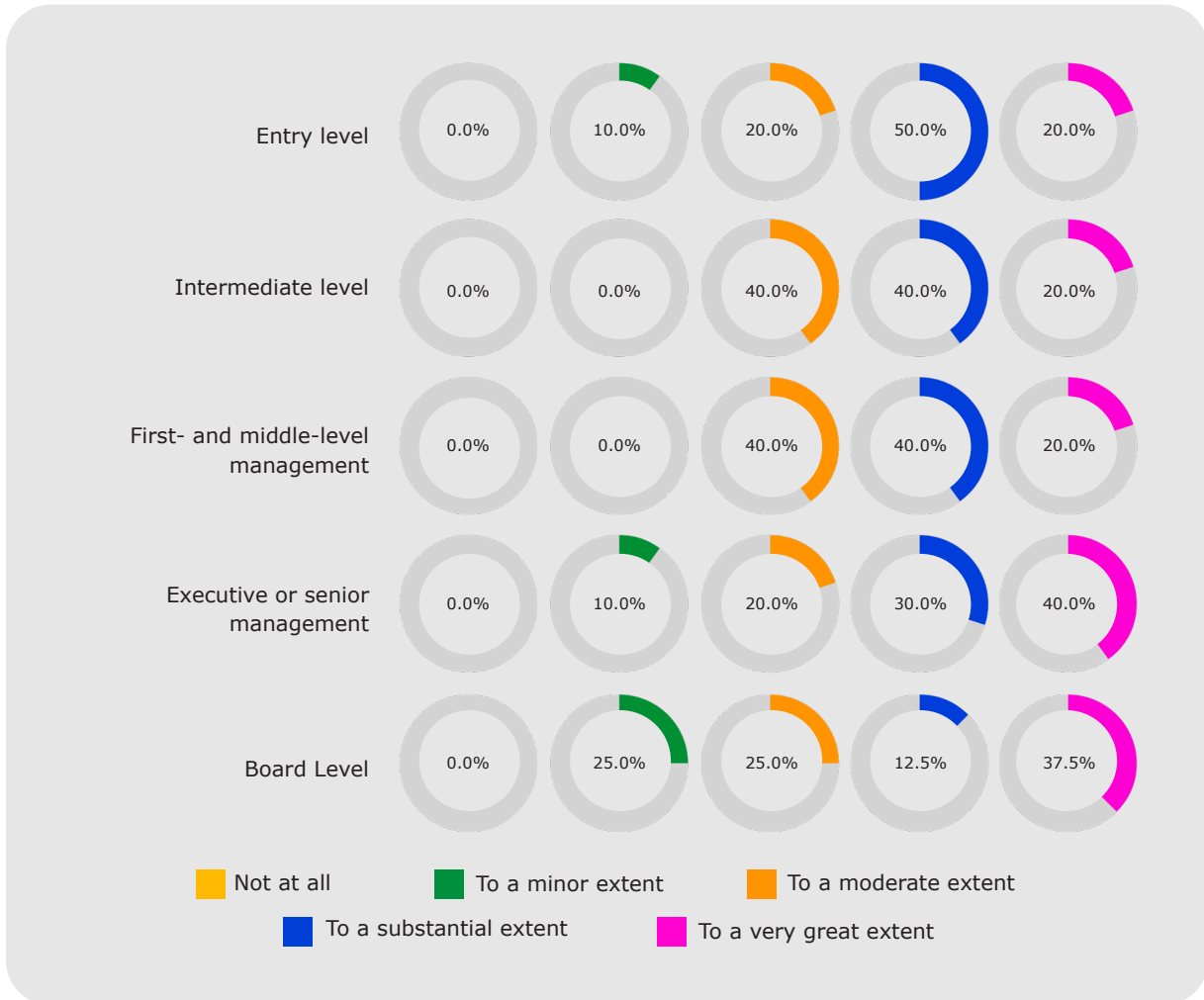
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



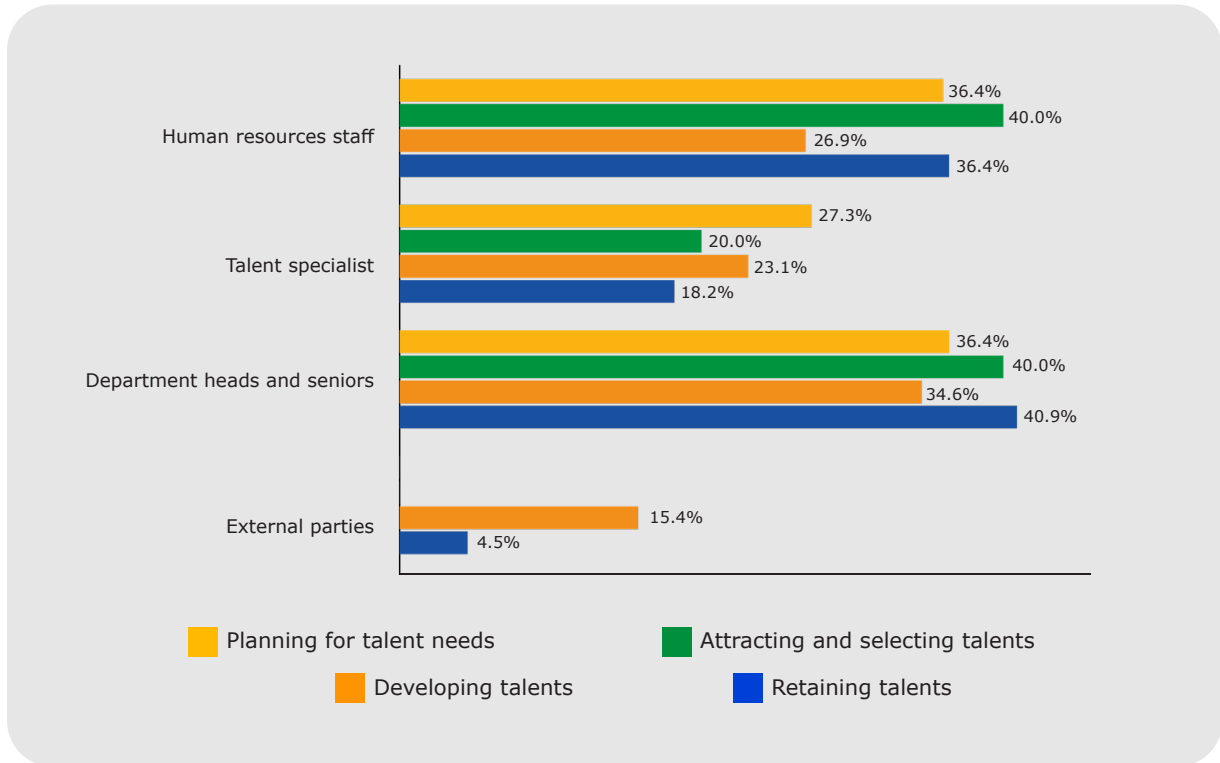
**Figure 16. Priorities of Talent Management in Islamic Banks**



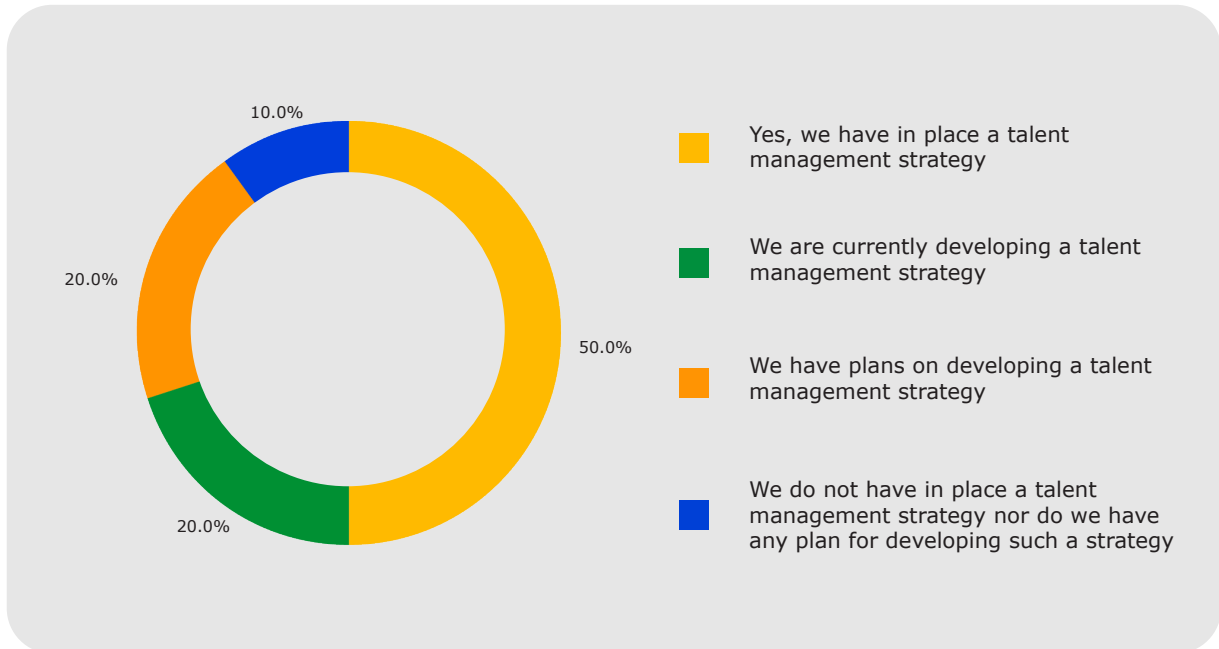
**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**



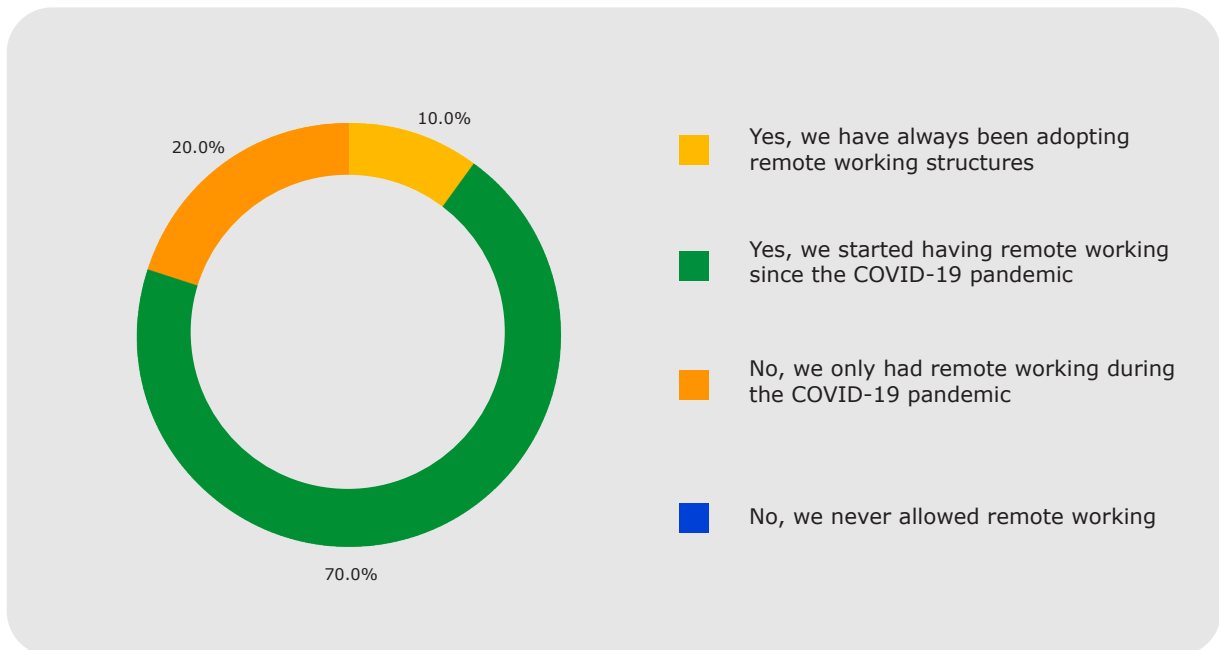
**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**



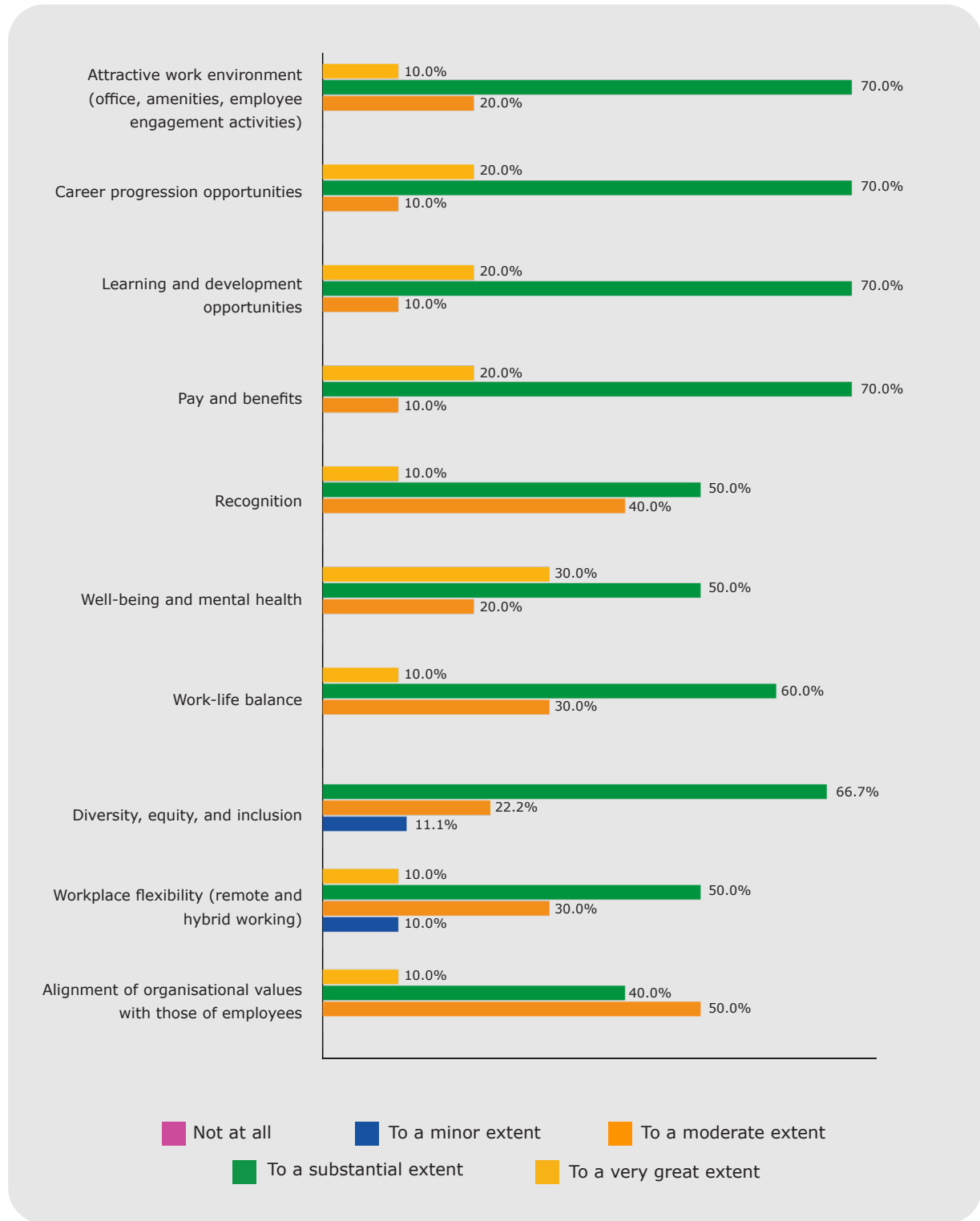
**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



**Figure 20. Adoption of Remote Working in Islamic Banks**



**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**





## Group 4: West, Central, and South Asia

Figure 1. Type of Islamic Banking Operation

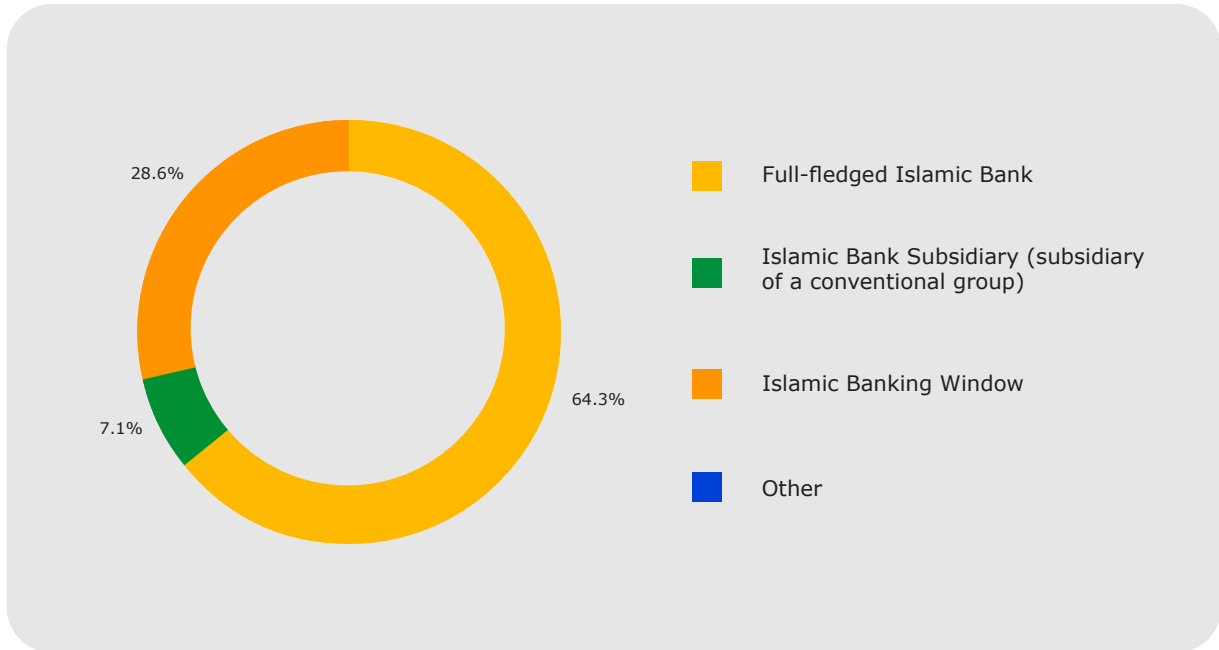
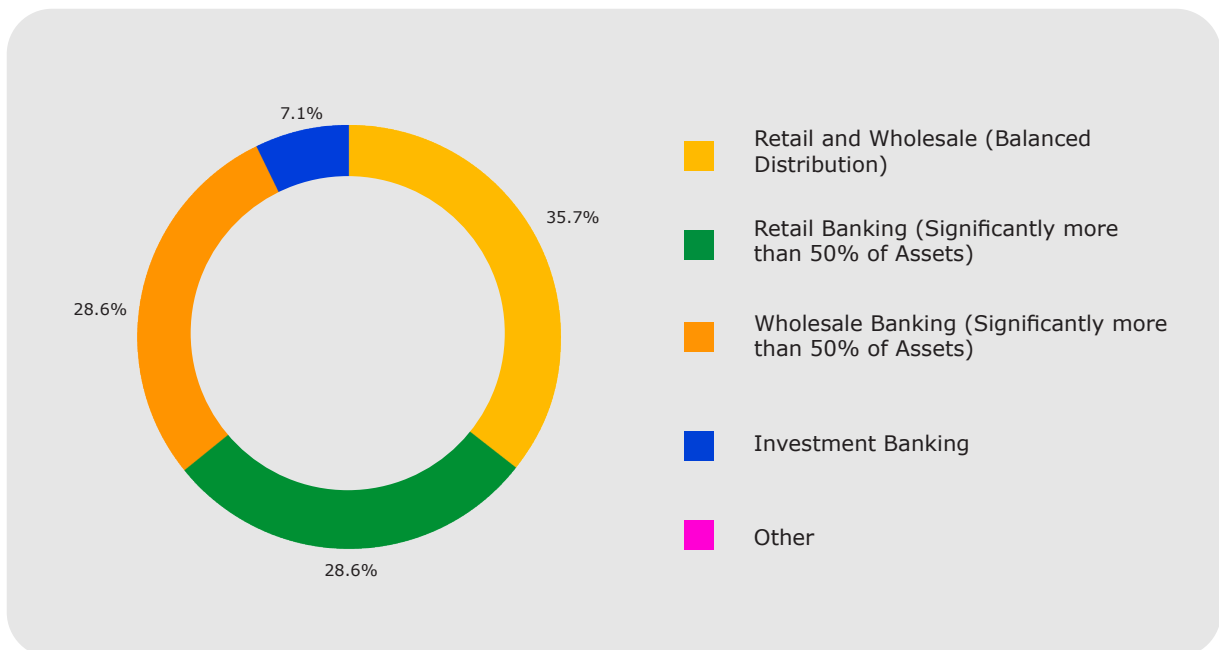
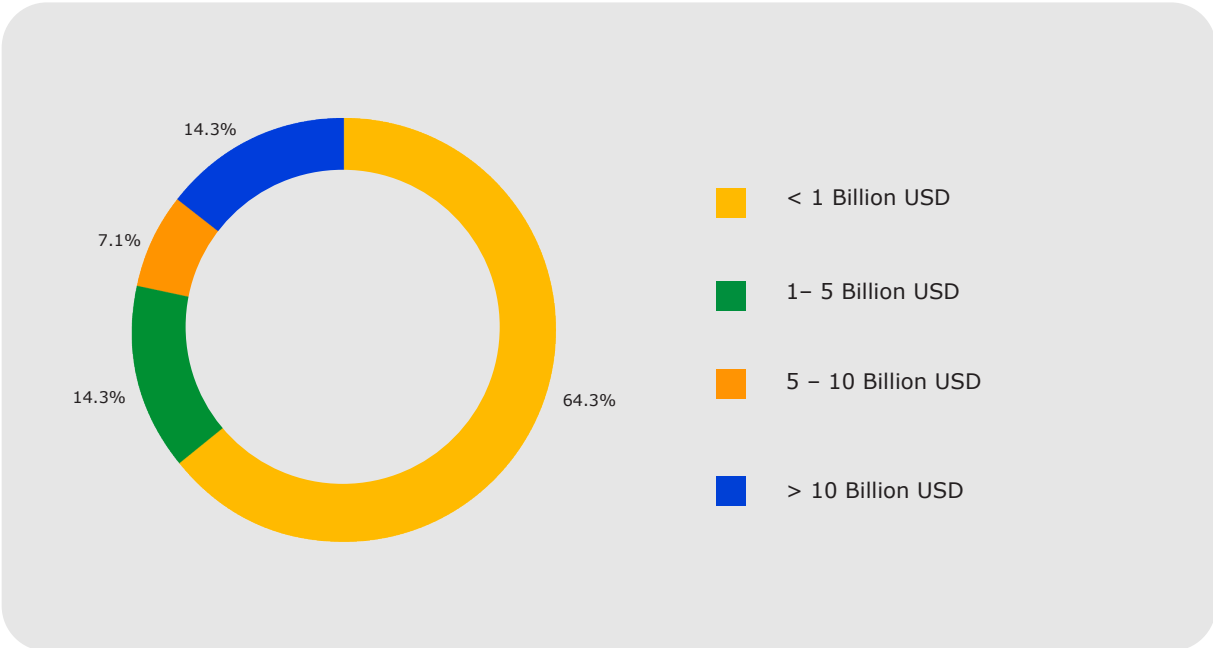


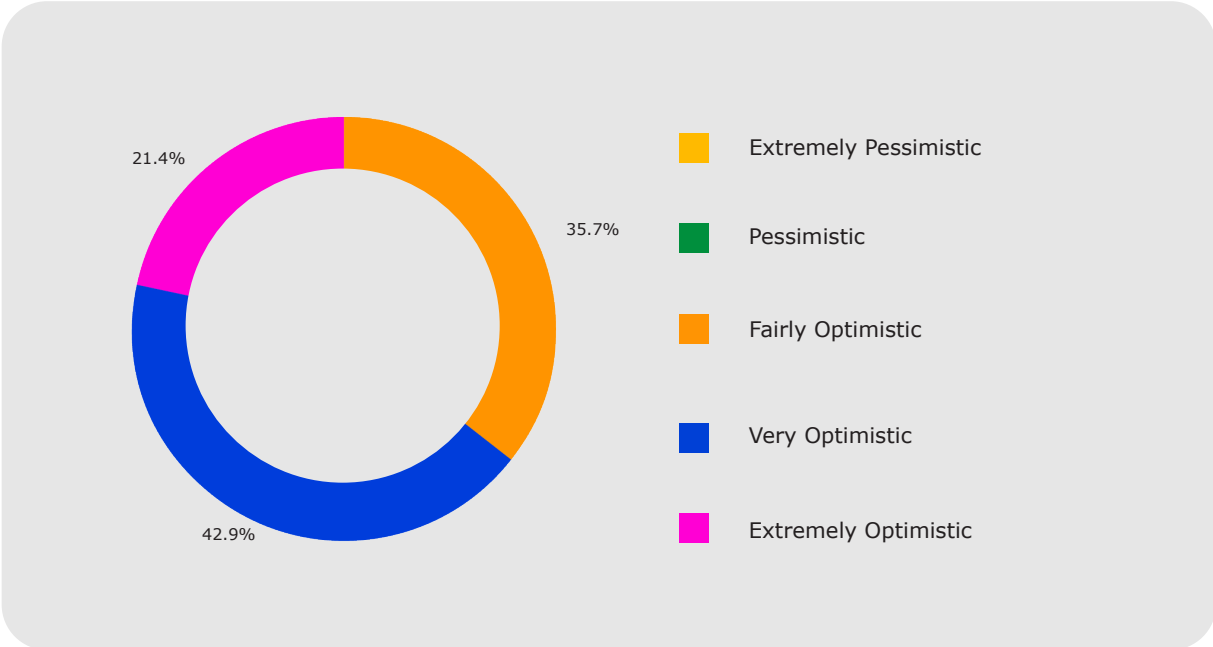
Figure 2. Core Business



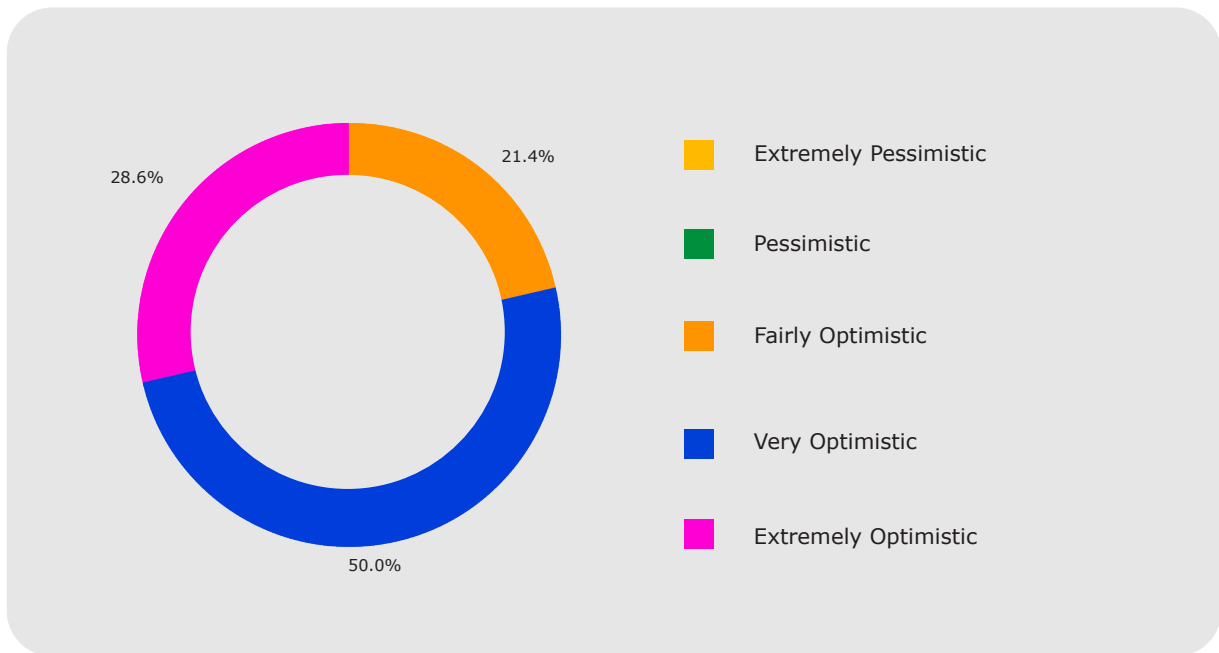
**Figure 3. Size of Total Islamic Assets**



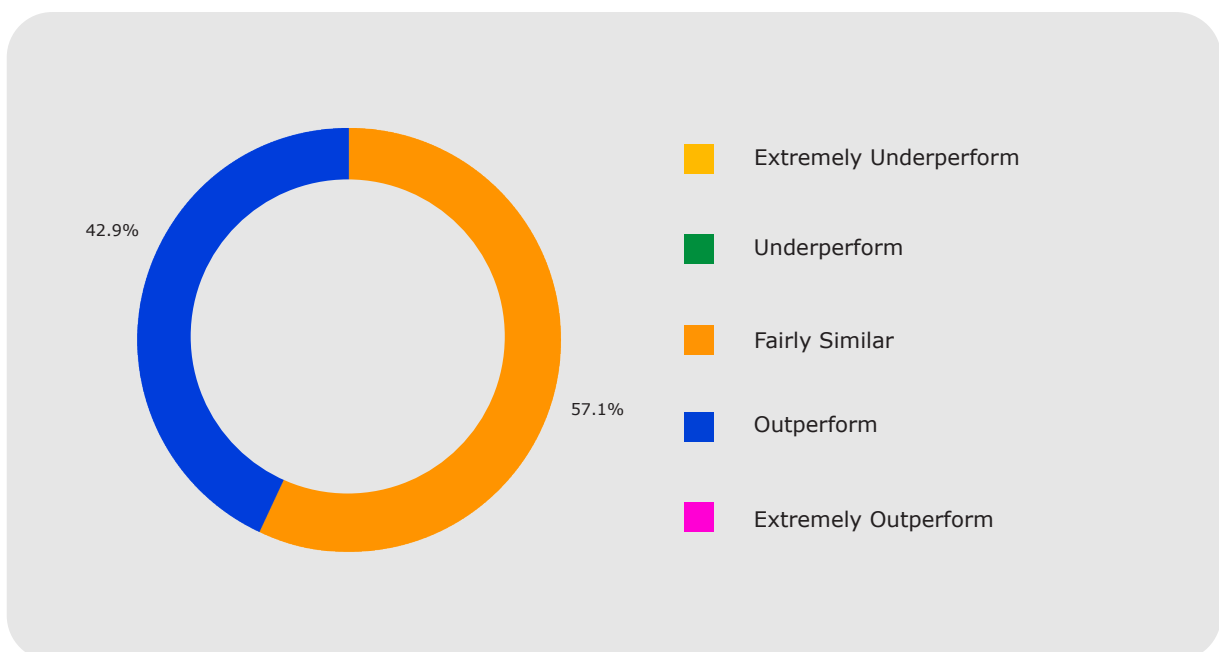
**Figure 4. Overall Banking Industry Optimism Level**



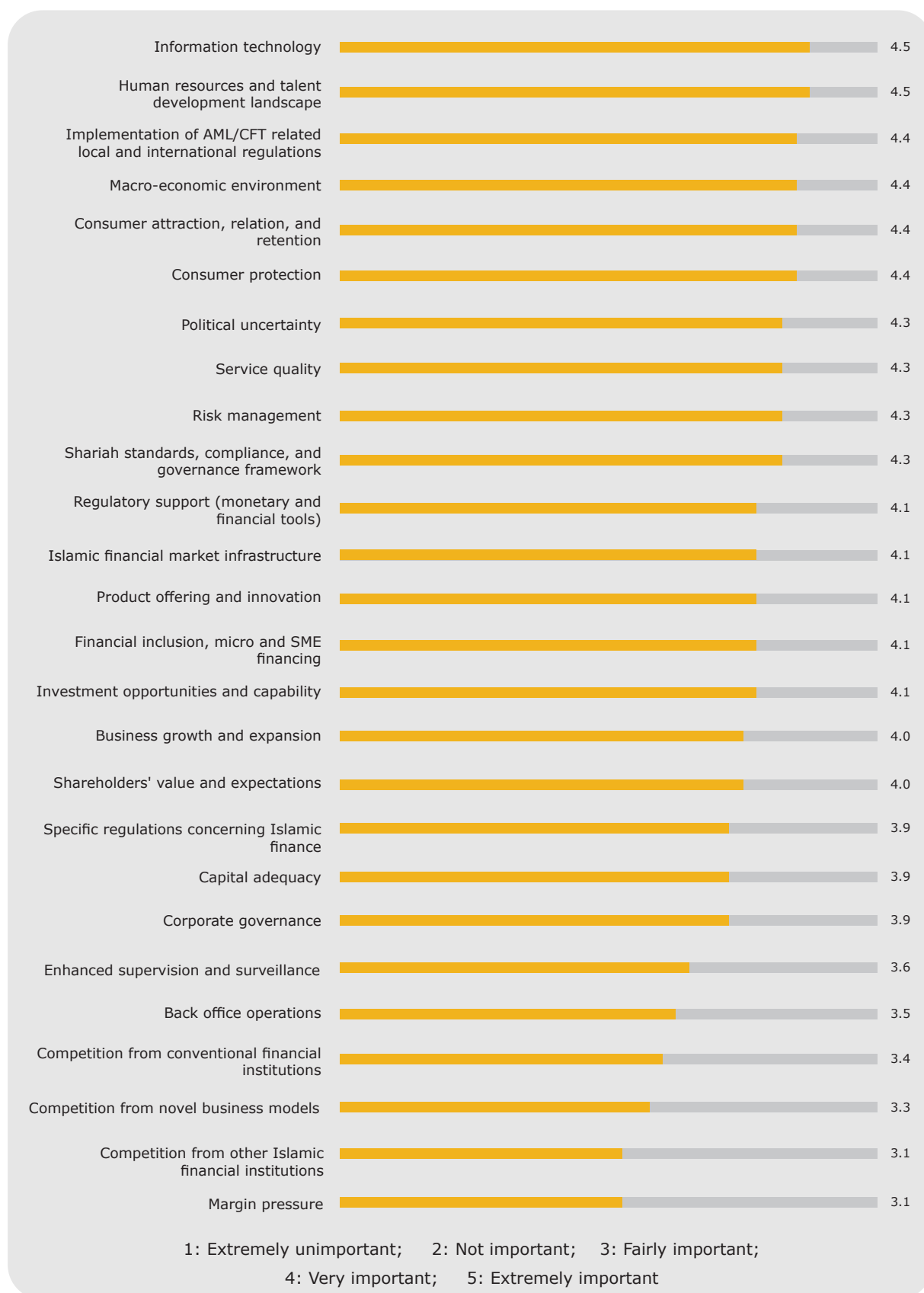
**Figure 5. Islamic Banking Industry Optimism Level**



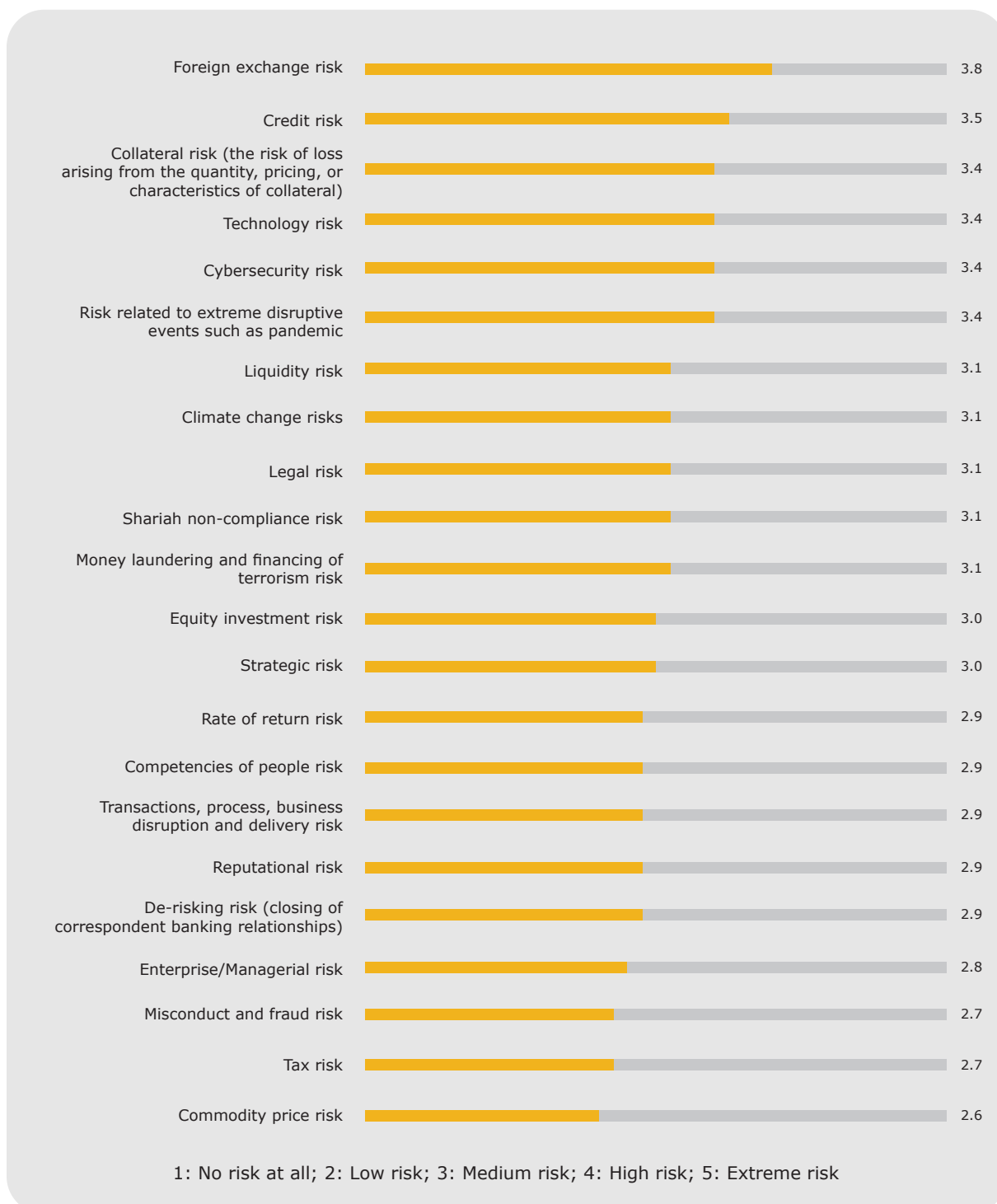
**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



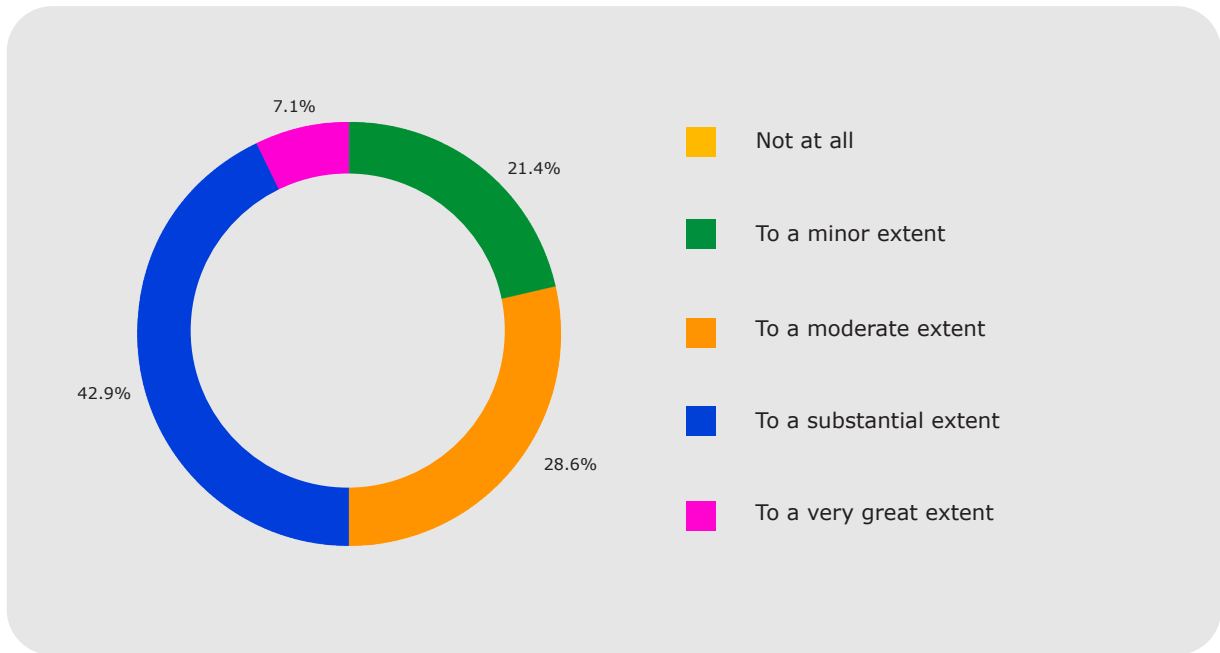
**Figure 7. Islamic Banking Top Concerns**



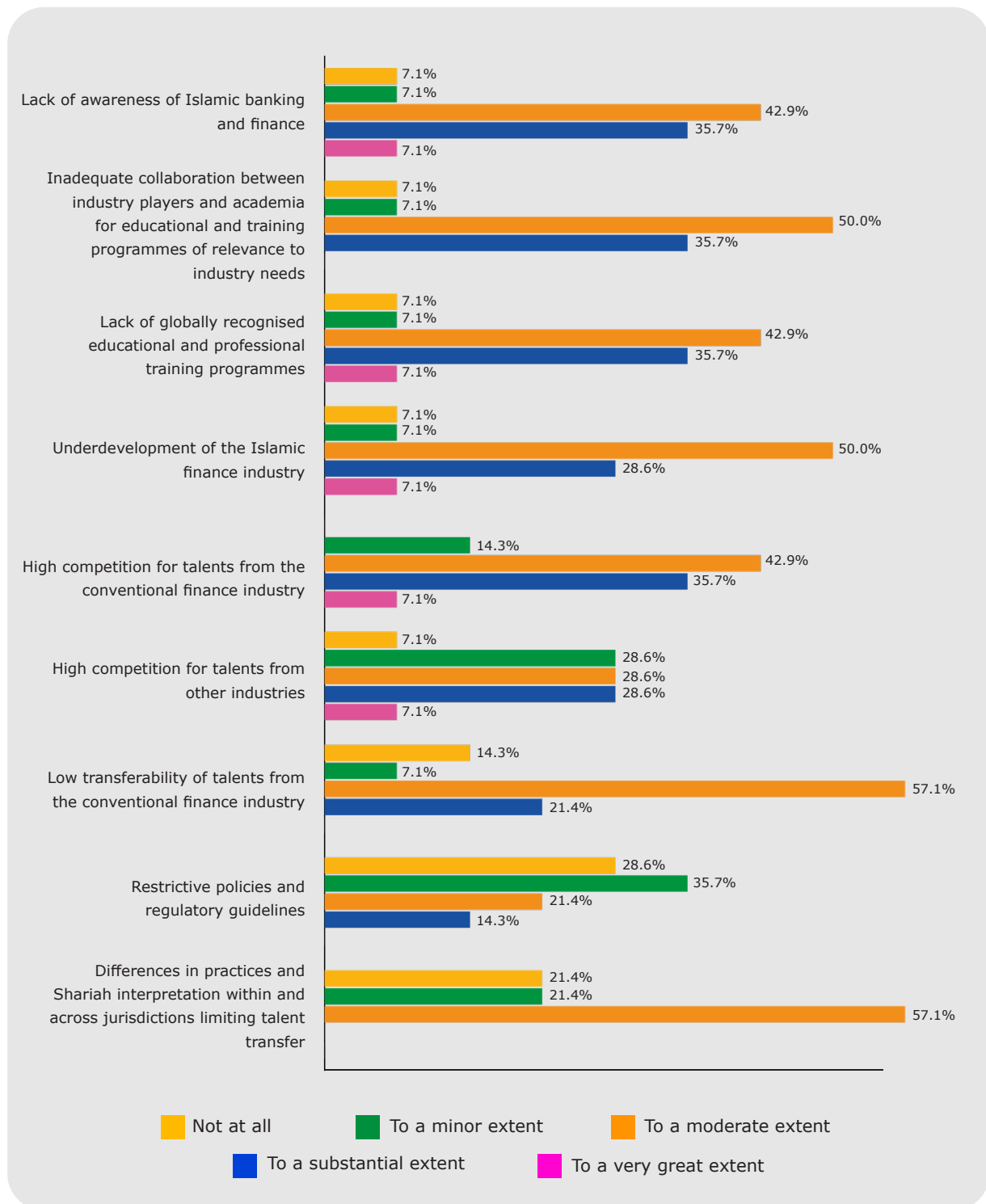
**Figure 8. Islamic Banking Risk Dashboard**



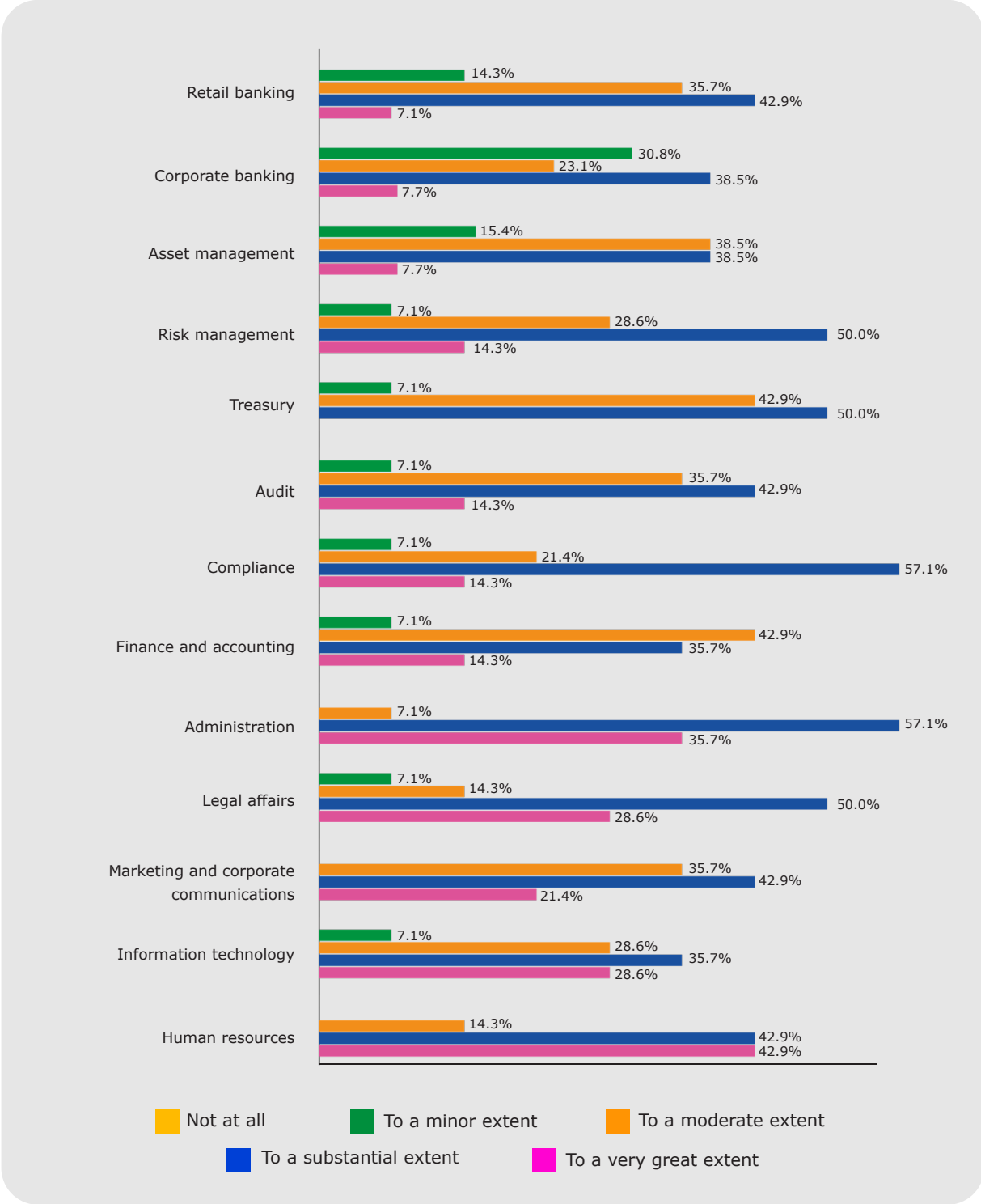
**Figure 9. Talent Availability to the Islamic Finance Industry**



**Figure 10. Challenges to the Availability of Talent in Islamic Finance**

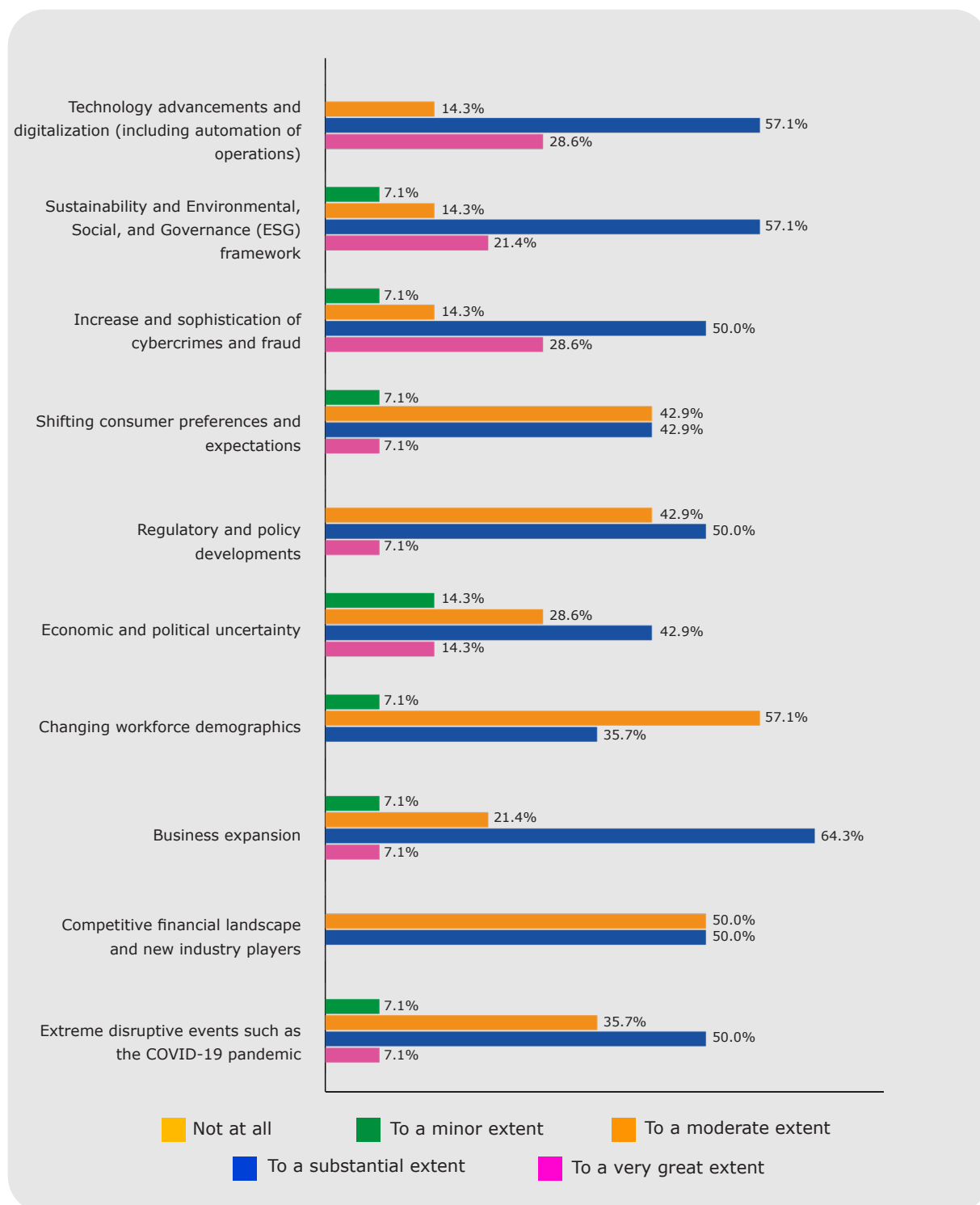


**Figure 11. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**

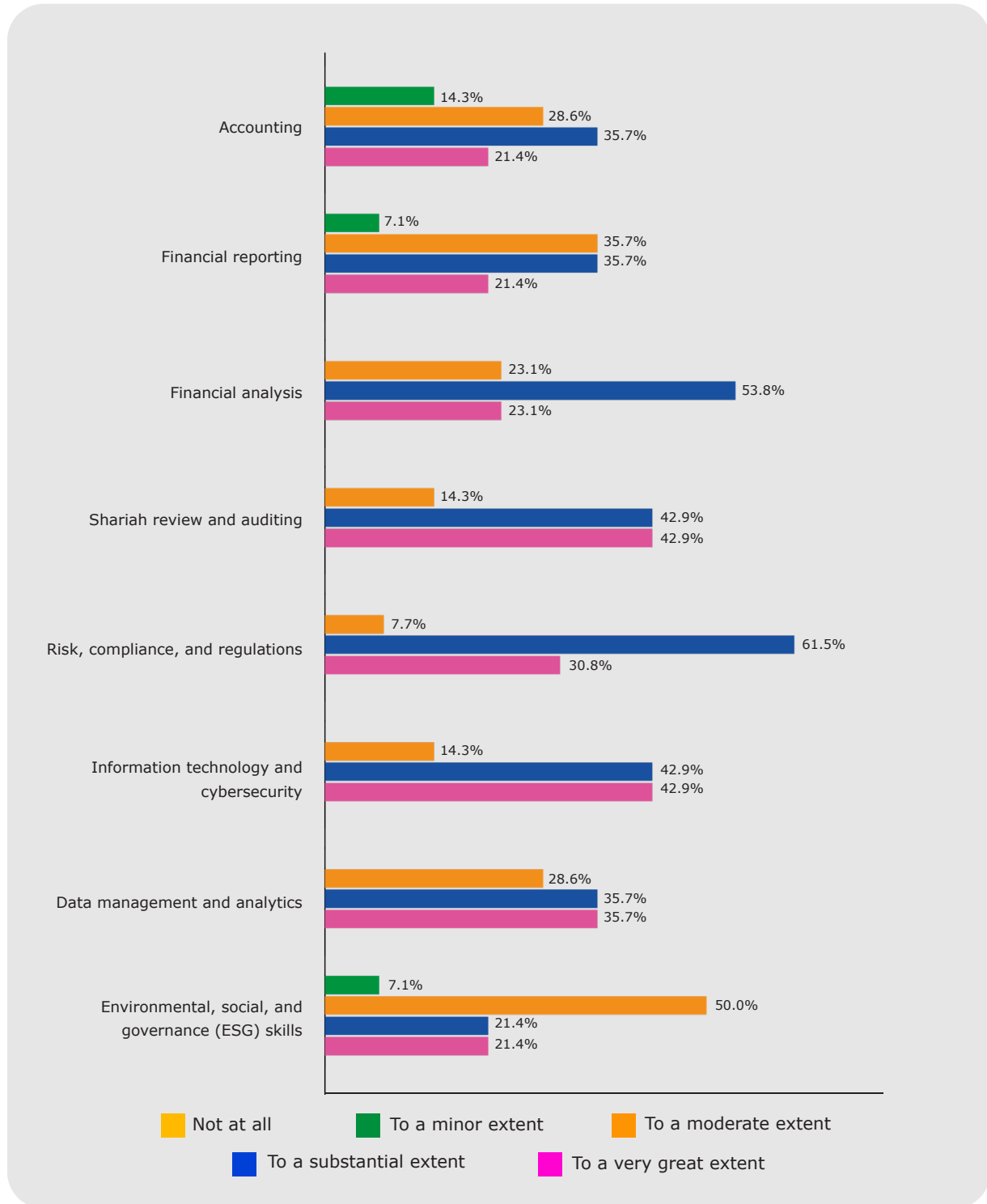




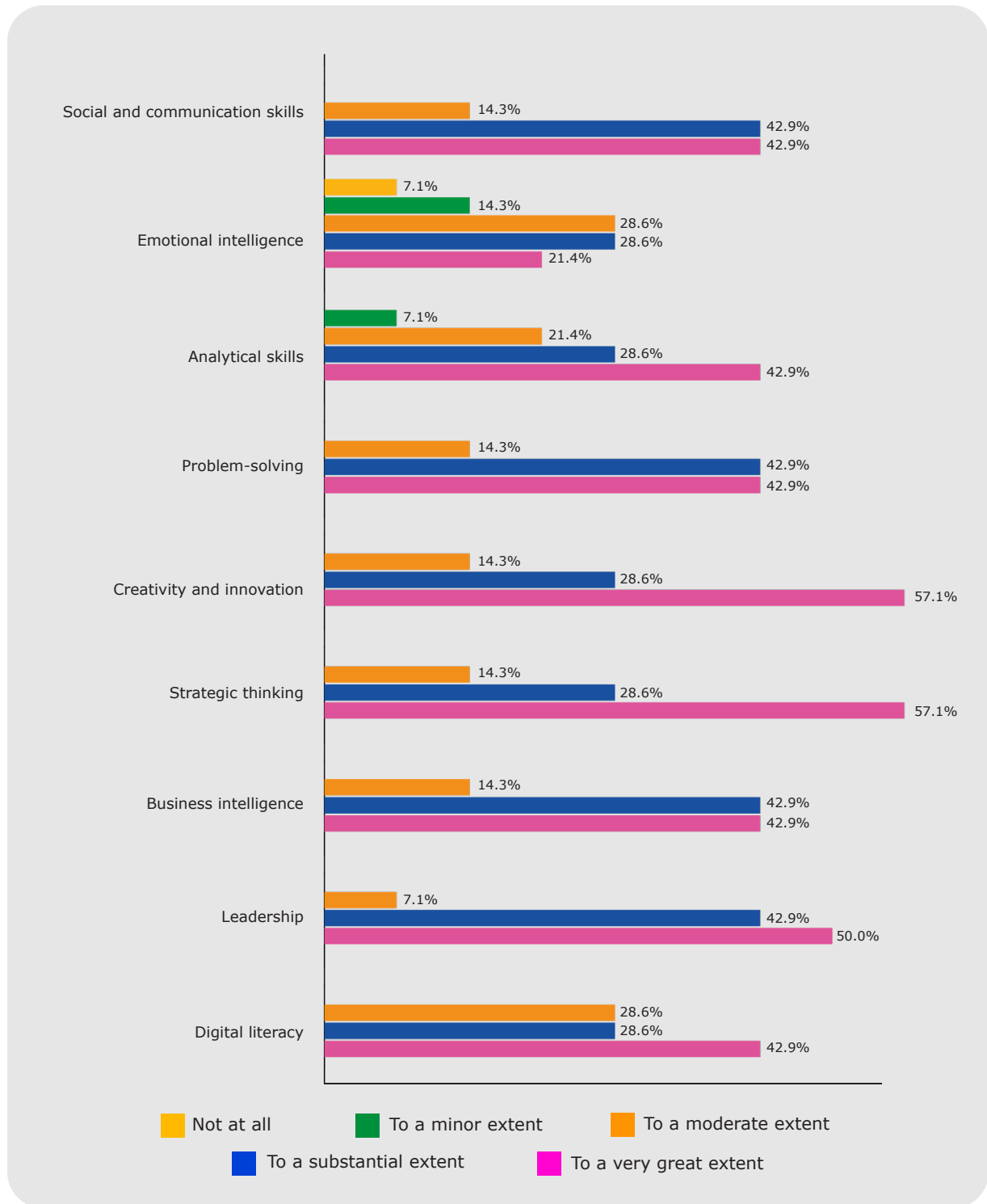
**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**



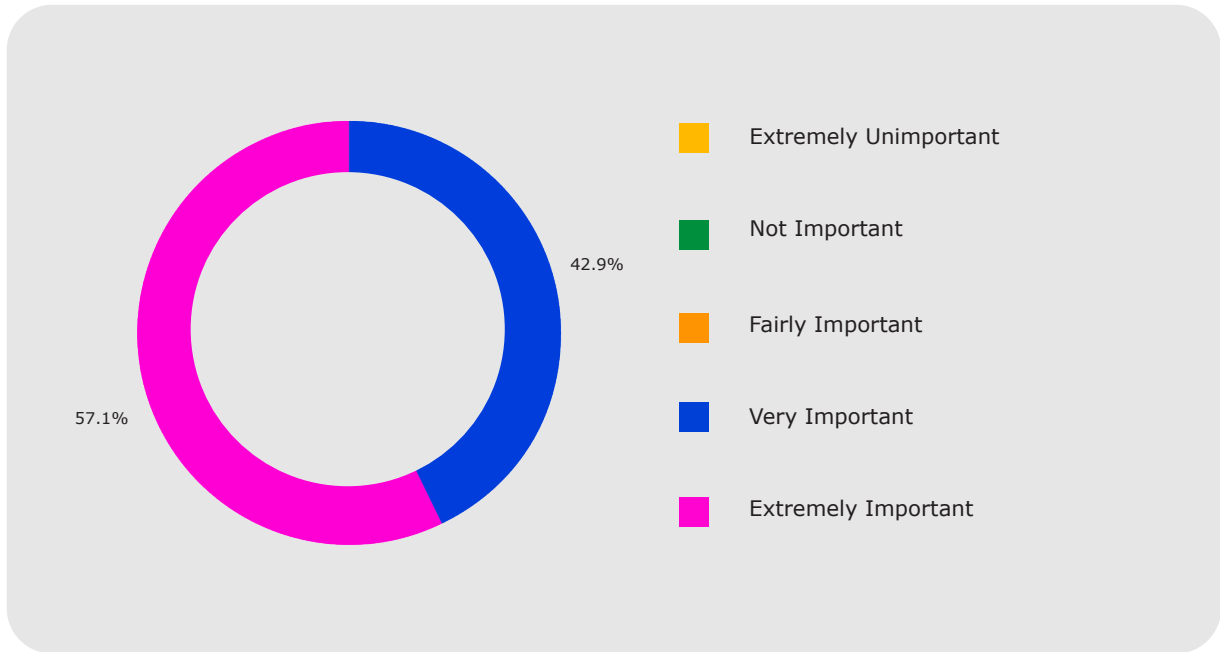
**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



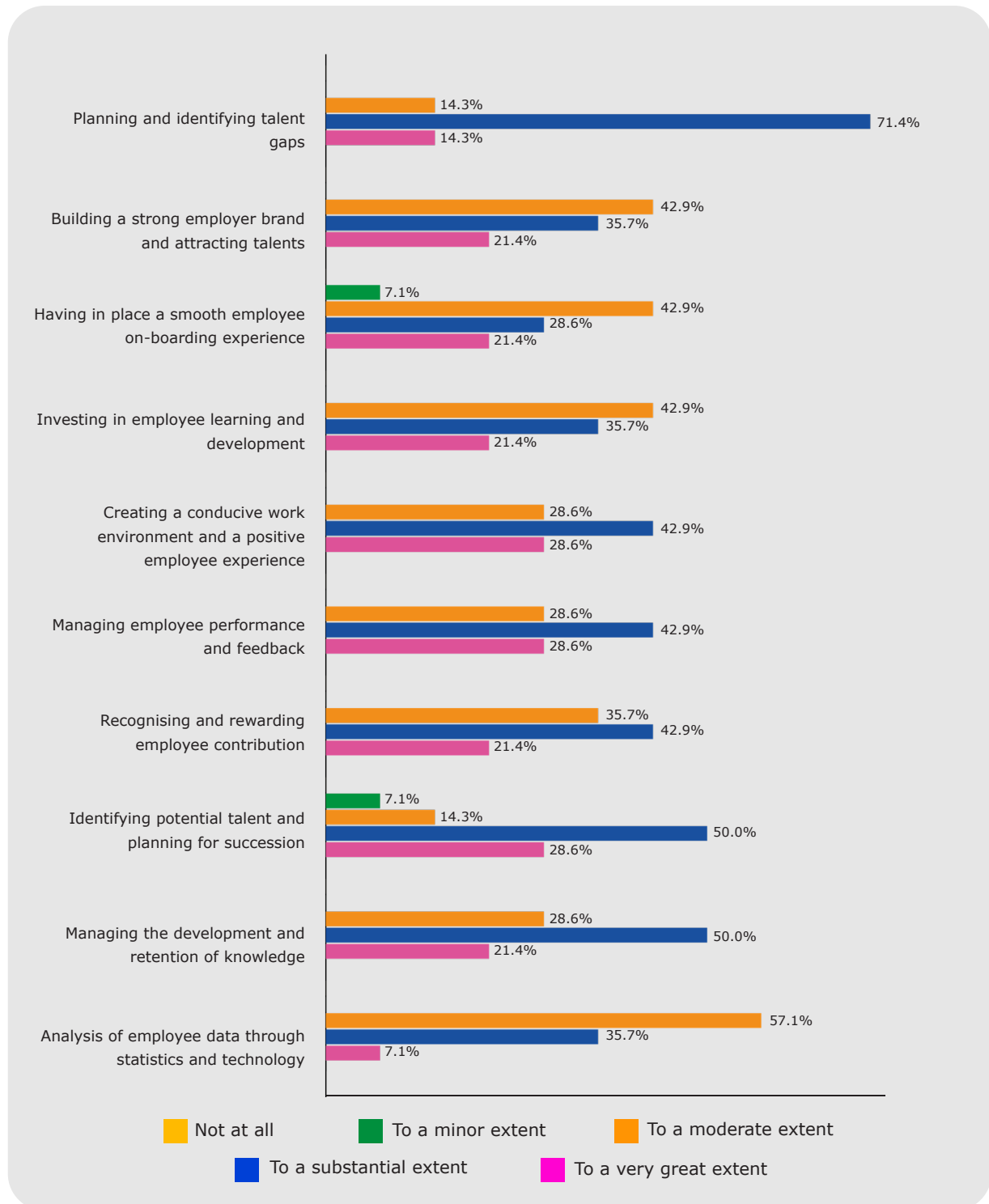
**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



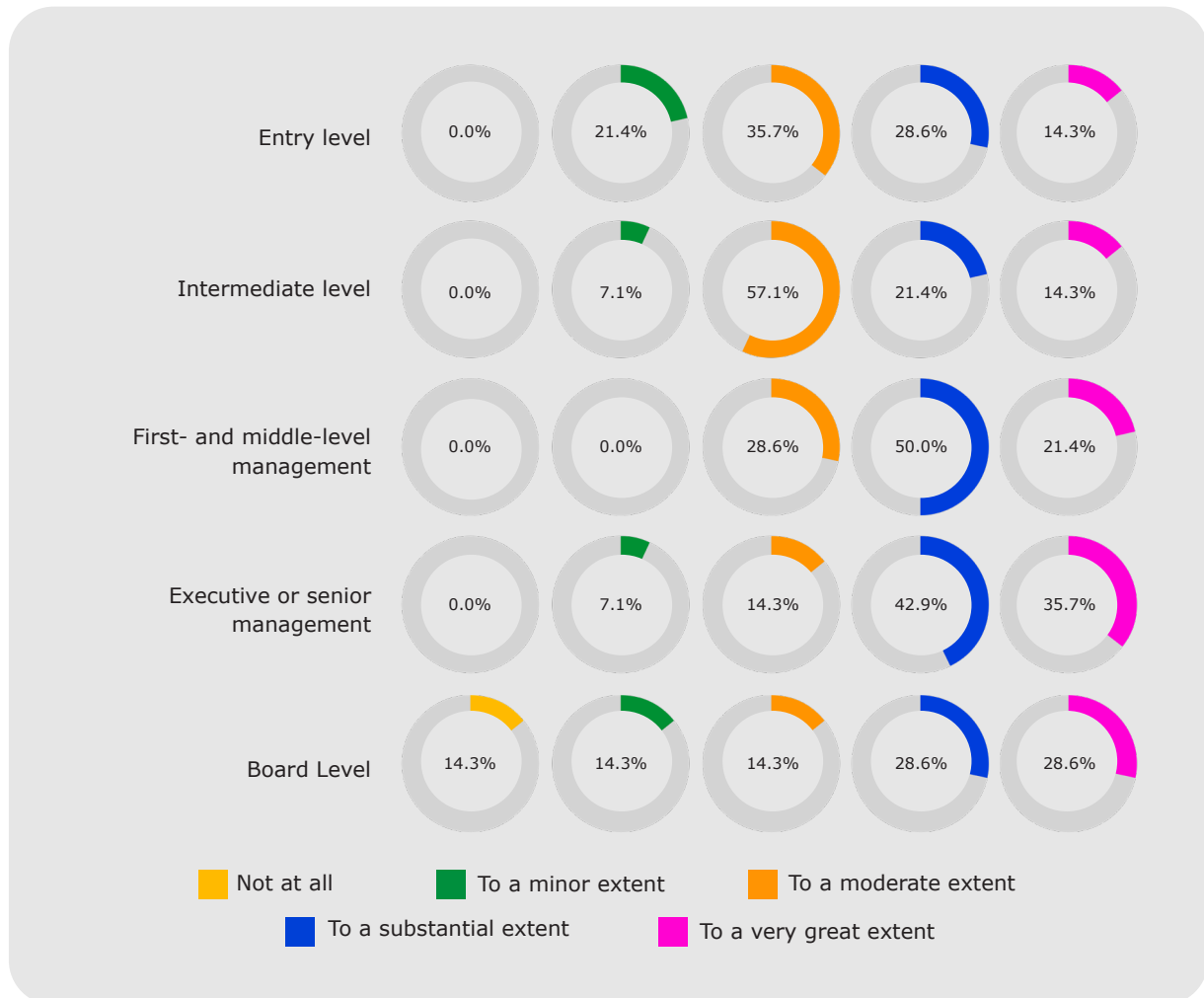
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



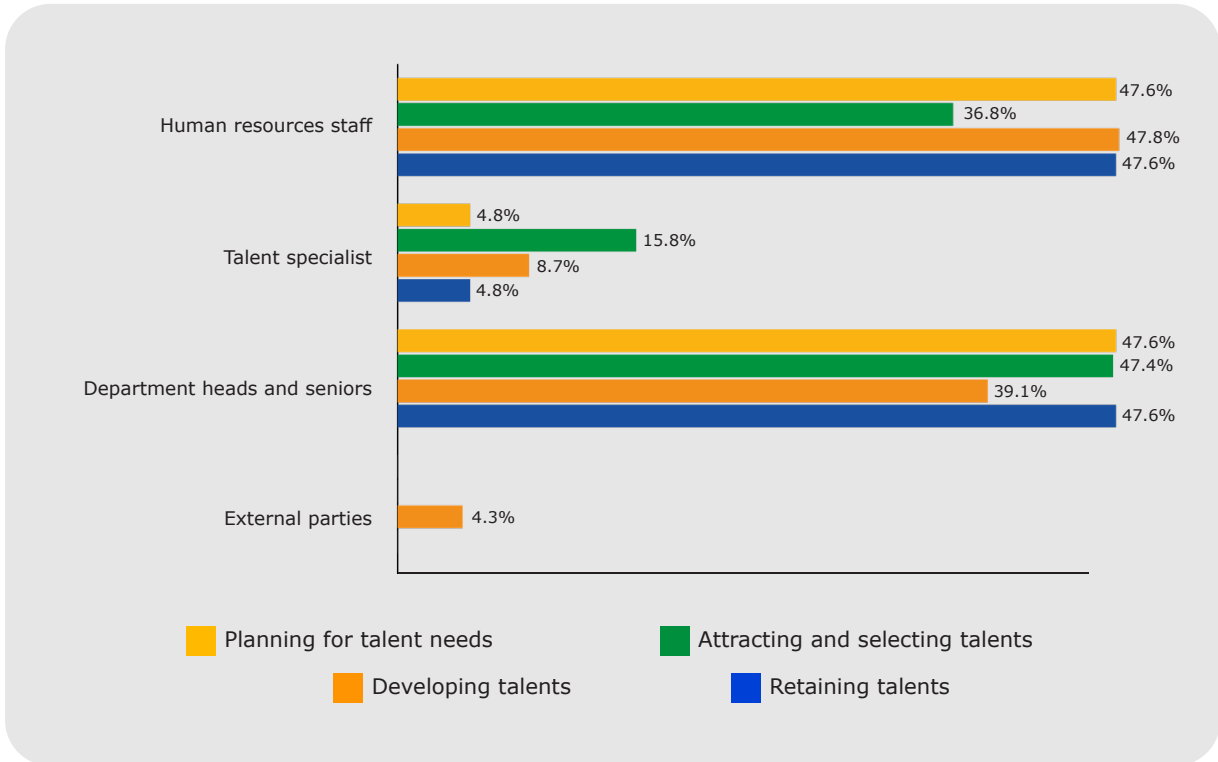
**Figure 16. Priorities of Talent Management in Islamic Banks**



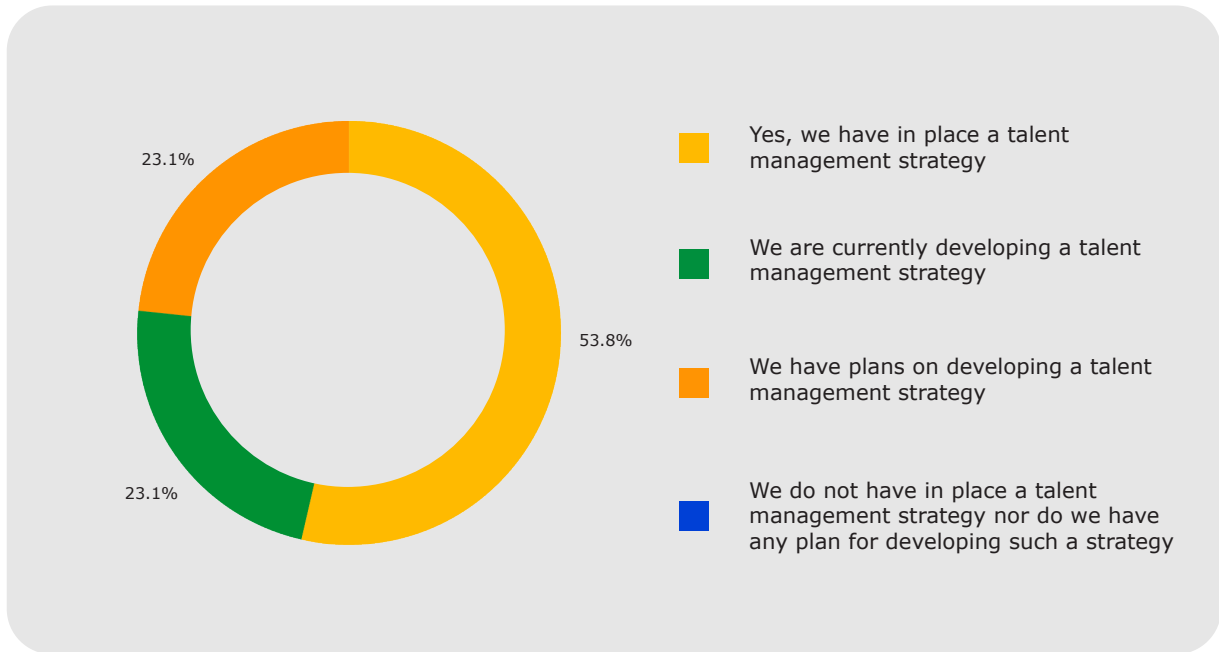
**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**



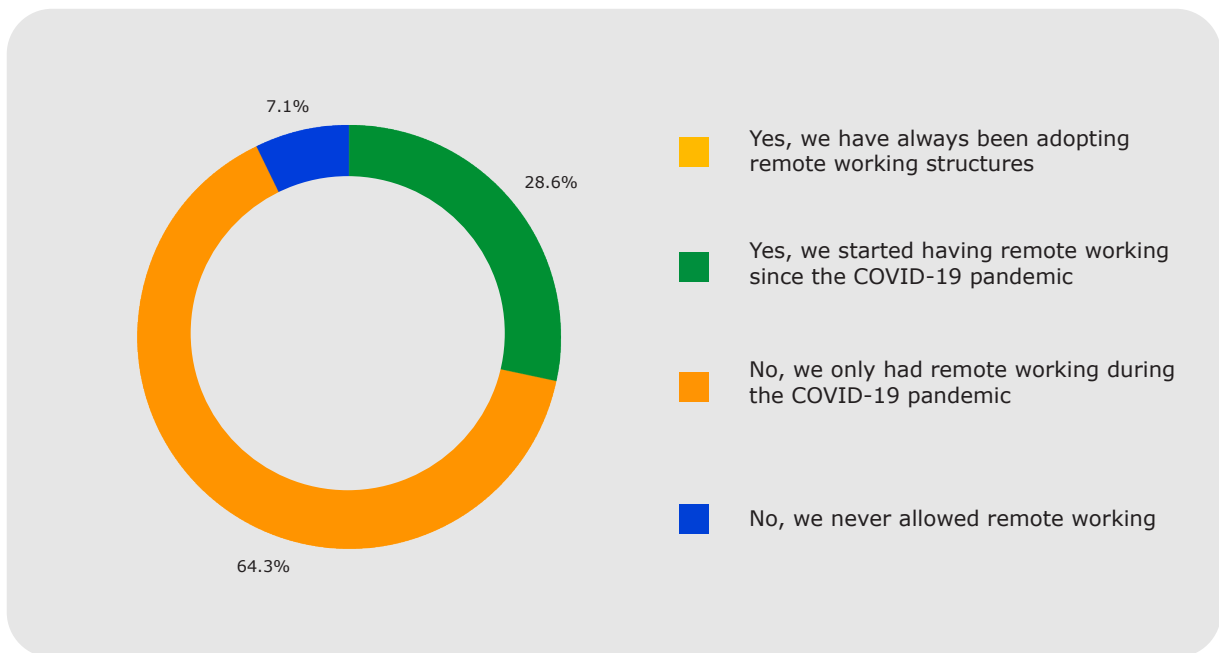
**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**



**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**

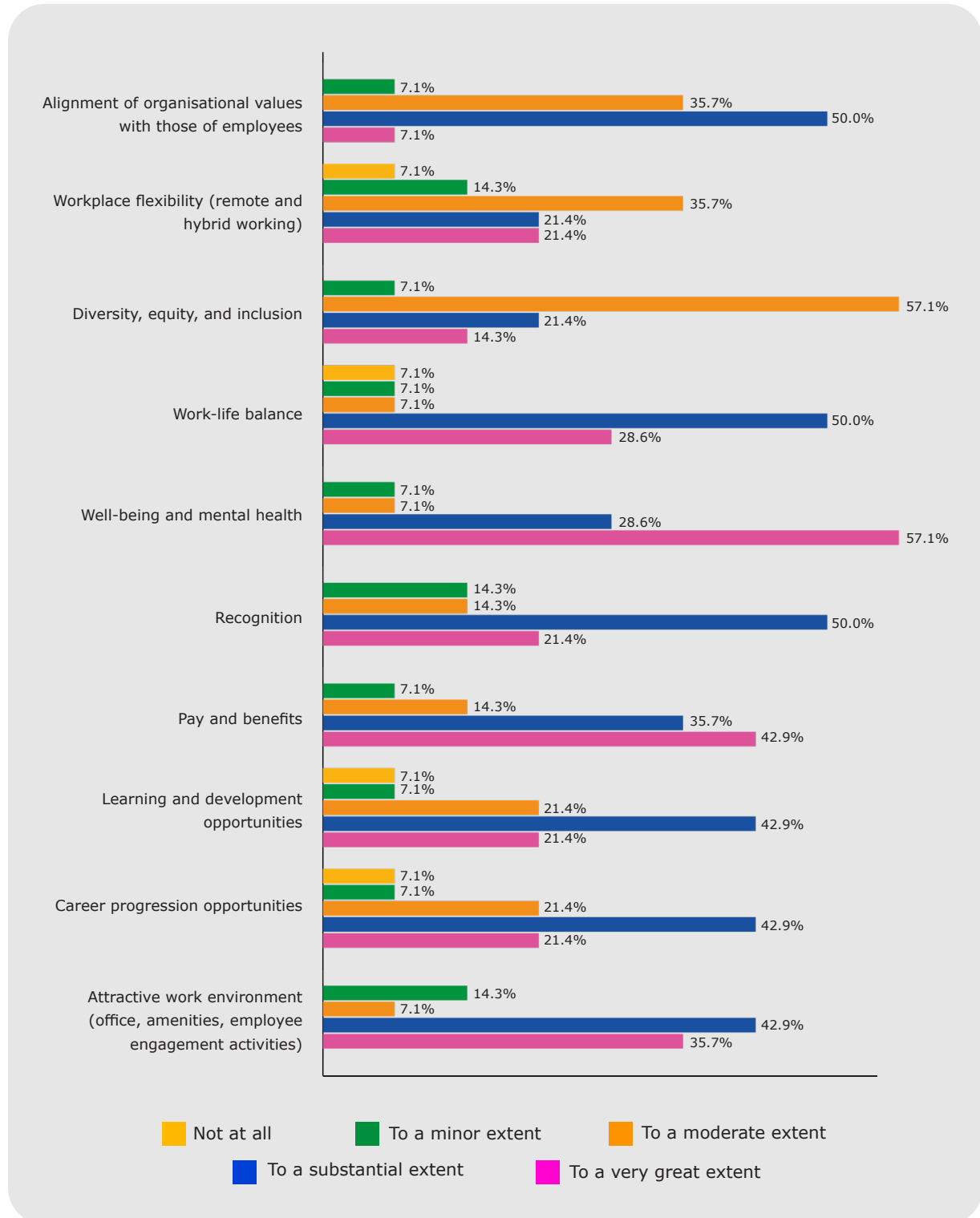


**Figure 20. Adoption of Remote Working in Islamic Banks**





**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**



## Group 5: North Africa

Figure 1. Type of Islamic Banking Operation

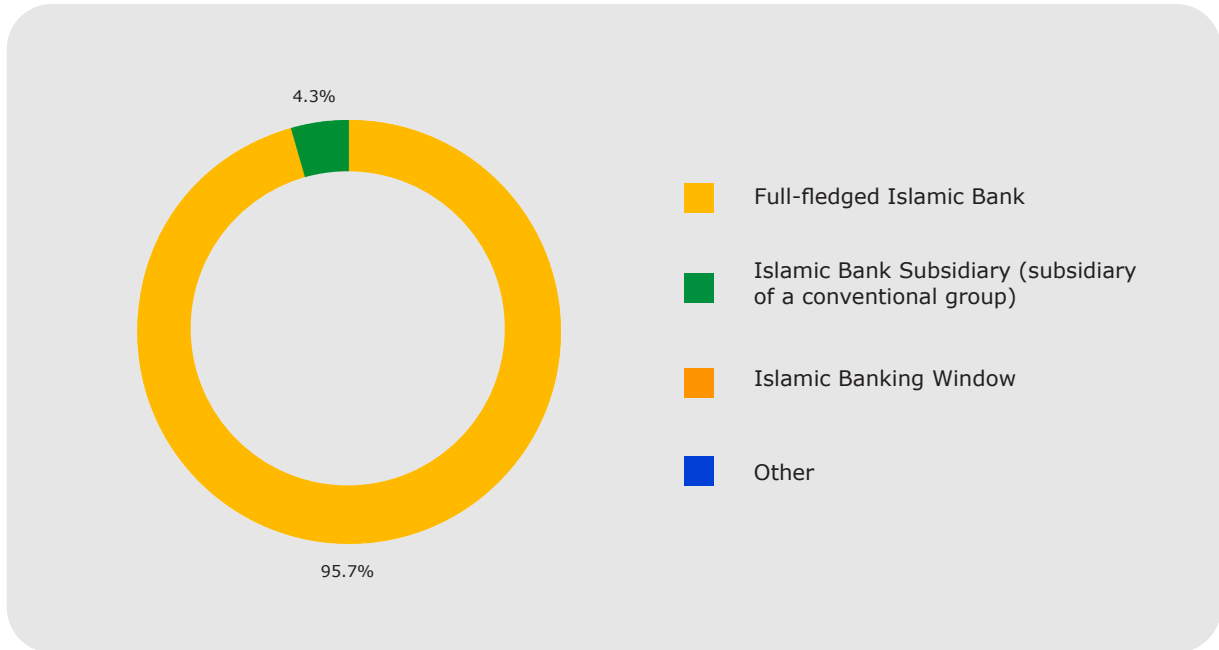
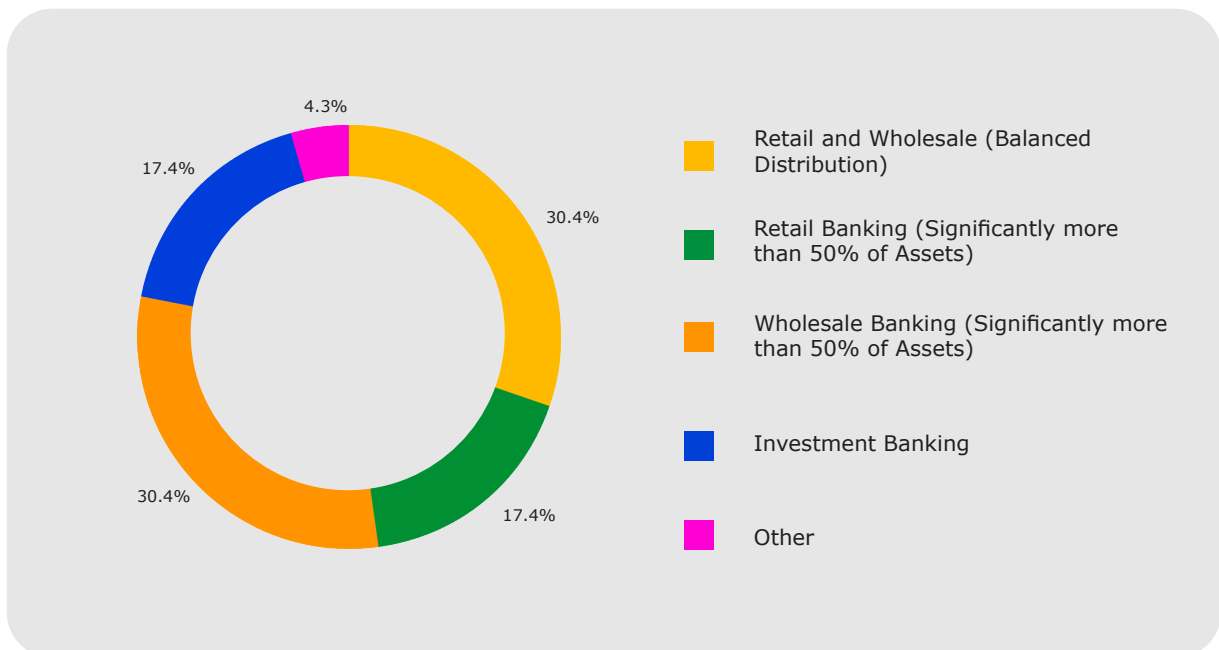
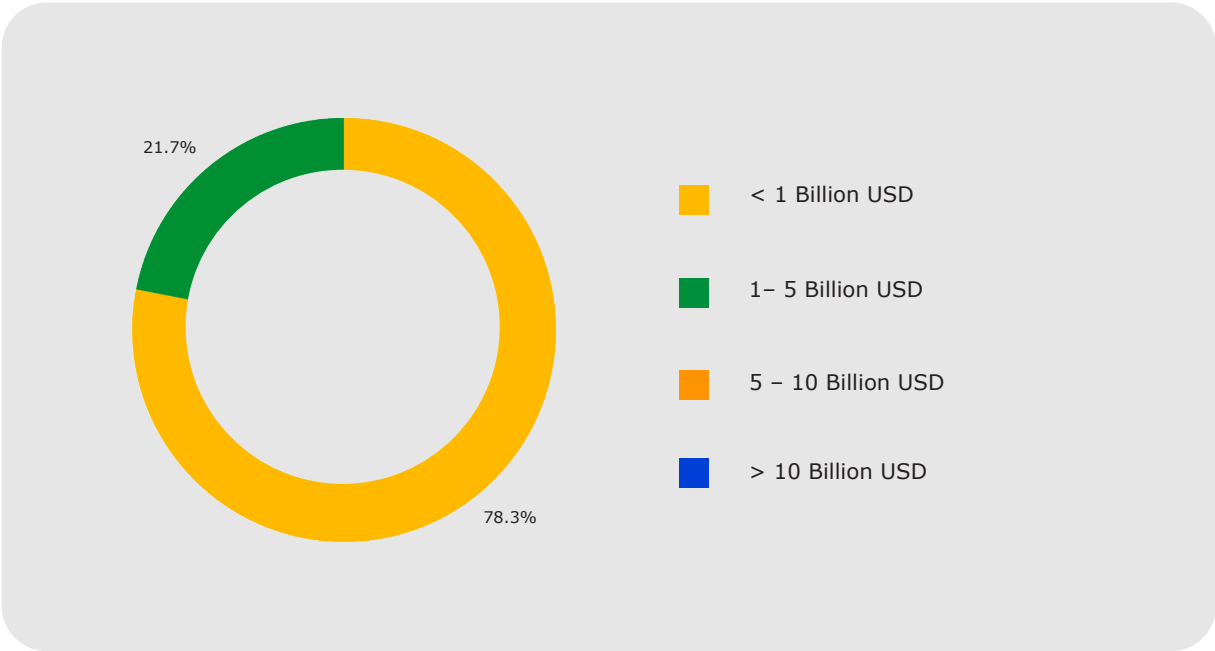


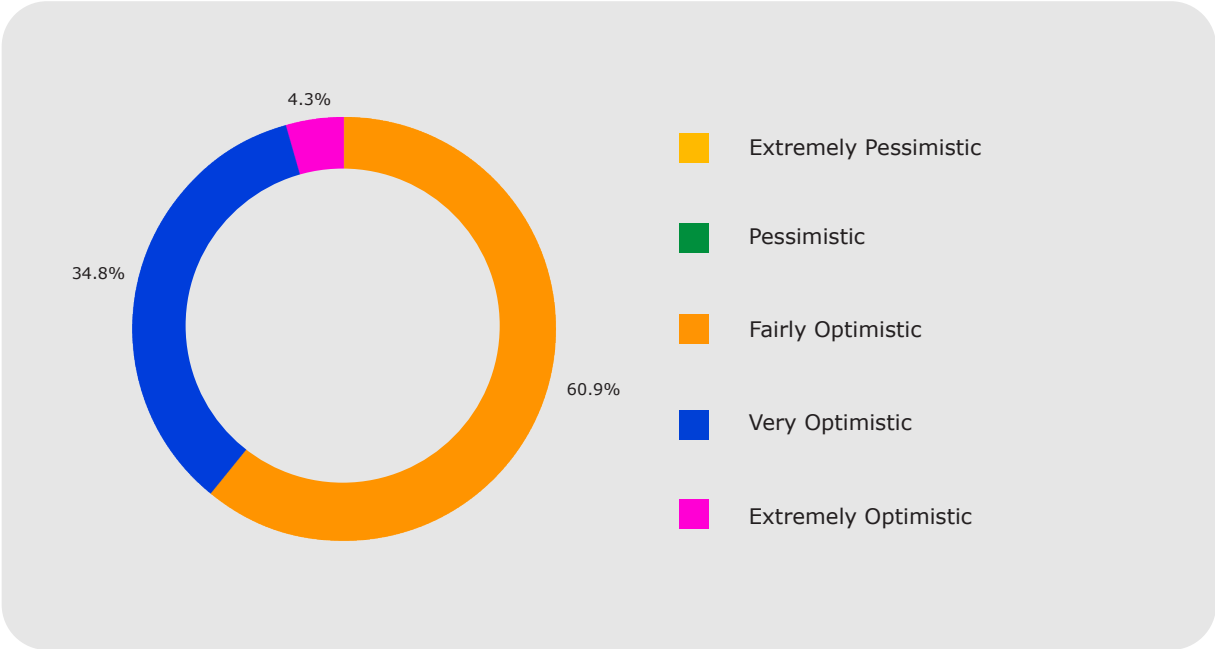
Figure 2. Core Business



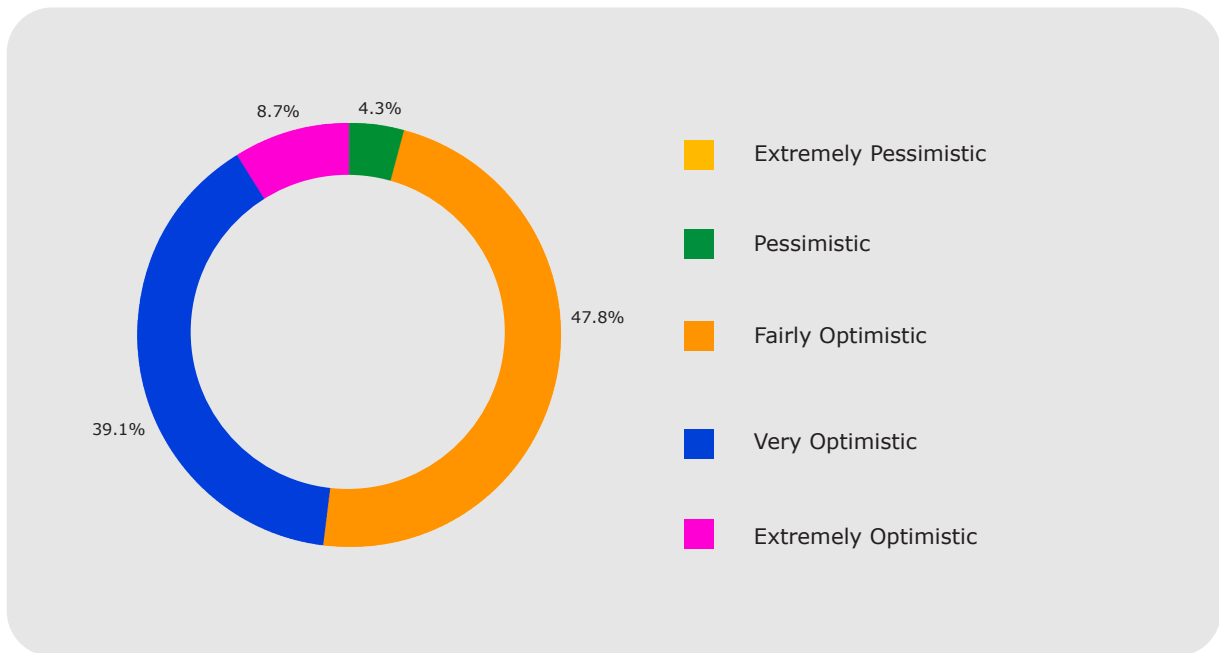
**Figure 3. Size of Total Islamic Assets**



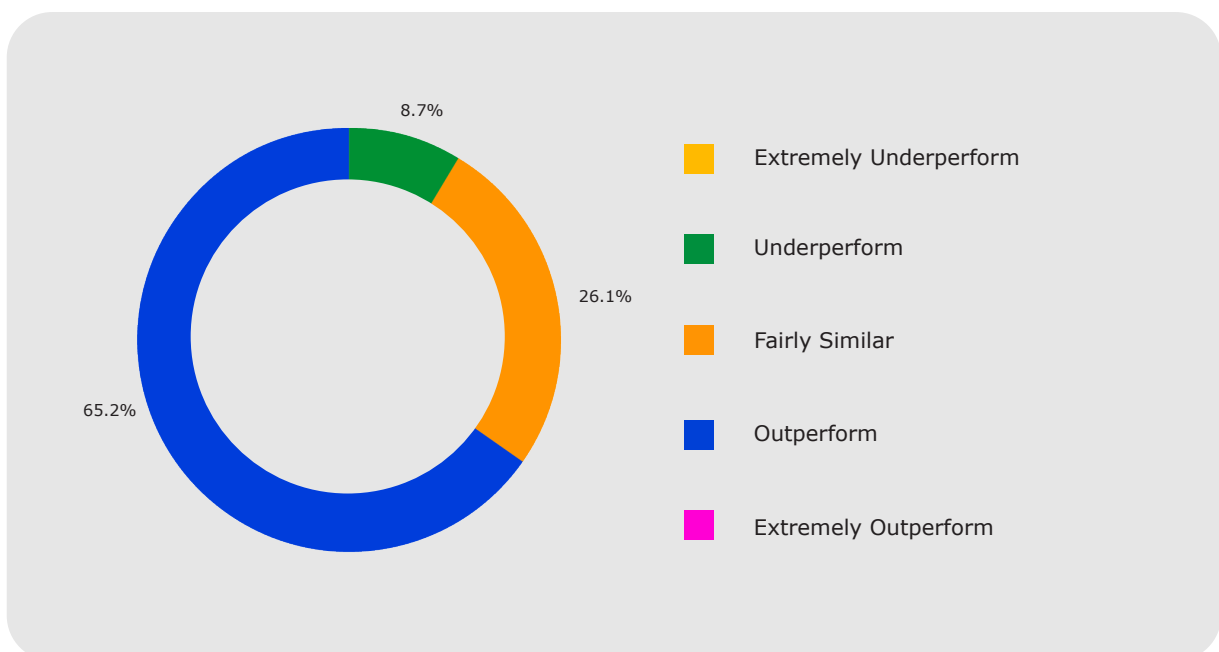
**Figure 4. Overall Banking Industry Optimism Level**



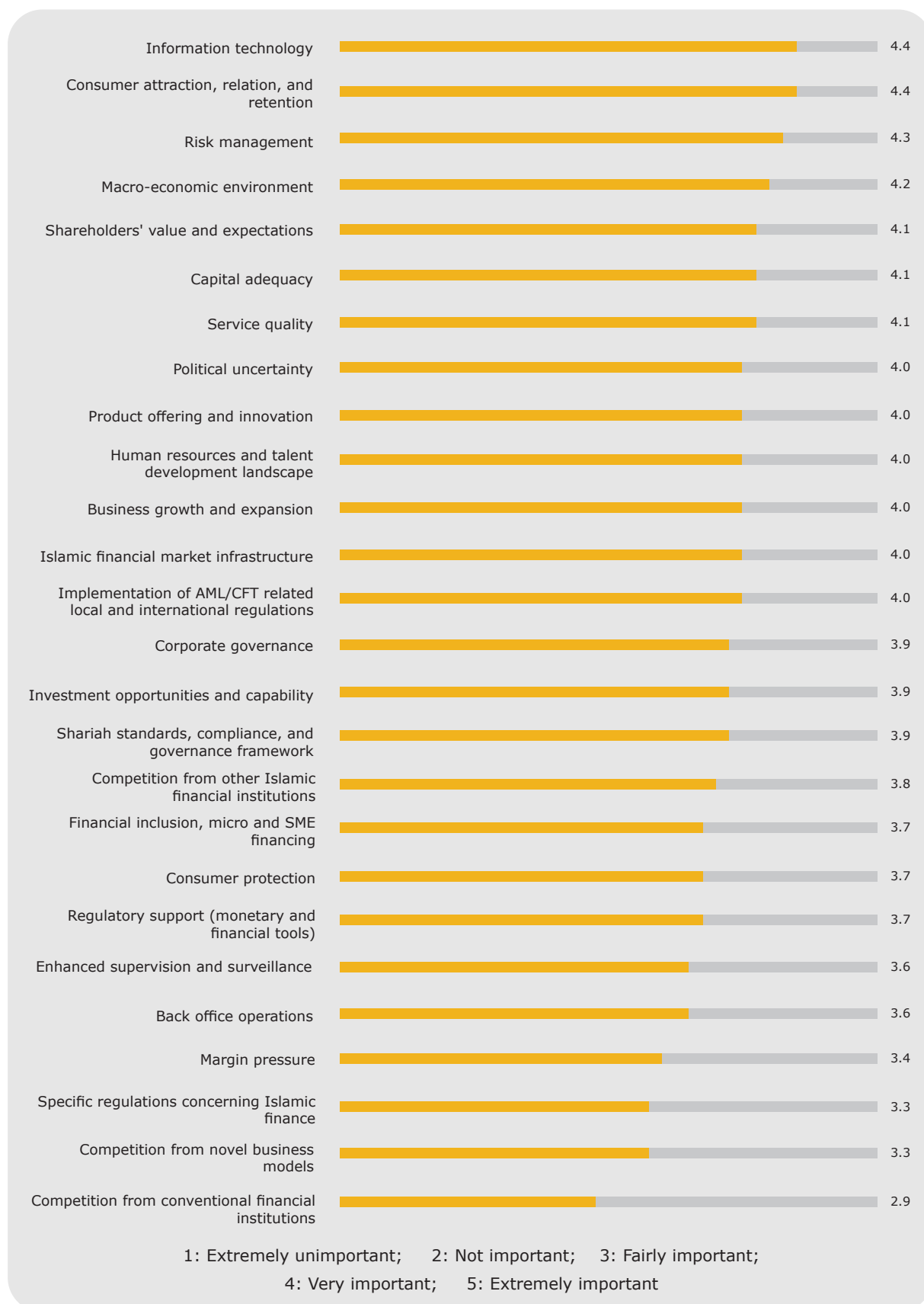
**Figure 5. Islamic Banking Industry Optimism Level**



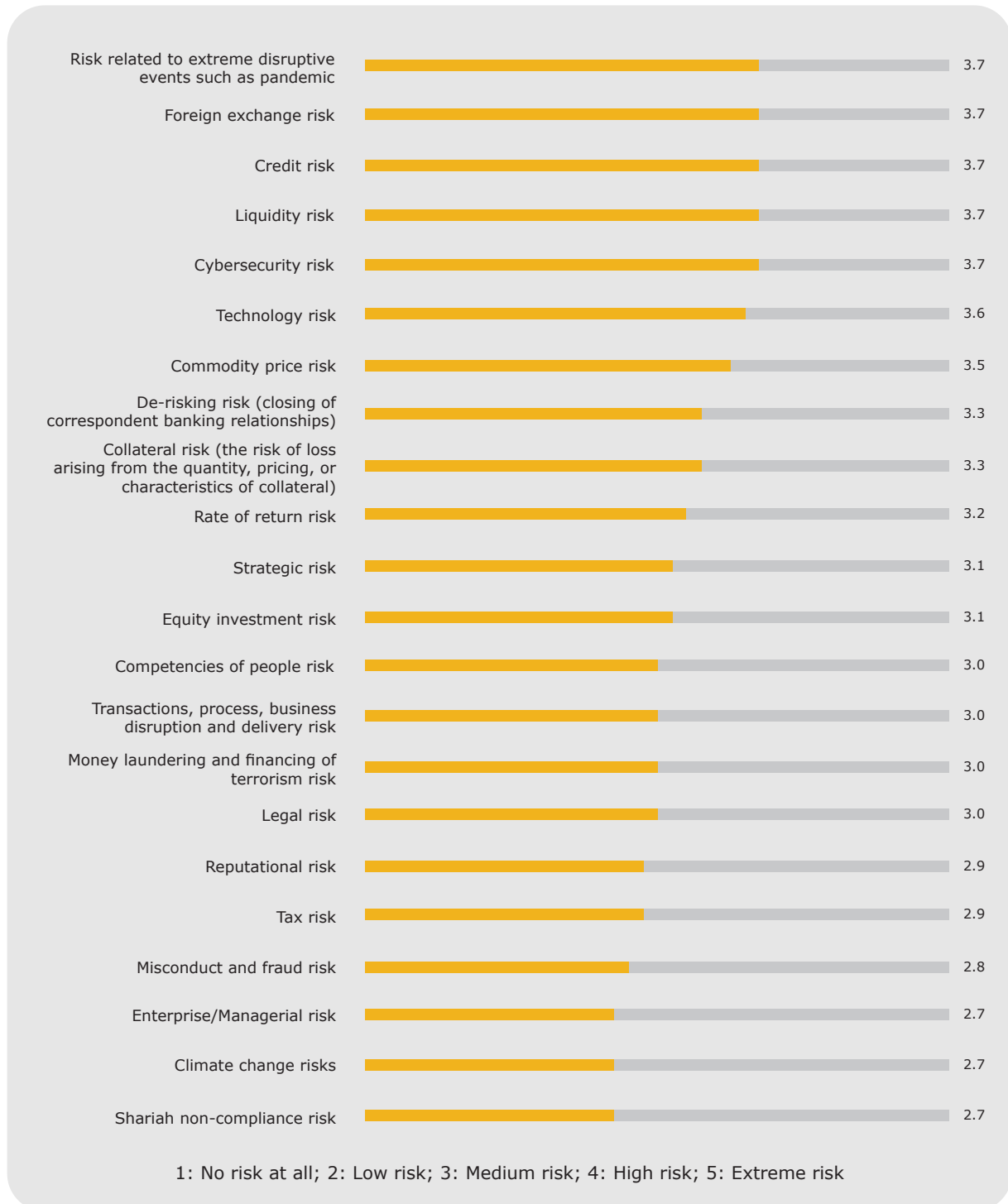
**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



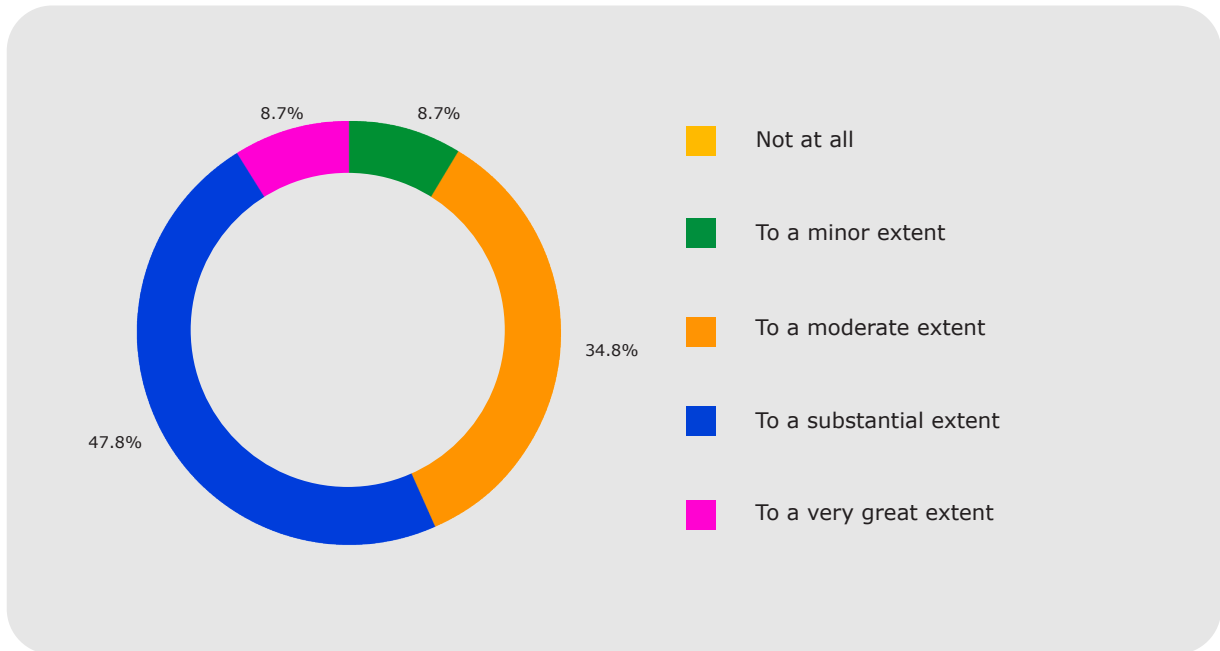
**Figure 7. Islamic Banking Top Concerns**



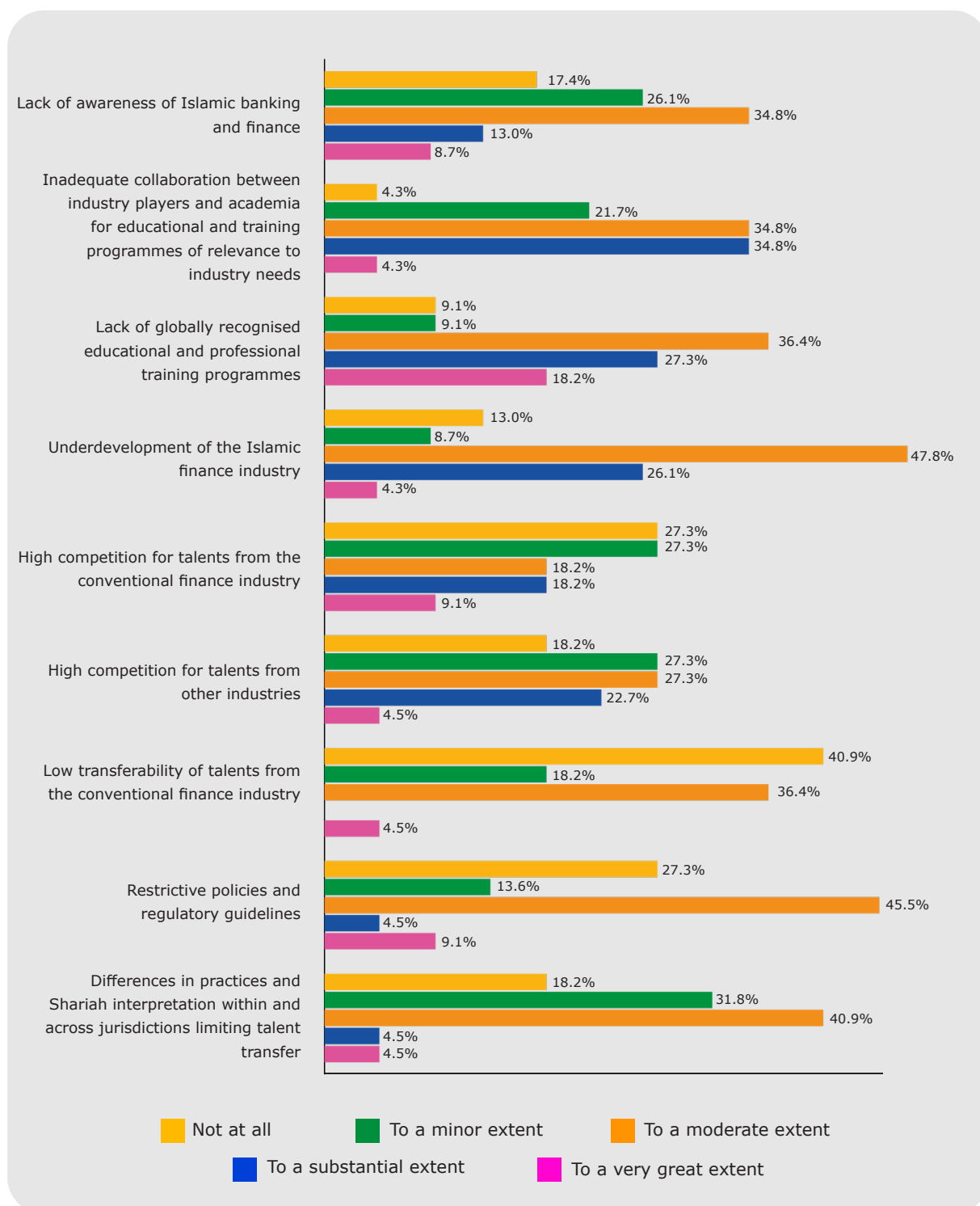
**Figure 8. Islamic Banking Risk Dashboard**



**Figure 9. Talent Availability to the Islamic Finance Industry**

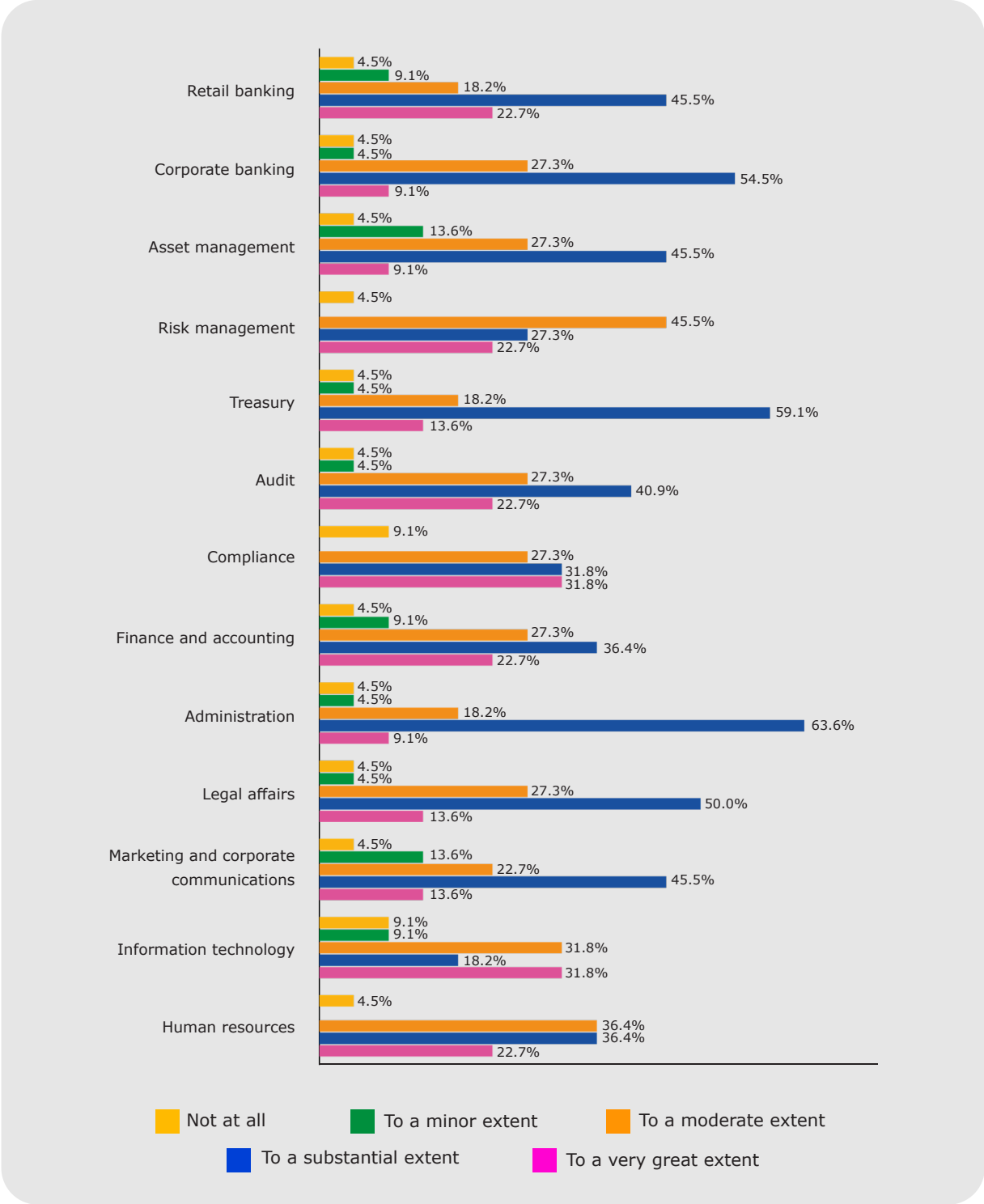


**Figure 10. Challenges to the Availability of Talent in Islamic Finance**

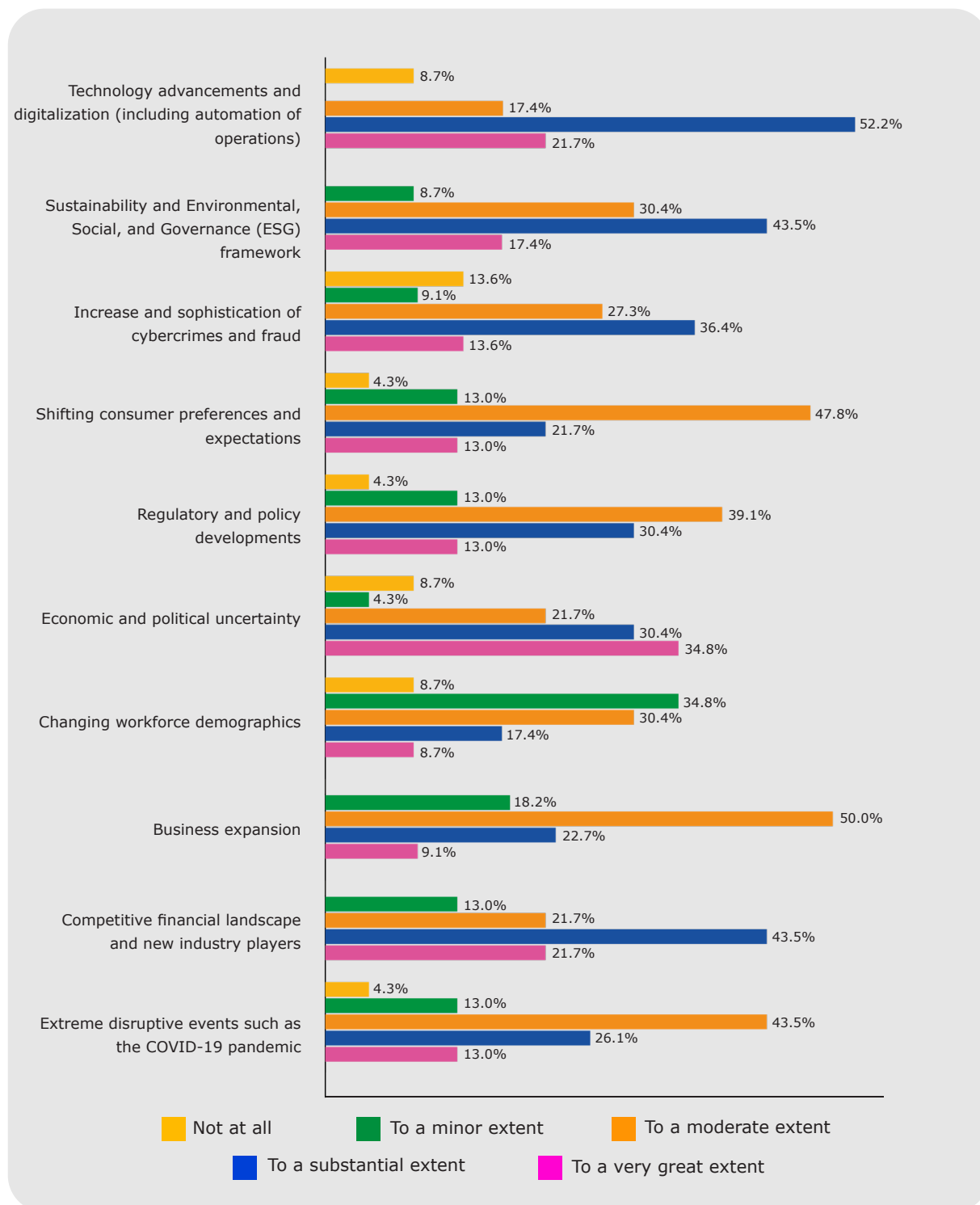




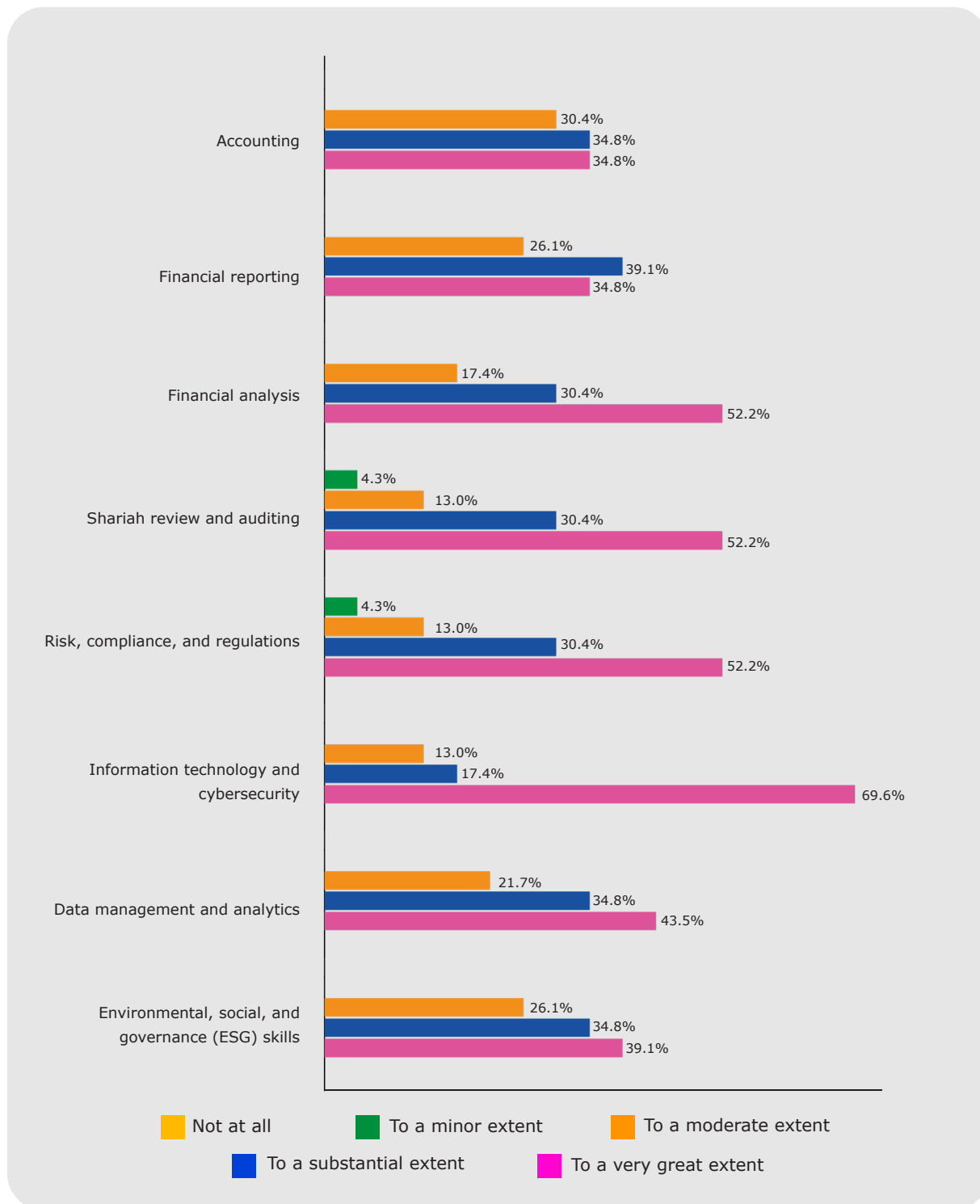
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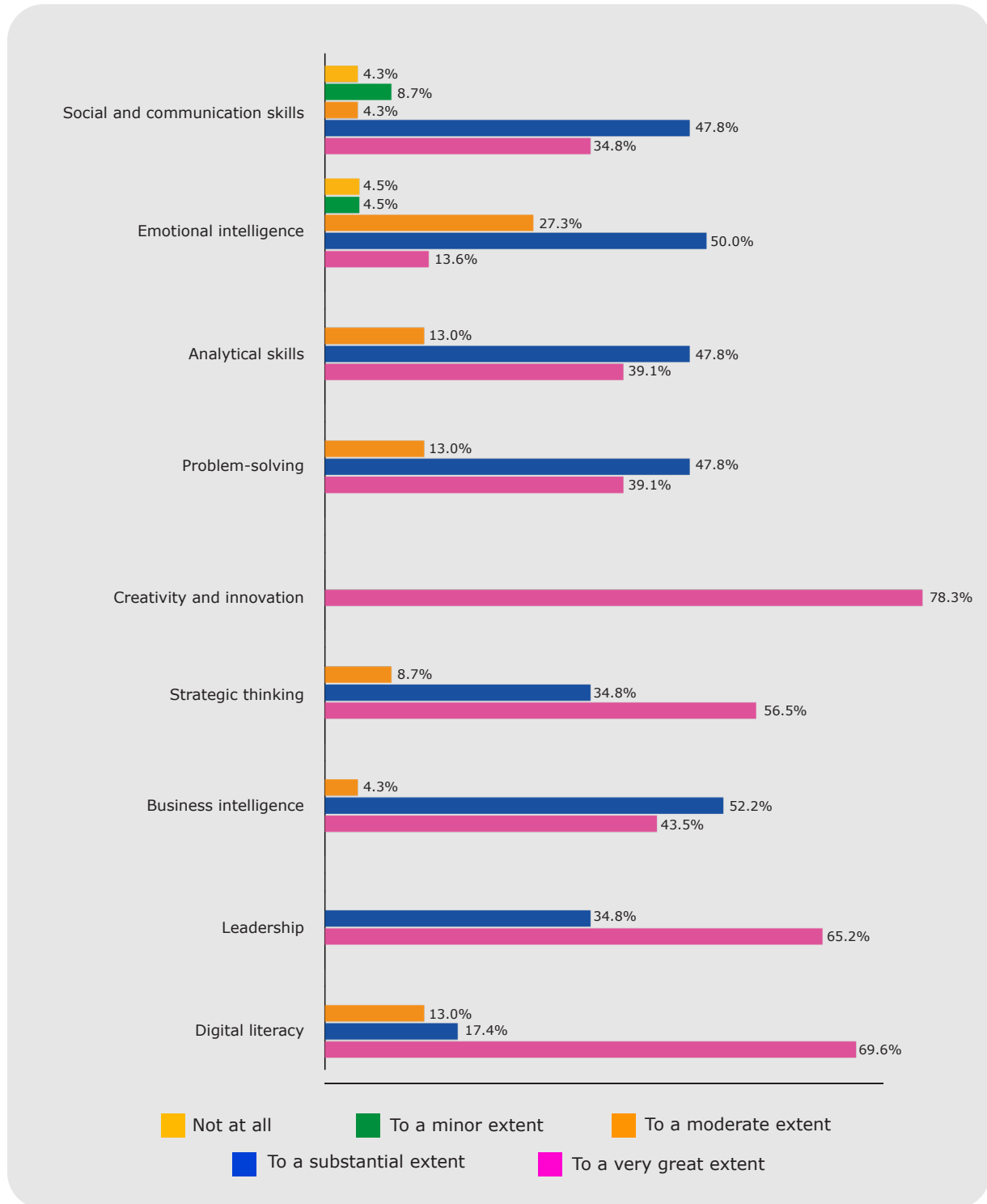
**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**



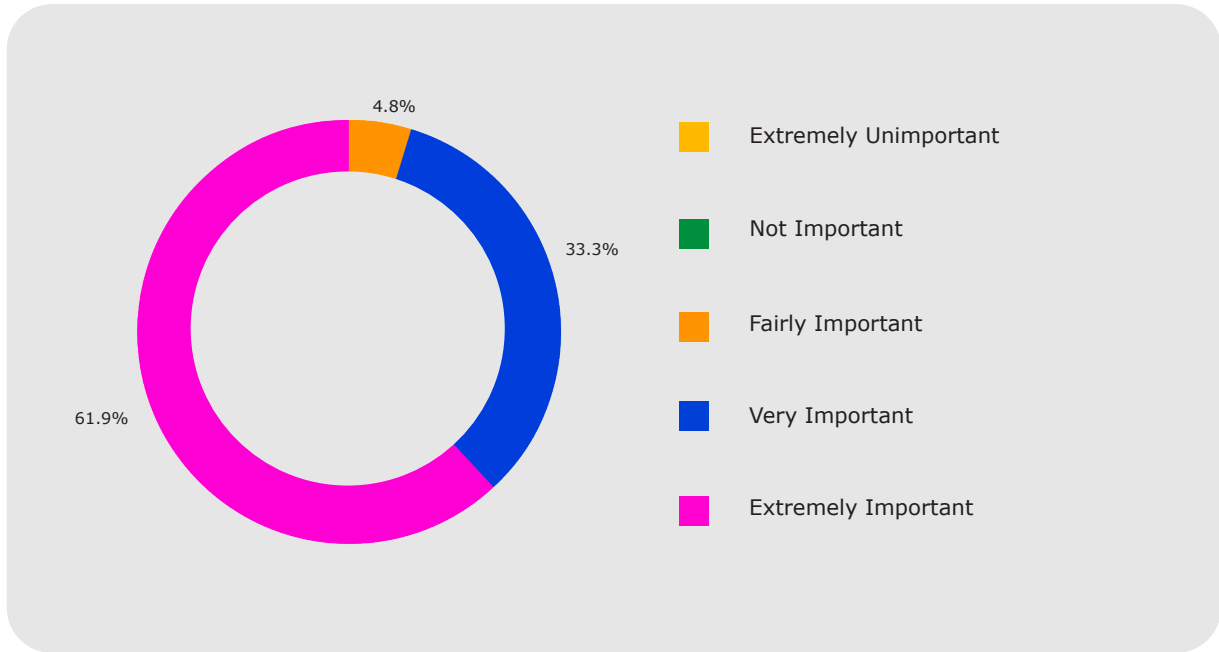
**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



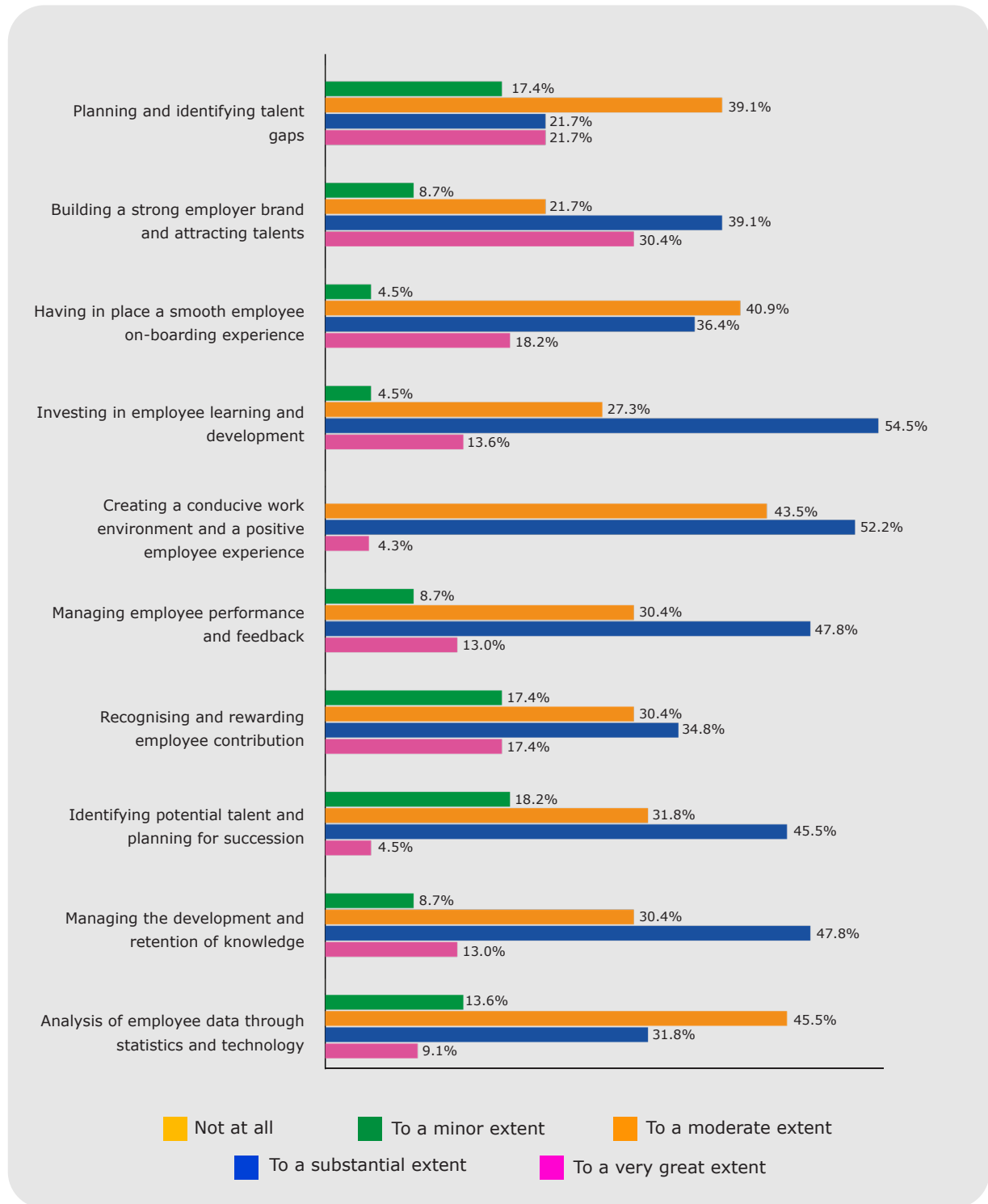
**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



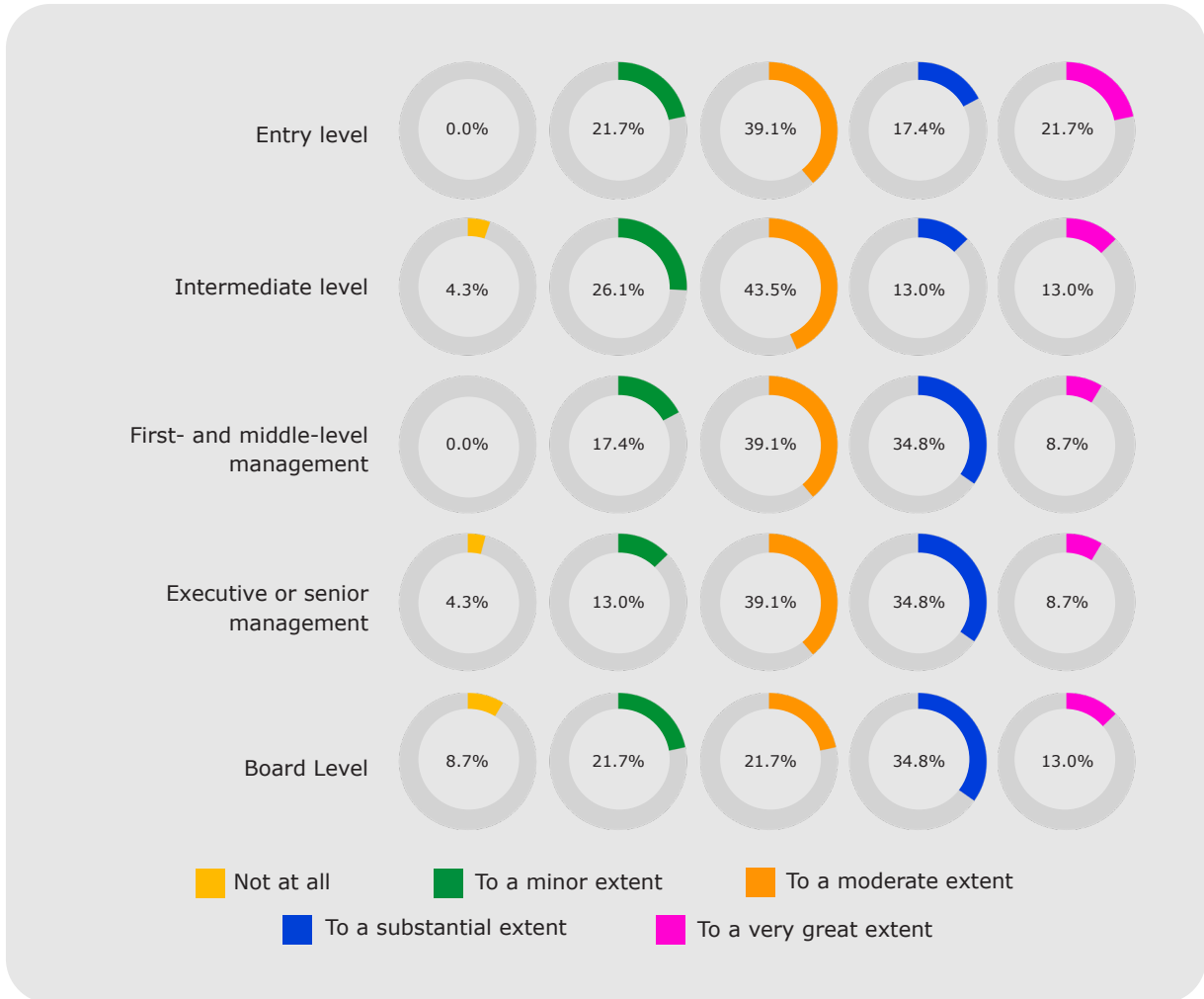
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



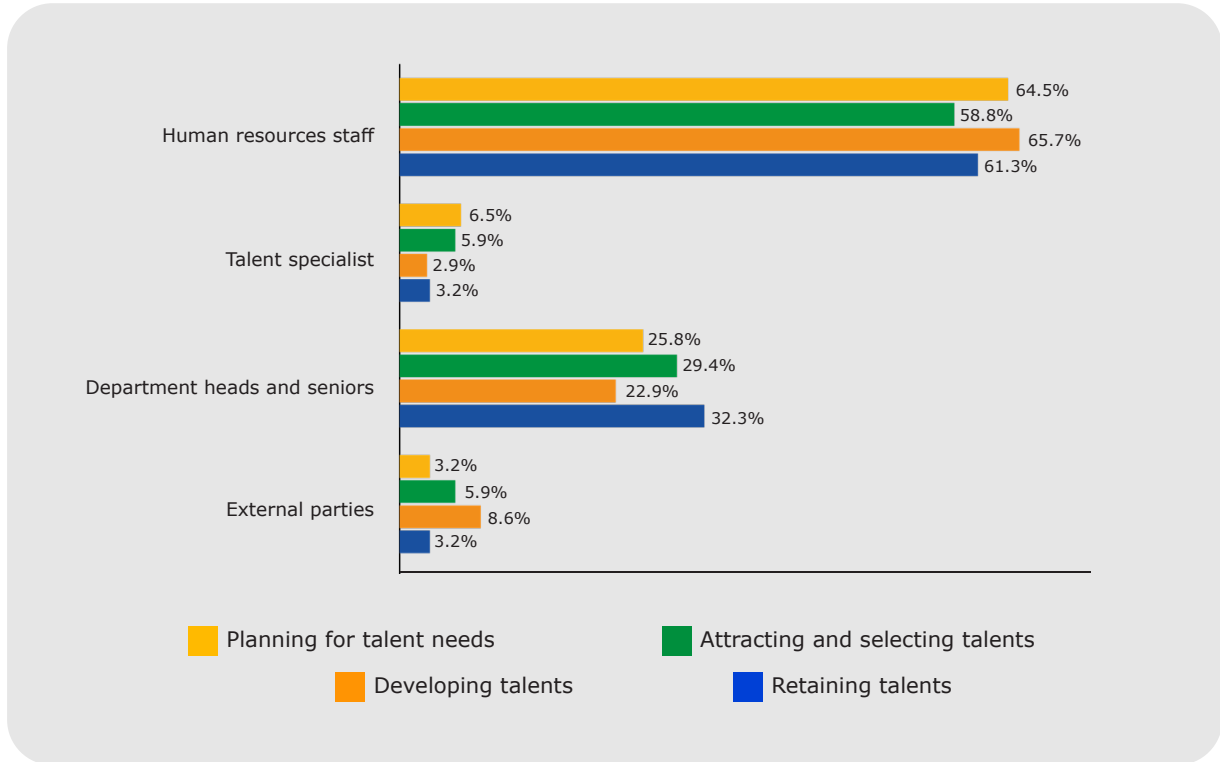
**Figure 16. Priorities of Talent Management in Islamic Banks**



**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**

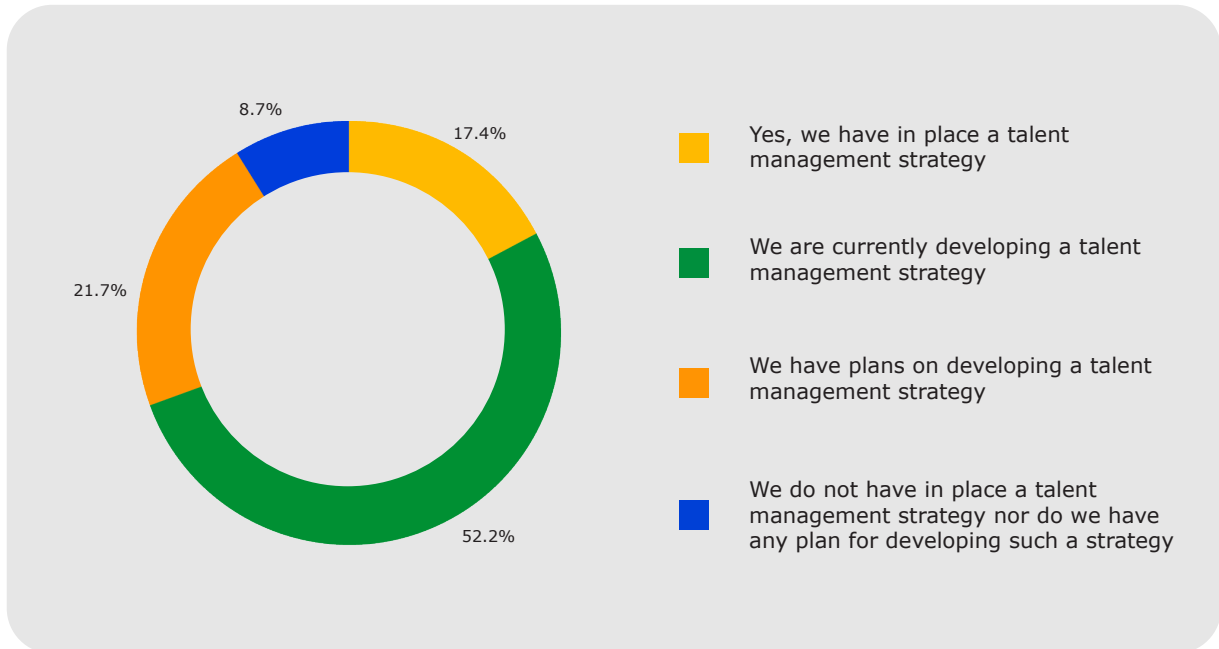


**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**

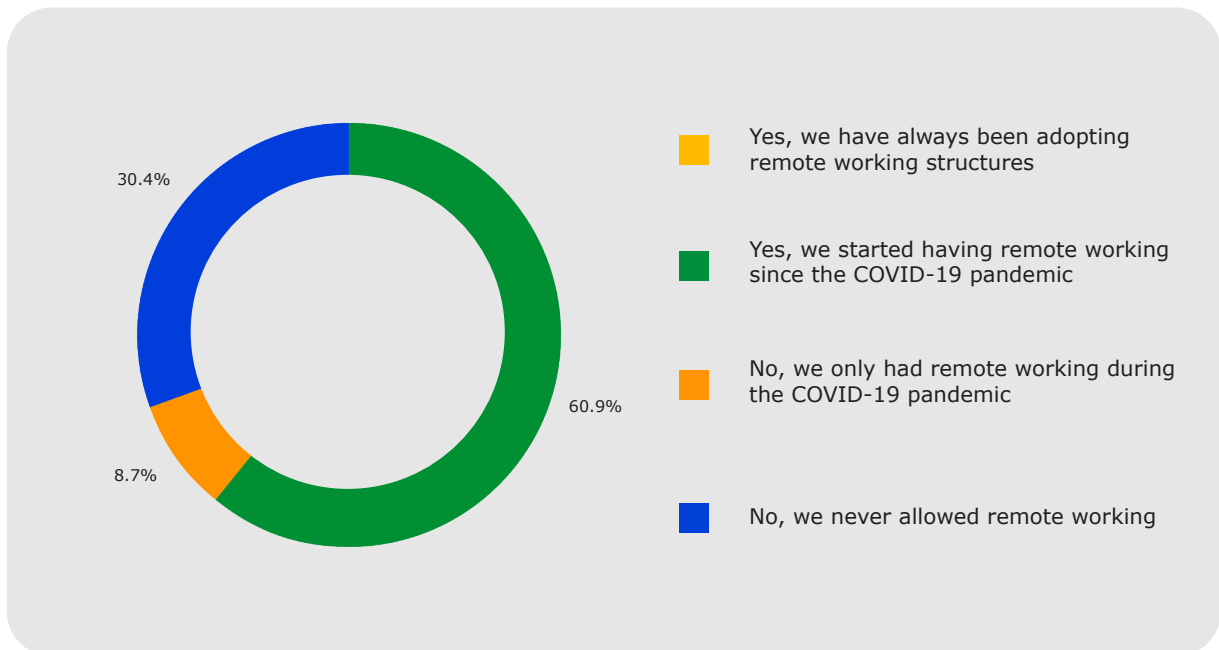




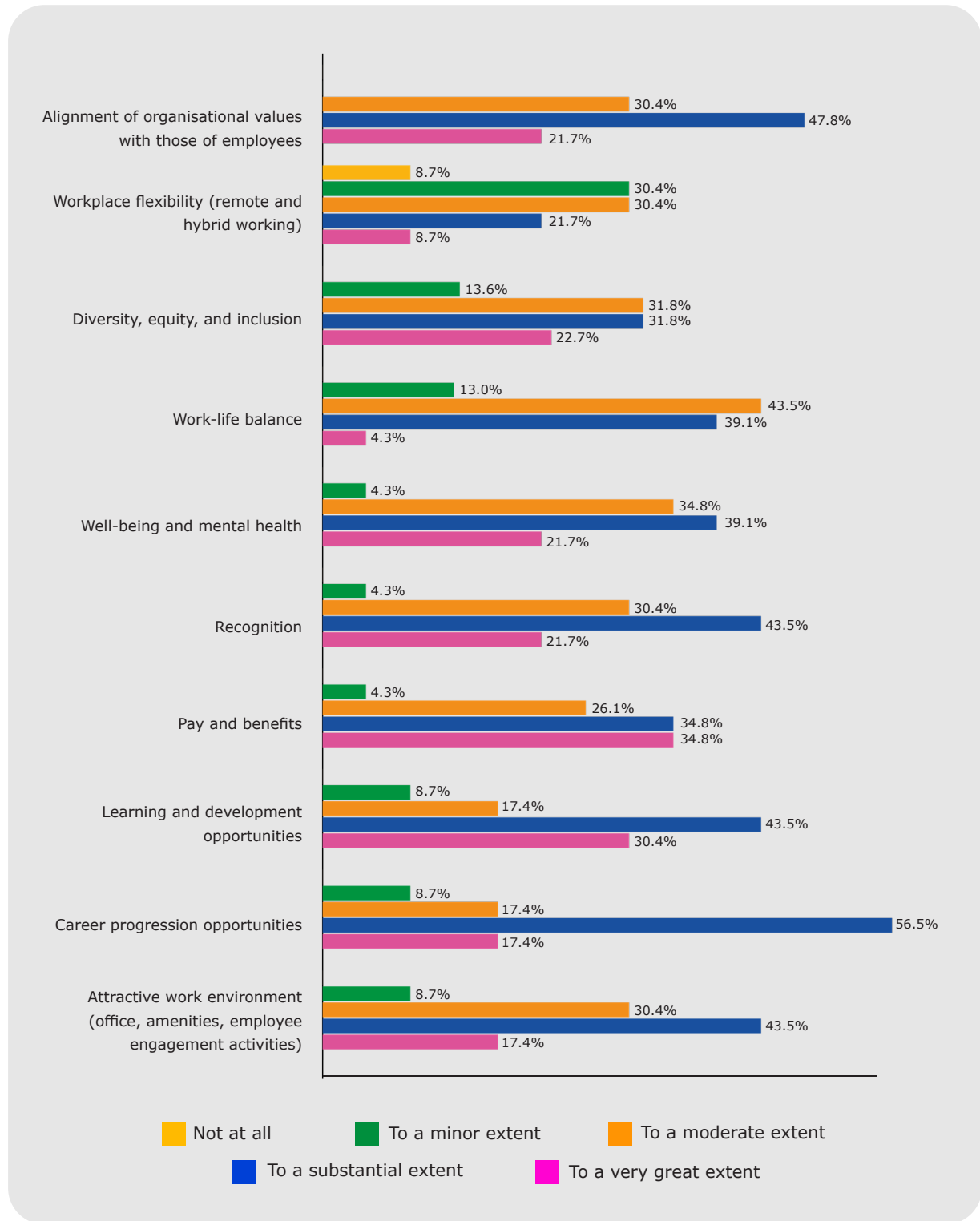
**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



**Figure 20. Adoption of Remote Working in Islamic Banks**

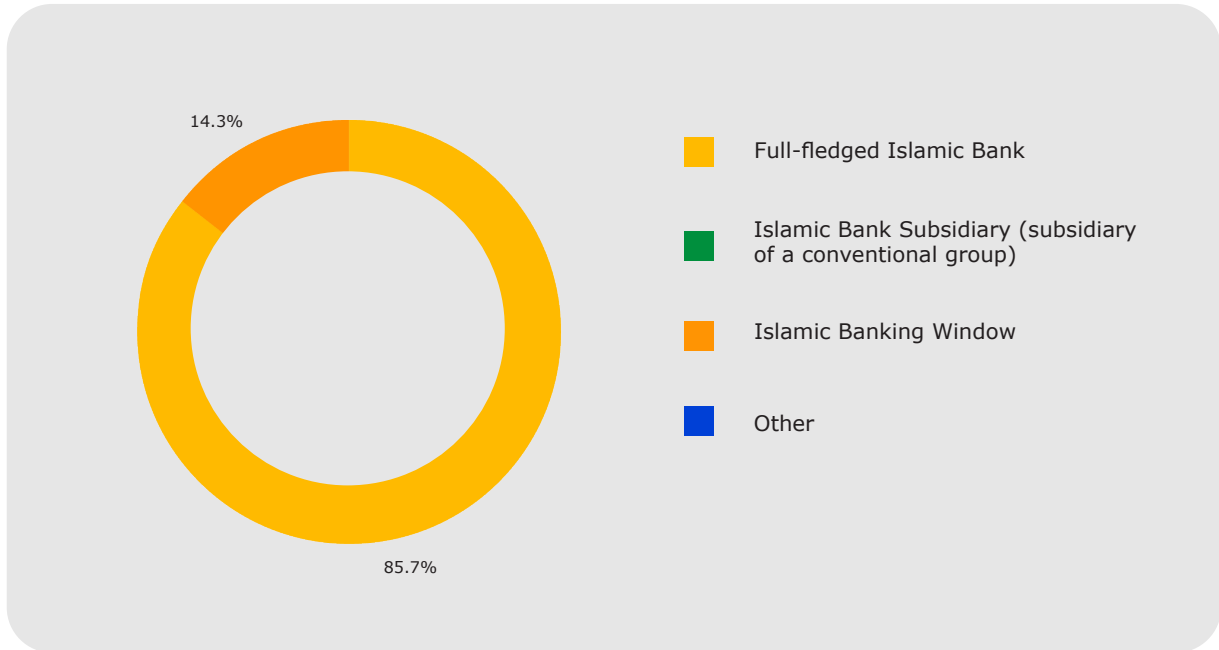


**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**

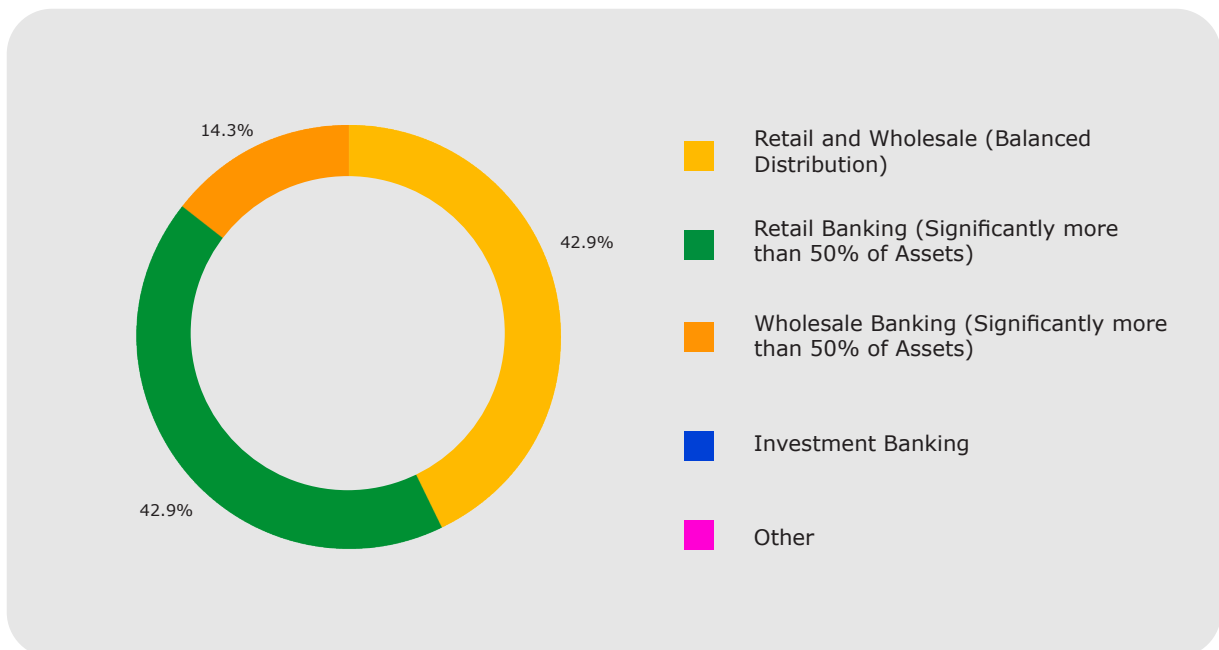


## Group 6: Sub-Saharan Africa

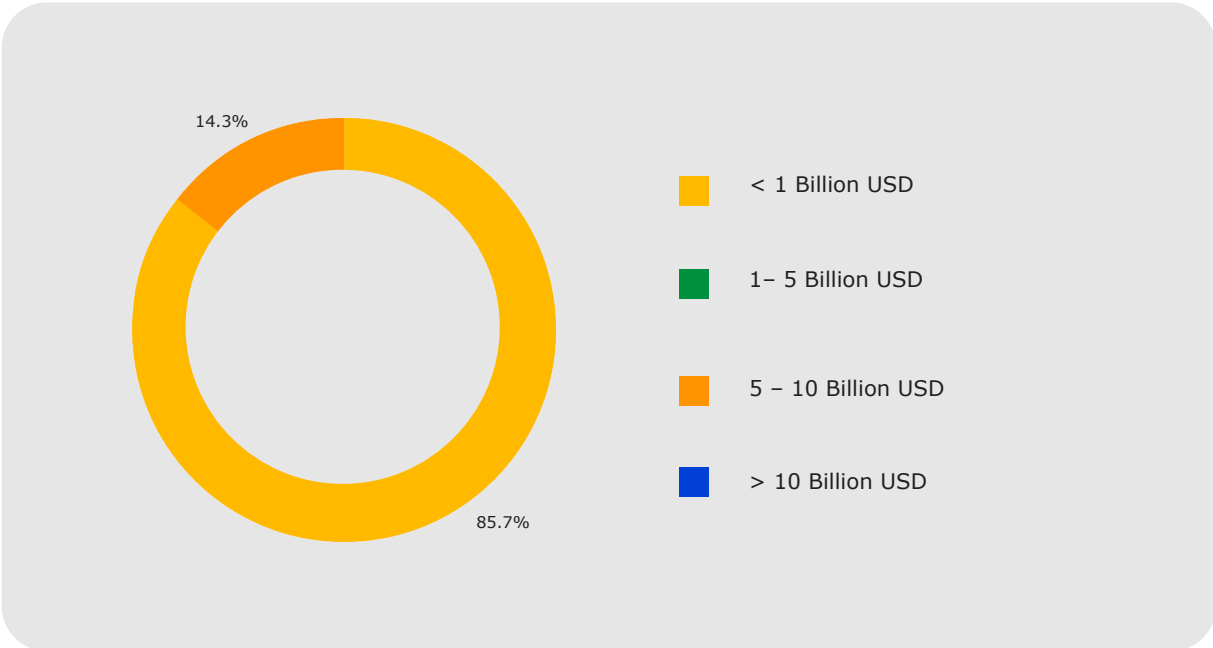
**Figure 1. Type of Islamic Banking Operation**



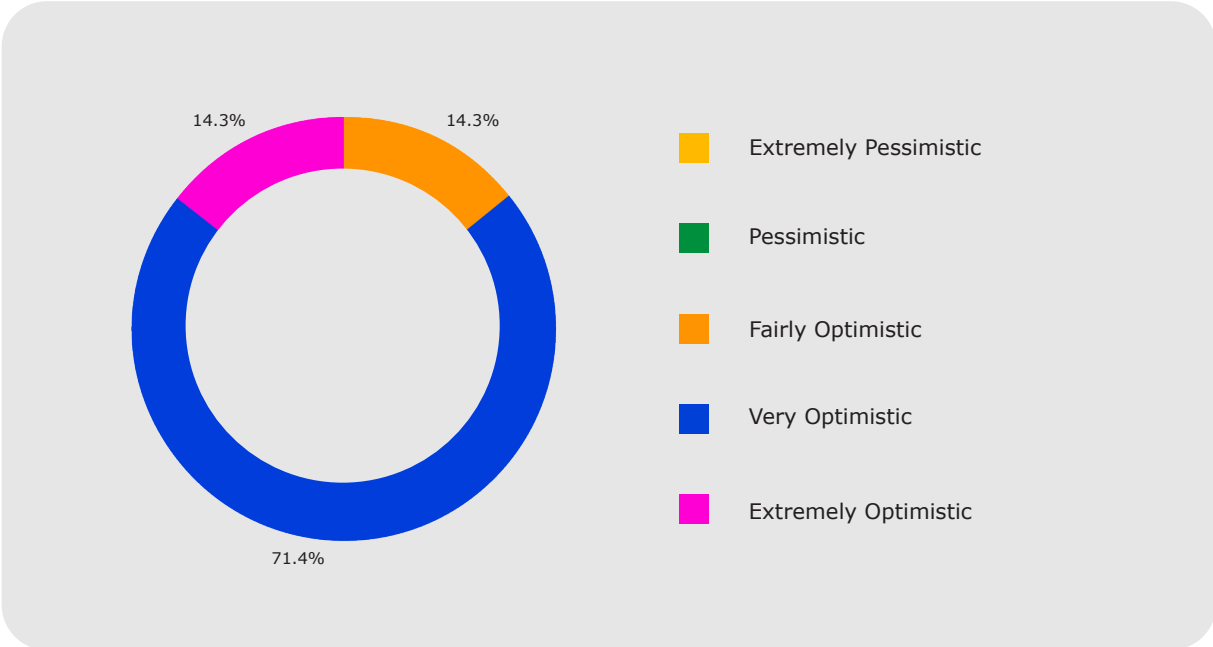
**Figure 2. Core Business**



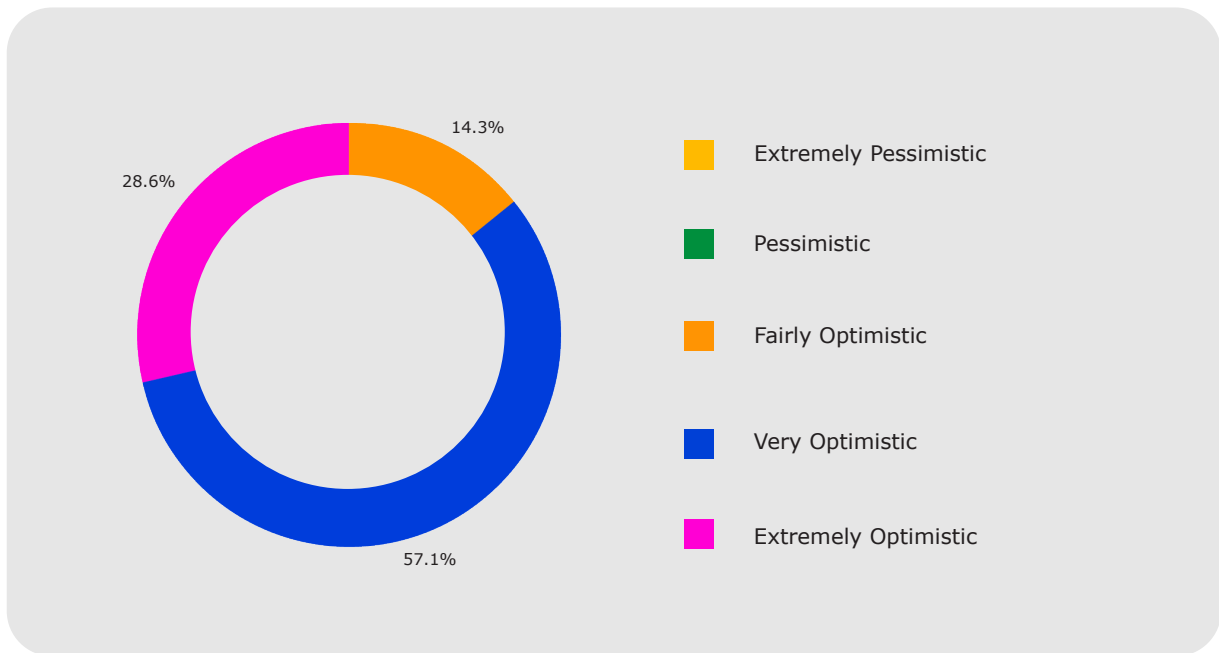
**Figure 3. Size of Total Islamic Assets**



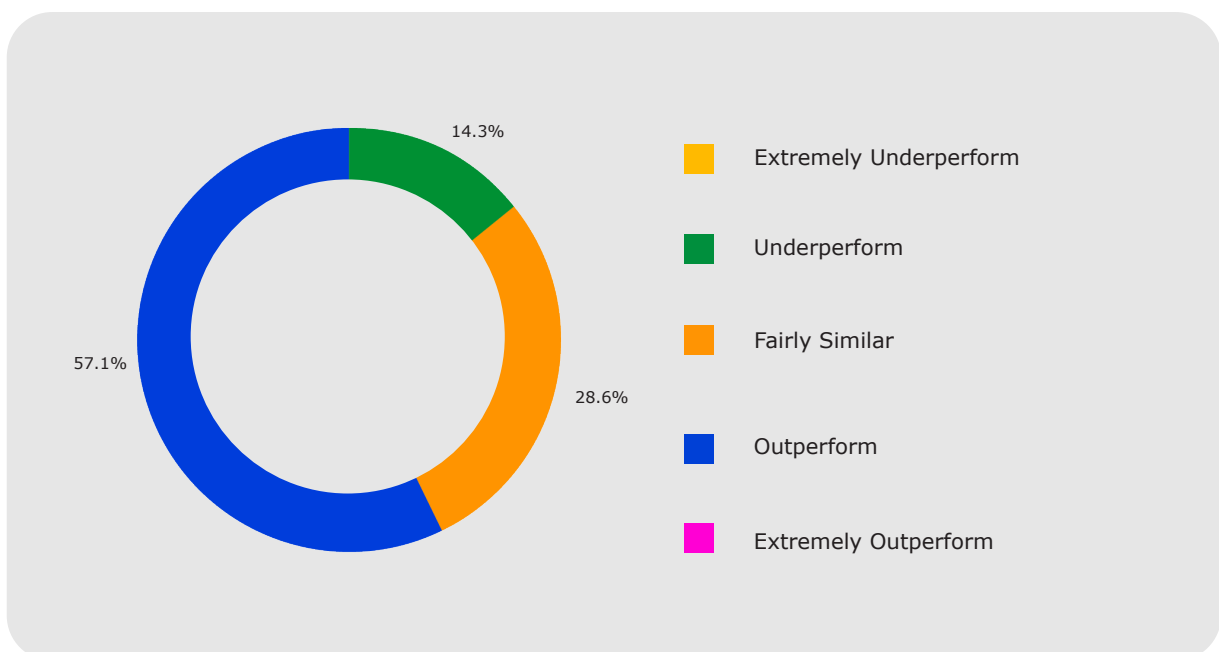
**Figure 4. Overall Banking Industry Optimism Level**



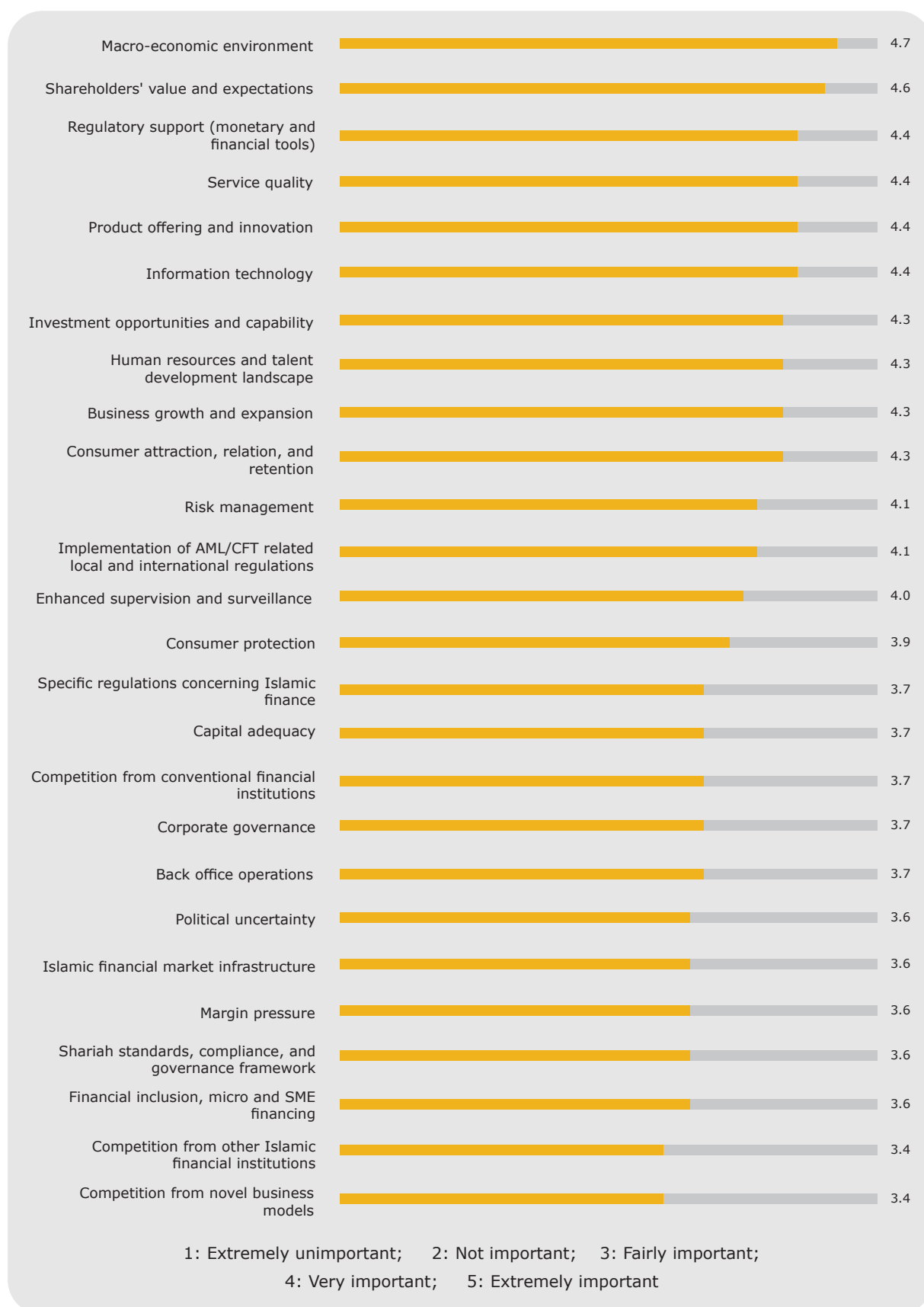
**Figure 5. Islamic Banking Industry Optimism Level**



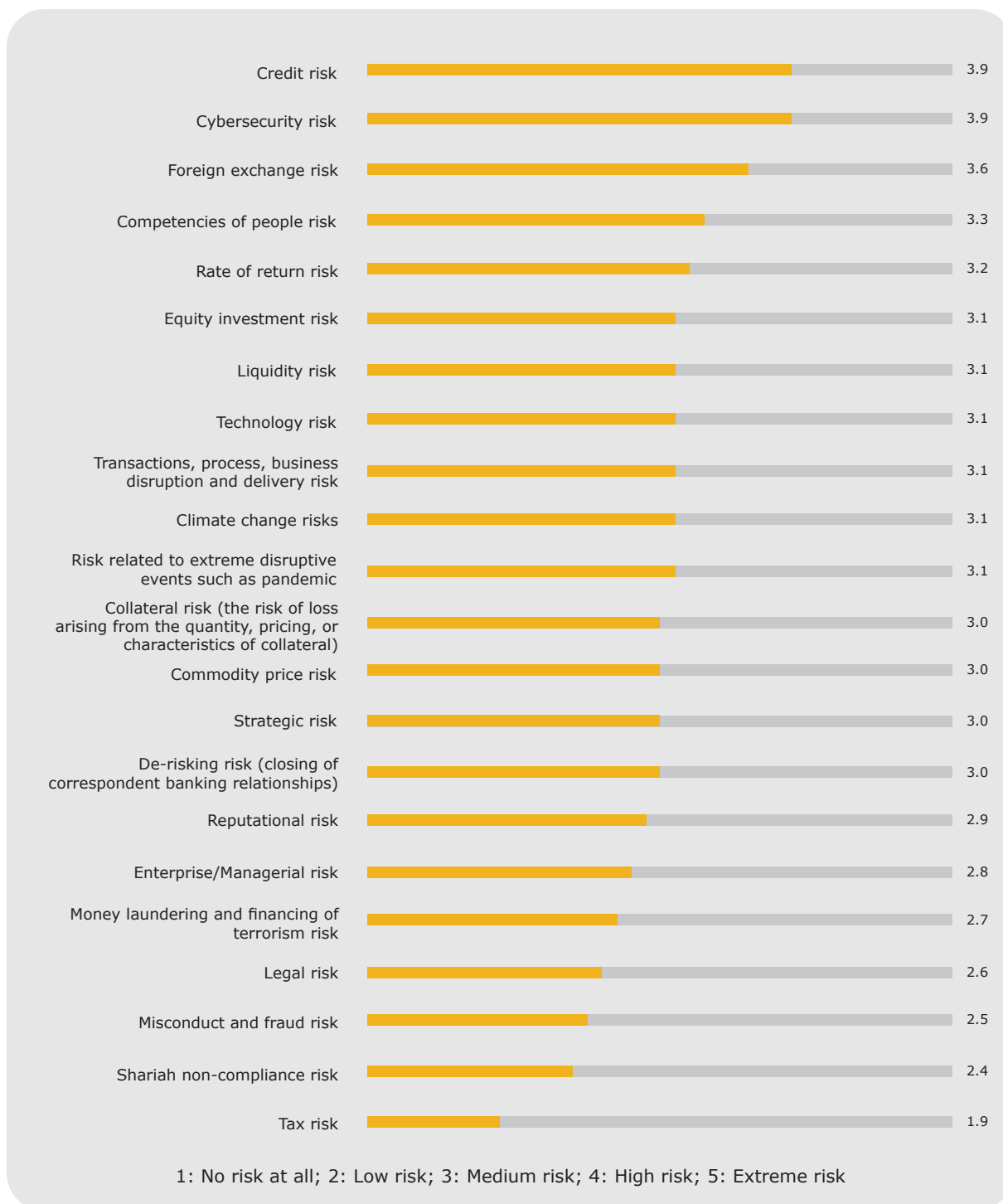
**Figure 6. Expectations of Islamic Banking Revenue Growth Compared to Conventional Banking**



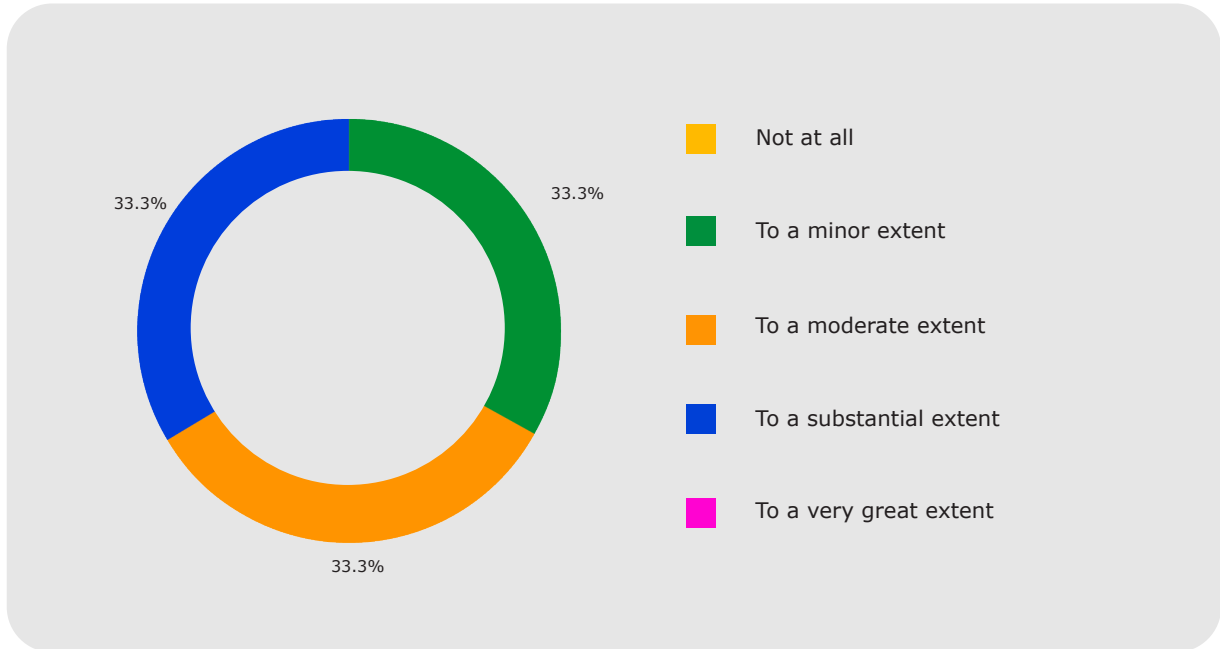
**Figure 7. Islamic Banking Top Concerns**



**Figure 8. Islamic Banking Risk Dashboard**

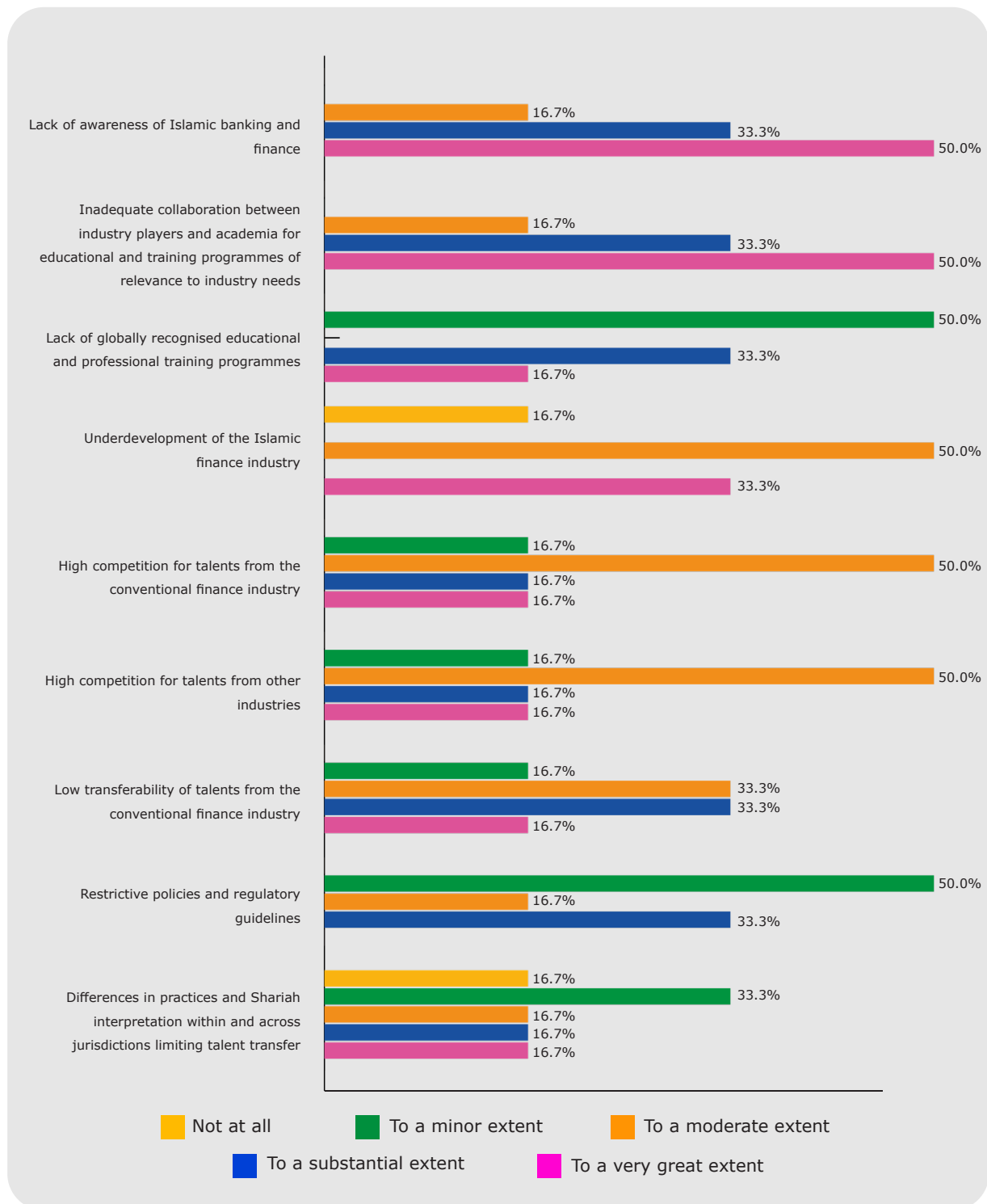


**Figure 9. Talent Availability to the Islamic Finance Industry**

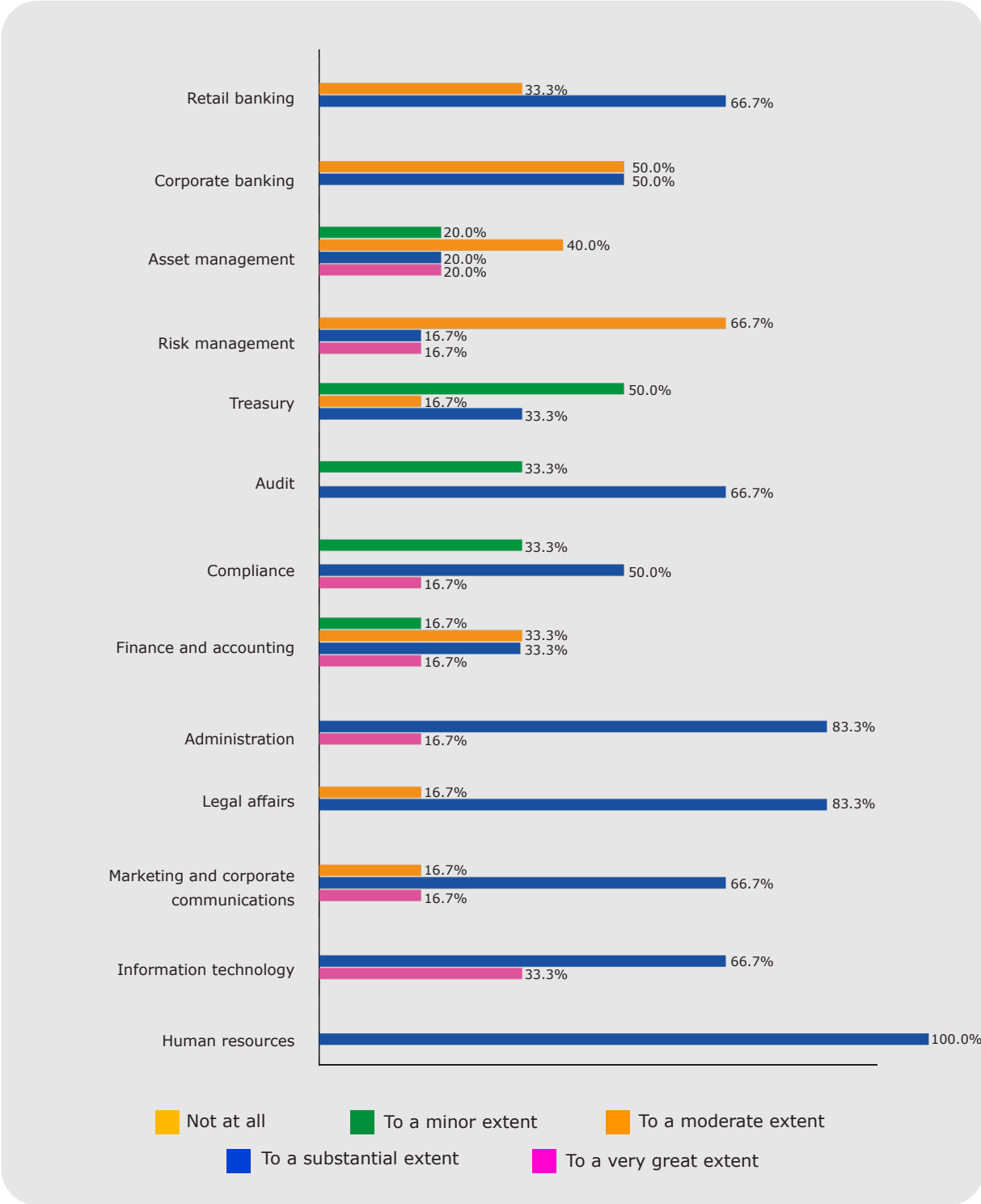




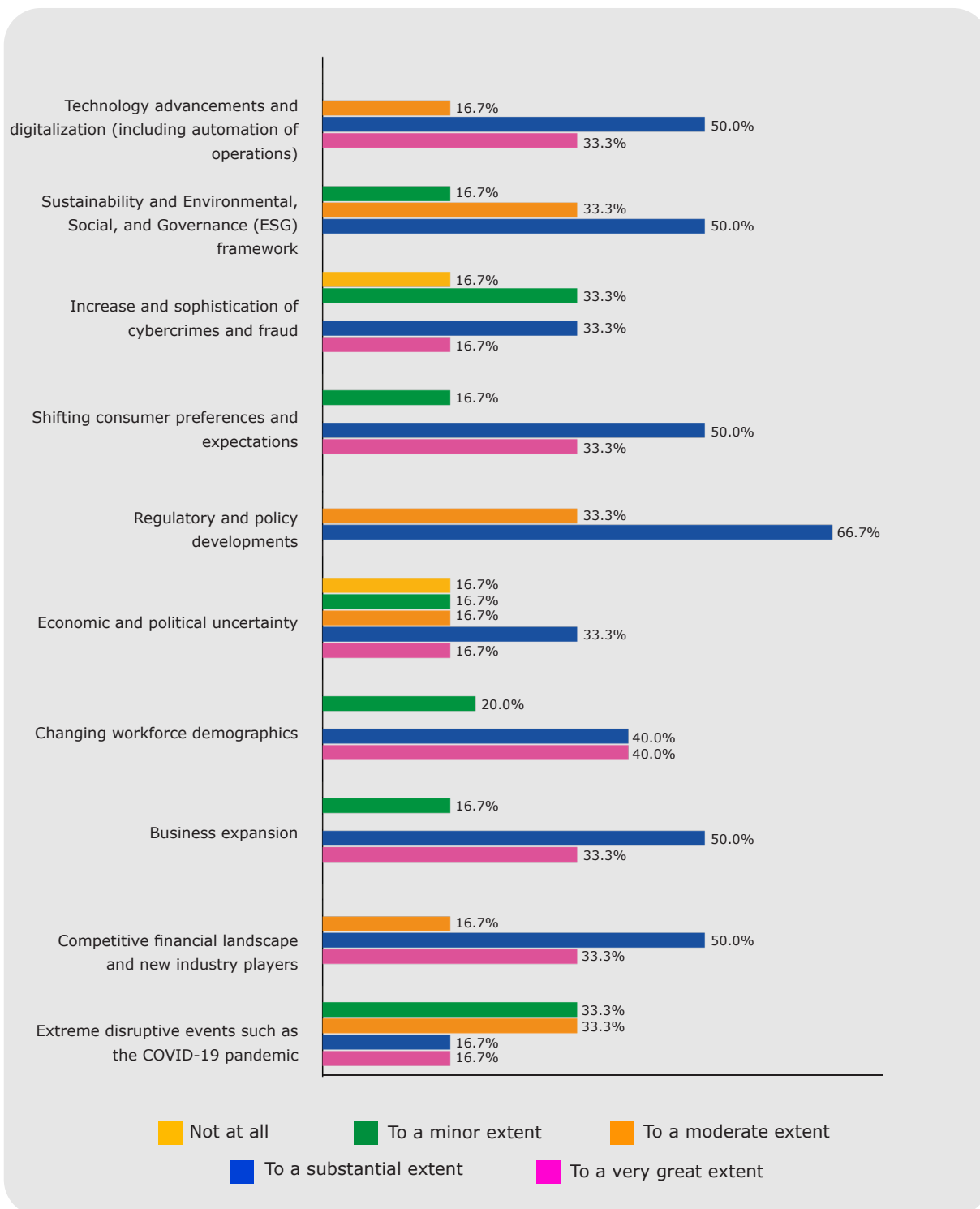
**Figure 10. Challenges to the Availability of Talent in Islamic Finance**



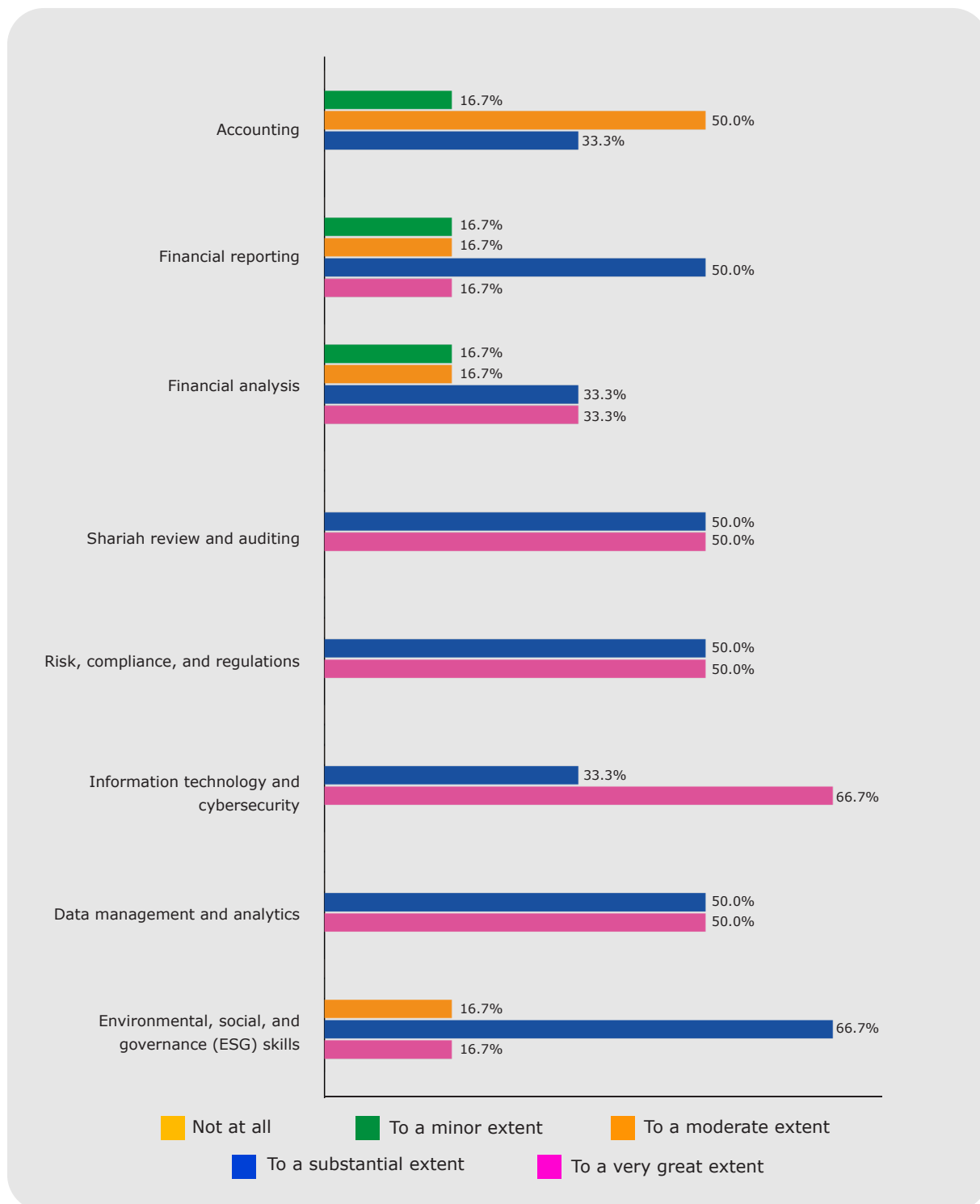
**Figure 11. Ease of Transferability of Talents from Functions in Conventional Banks to Islamic Banks**



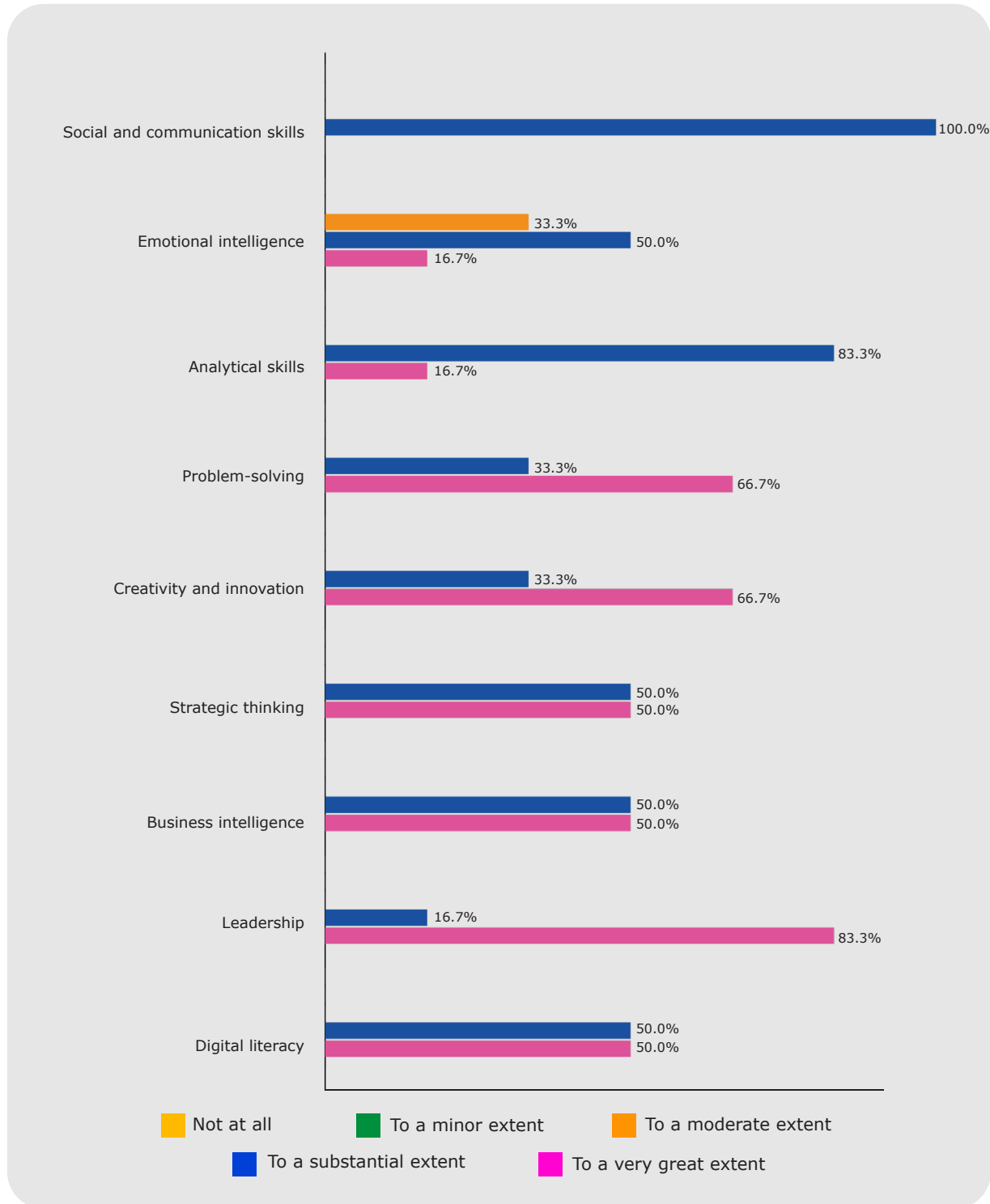
**Figure 12. Trends Impacting the Talent and Skill Needs in the Islamic Banking Industry**



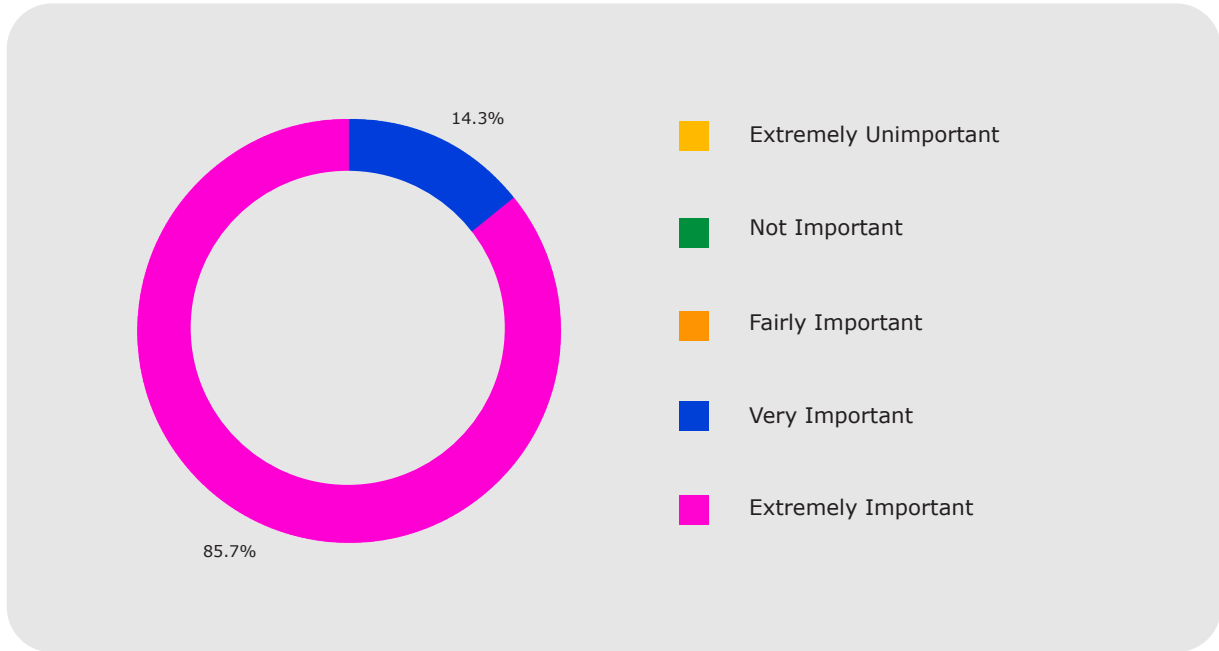
**Figure 13. Technical Skills Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



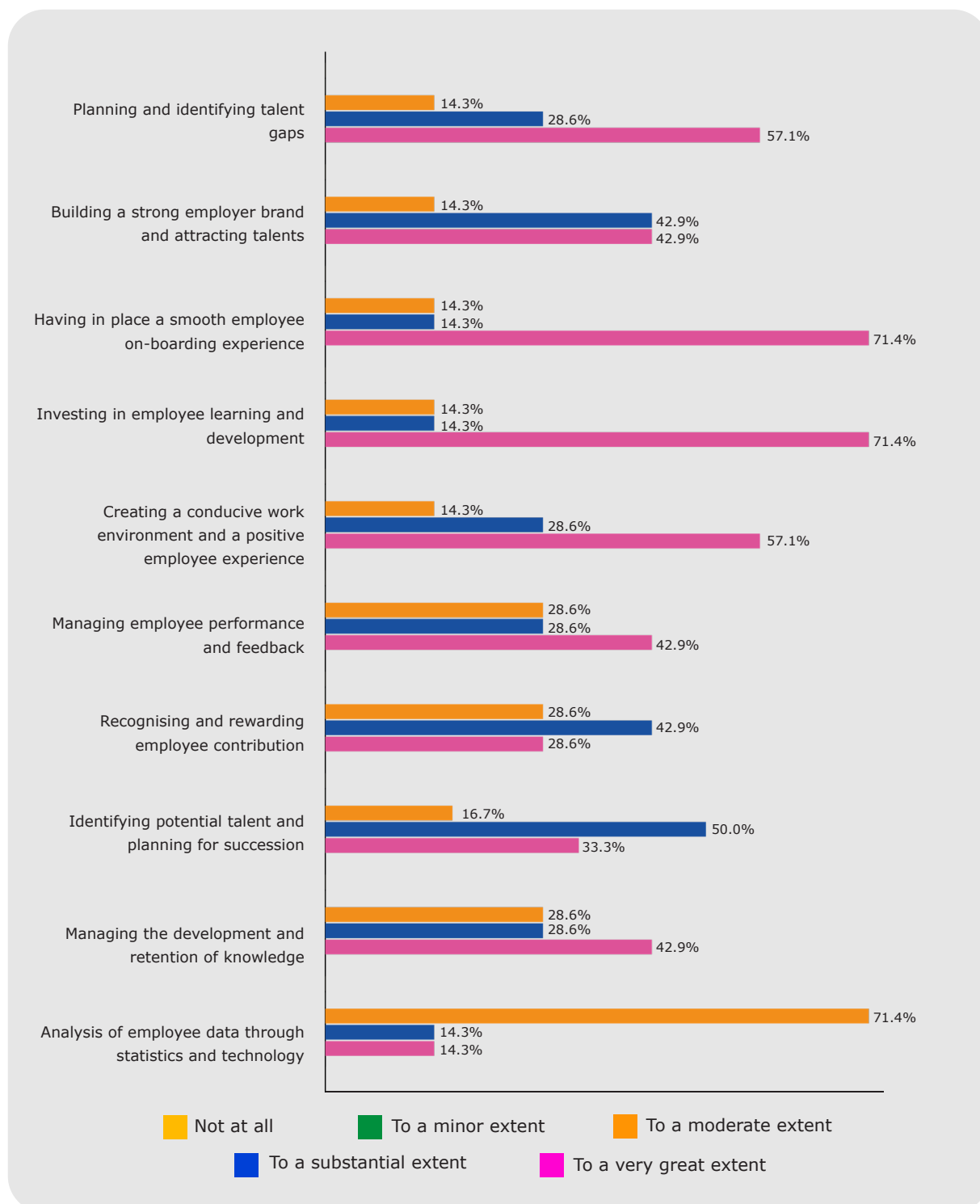
**Figure 14. Personal Traits Mostly in Demand by Islamic Banks in the Next 3 – 5 years**



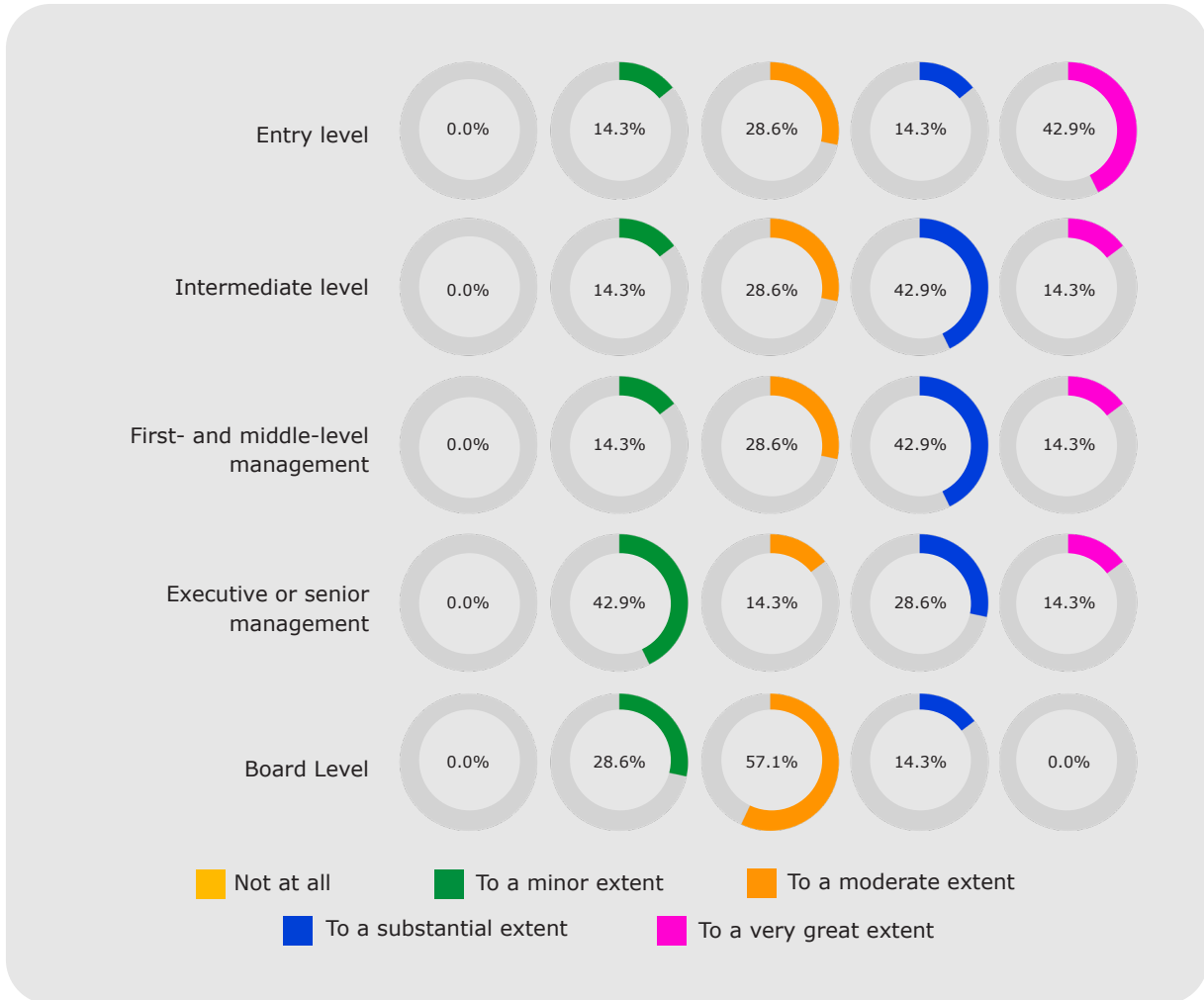
**Figure 15. Islamic Banks' Views on the Importance of Attracting, Developing, and Retaining the Right Talents for Performance**



**Figure 16. Priorities of Talent Management in Islamic Banks**

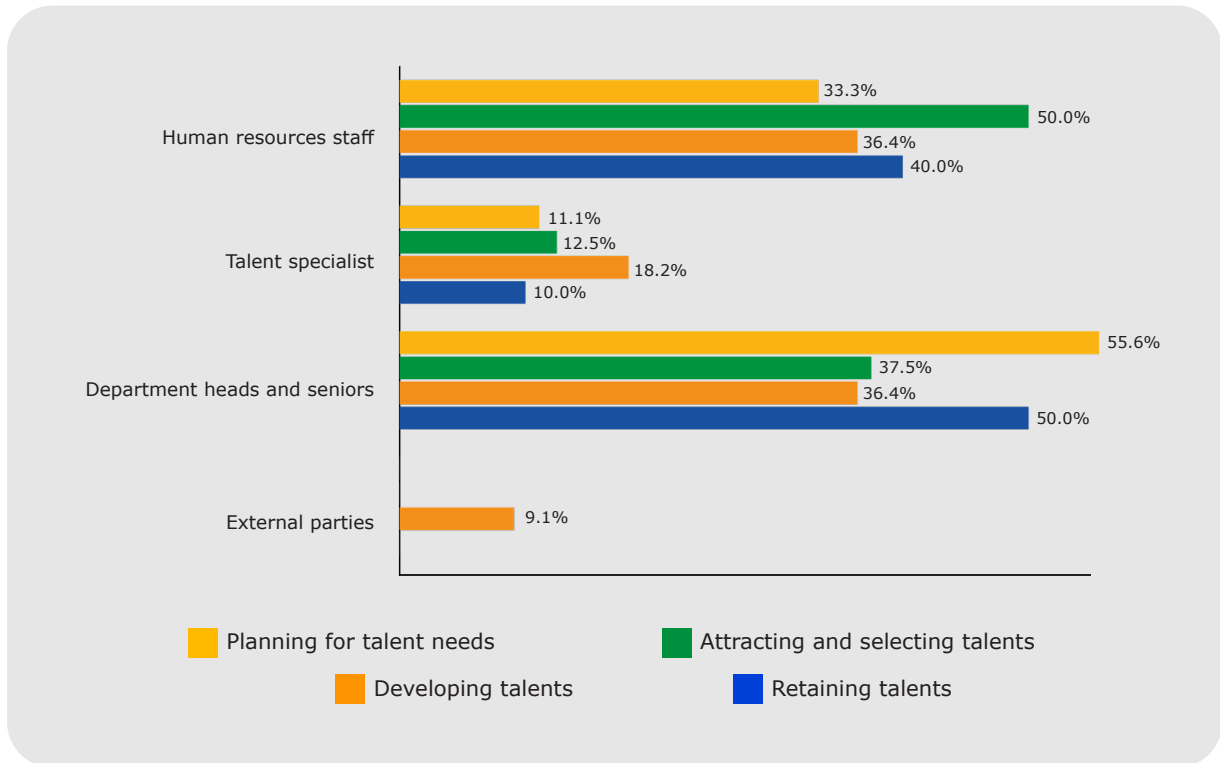


**Figure 17. Job Levels Targeted in Talent Attraction, Development, and Retention**

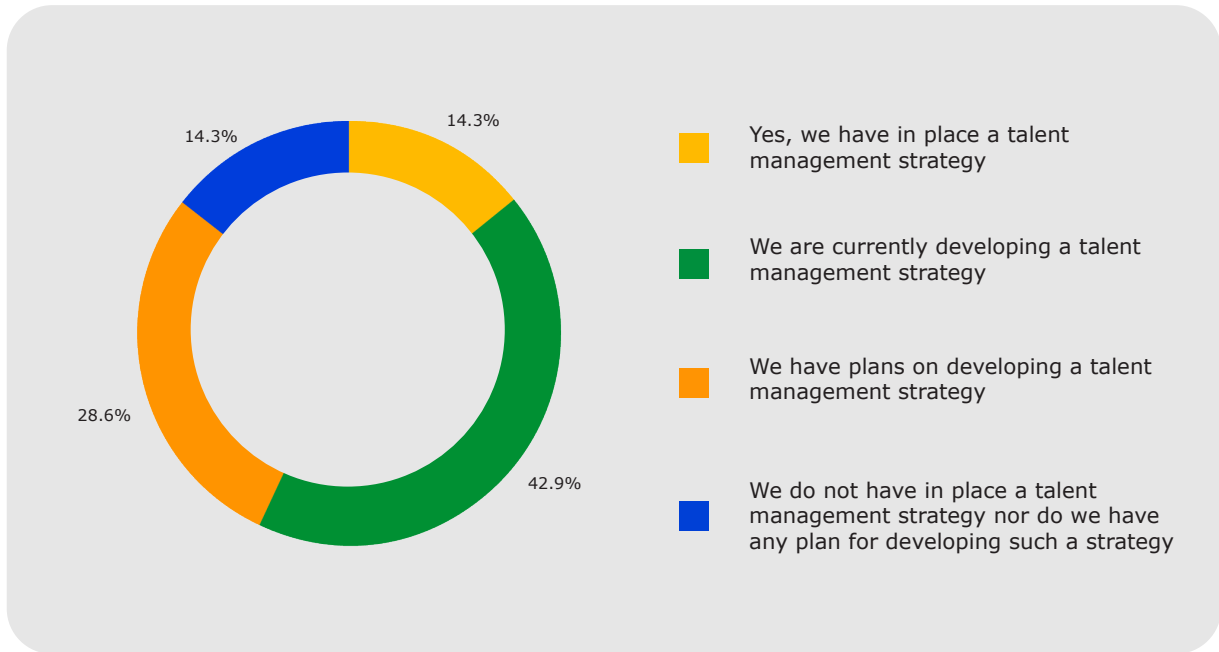




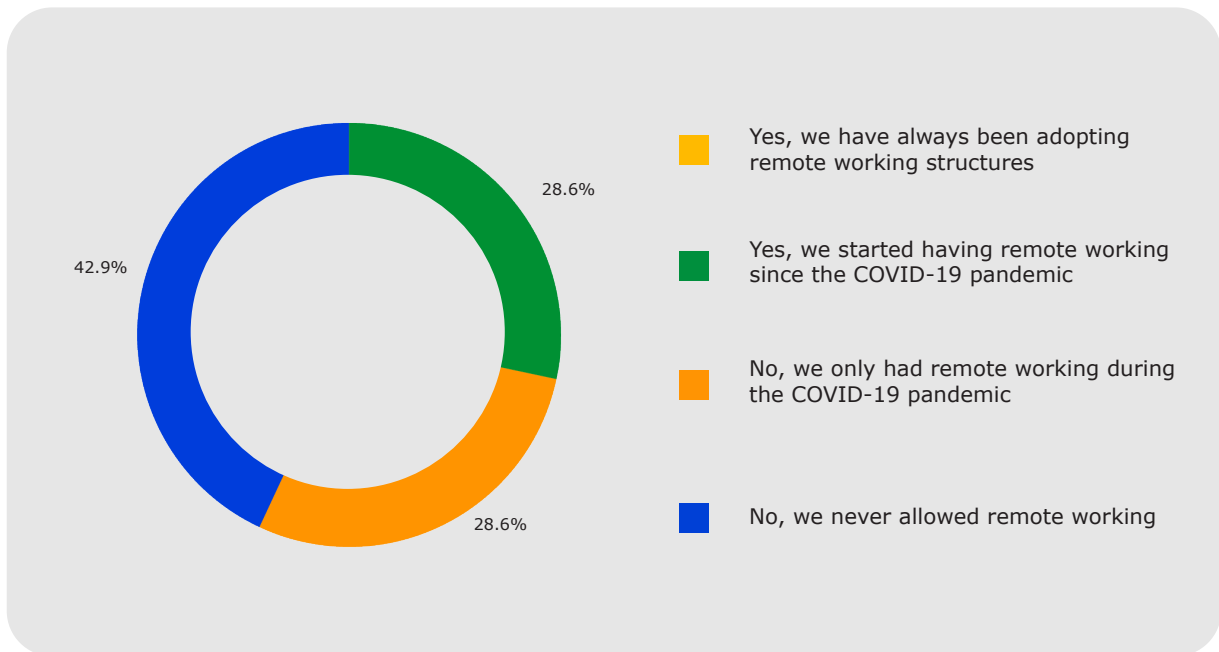
**Figure 18. Functions Responsible for Talent Management Stages in Islamic Banks**



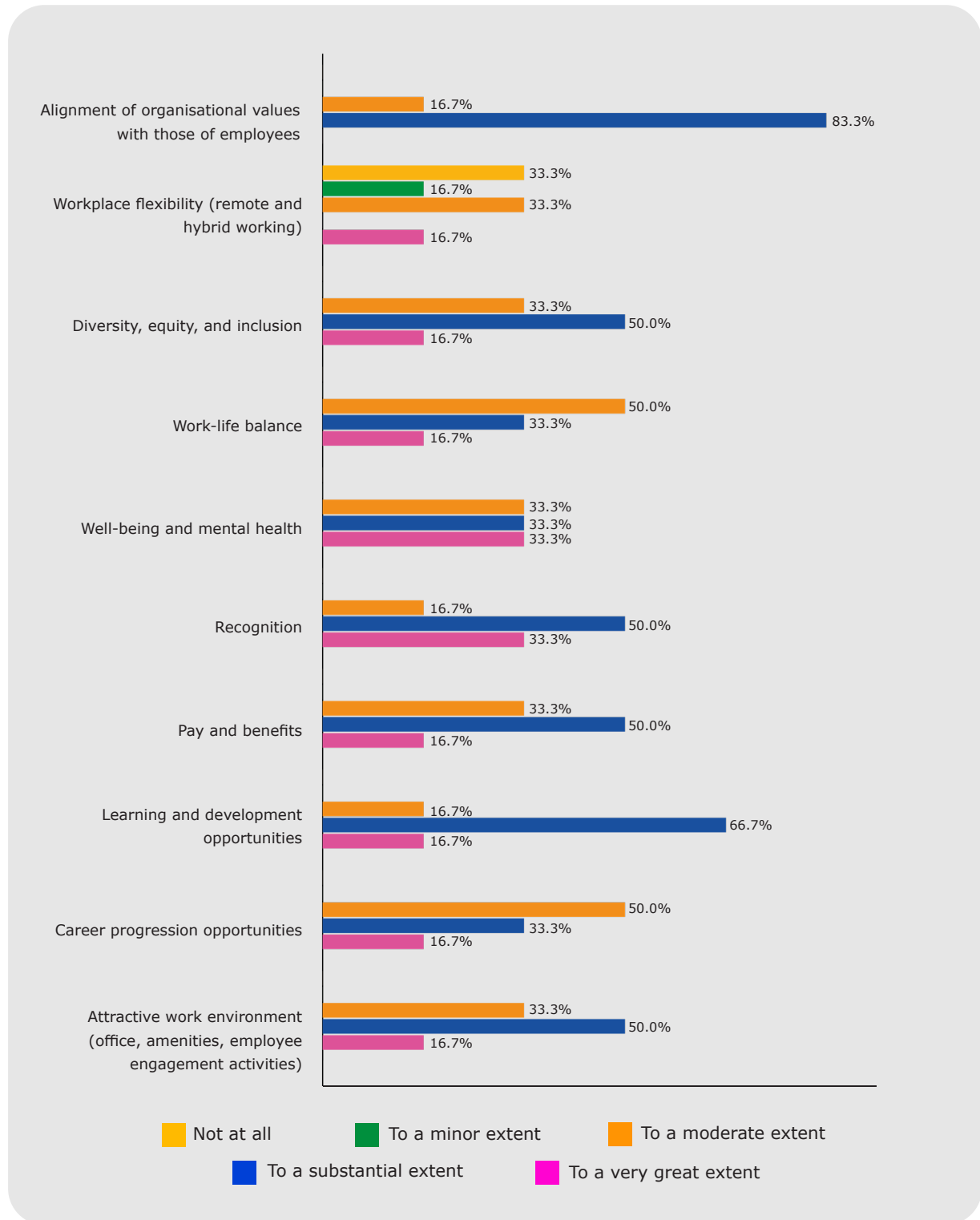
**Figure 19. Stage of Implementation of a Formulated Strategy Articulating Talent Management with Business Goals**



**Figure 20. Adoption of Remote Working in Islamic Banks**



**Figure 21. Aspects Important for Attracting and Retaining Talents in Islamic Banks Post COVID-19**



## Group 7: Europe and Türkiye

Figure 1. Type of Islamic Banking Operation

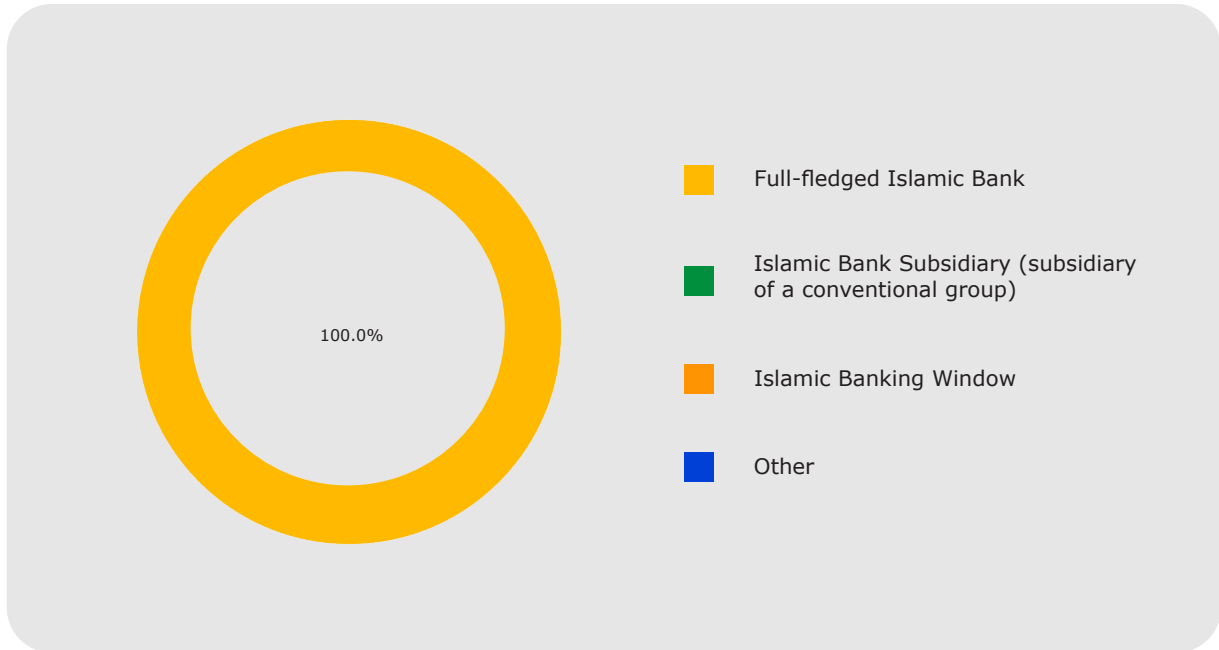
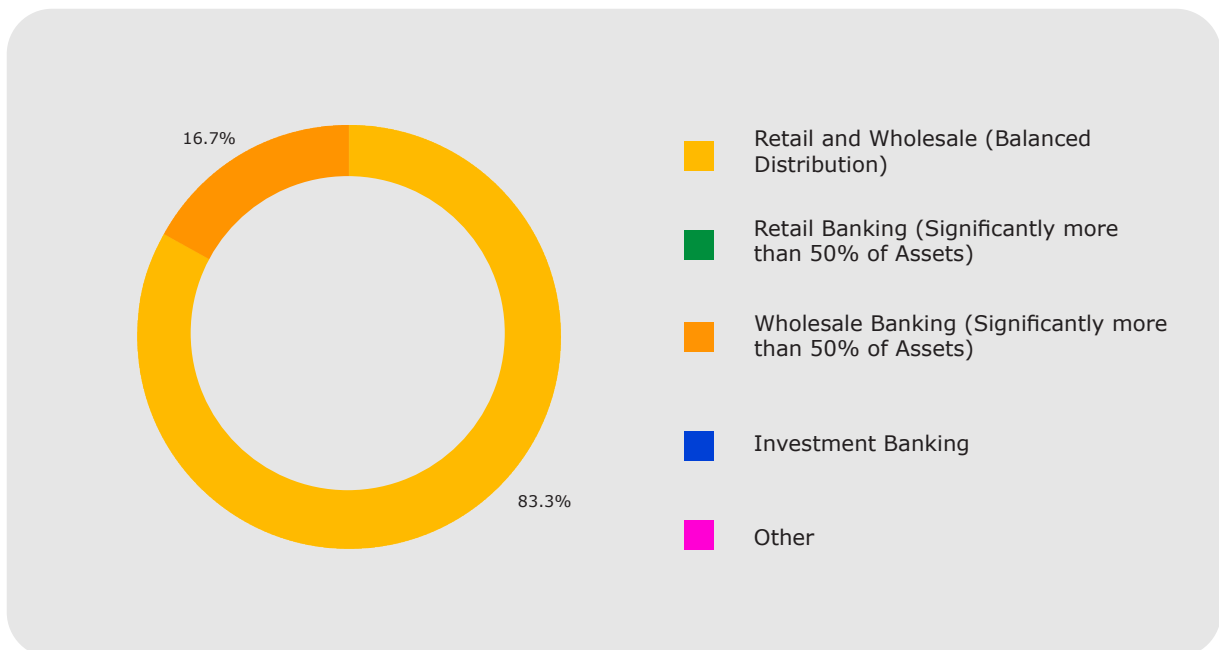
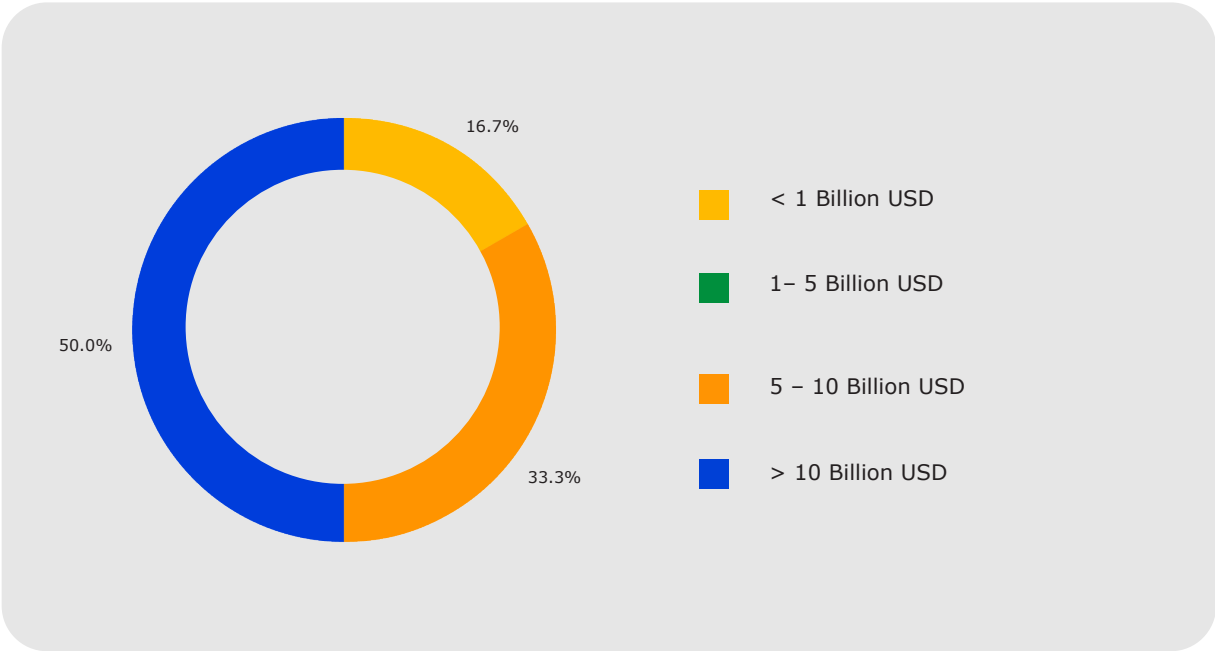


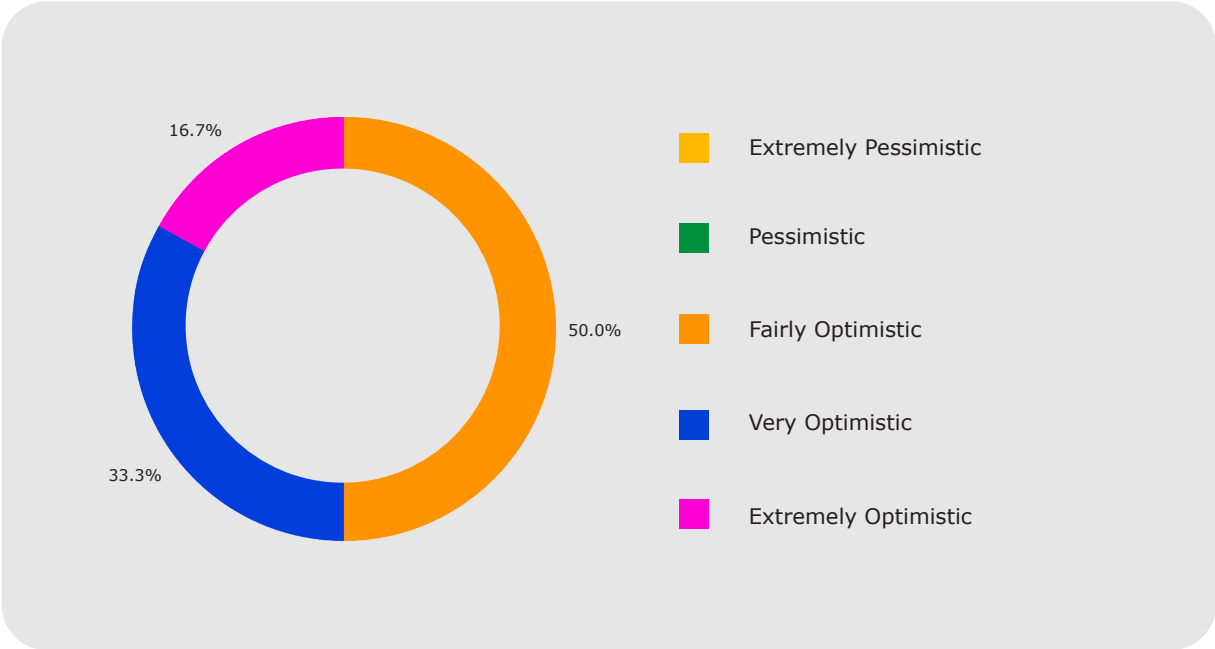
Figure 2. Core Business



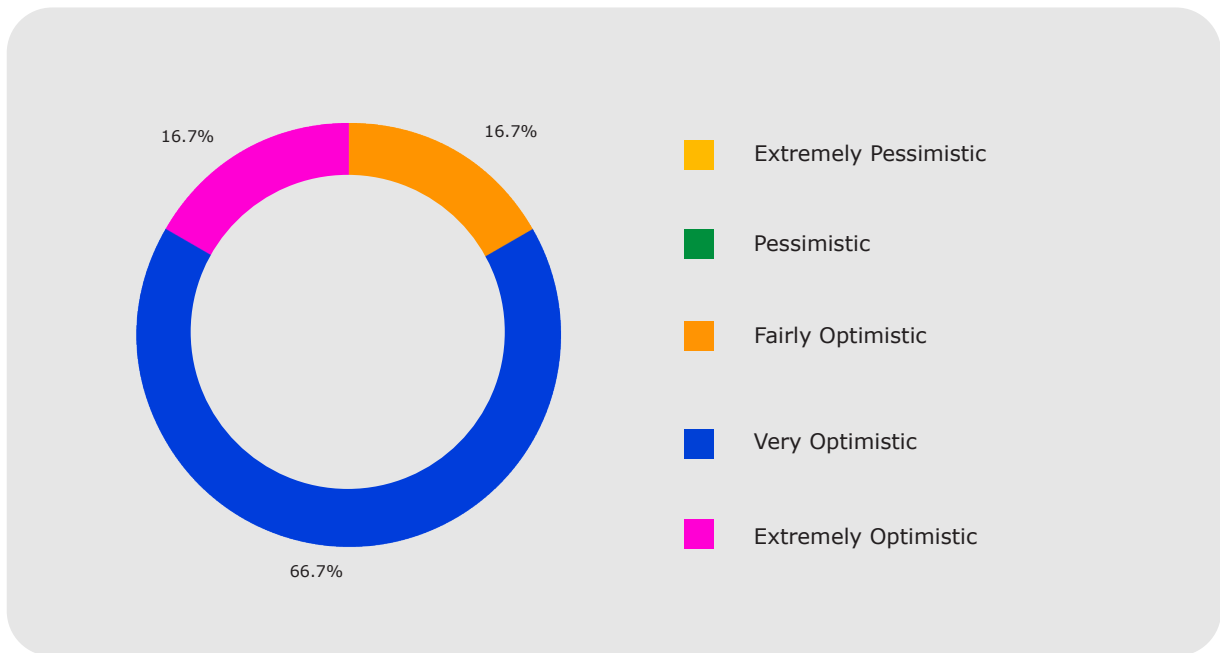
**Figure 3. Size of Total Islamic Assets**



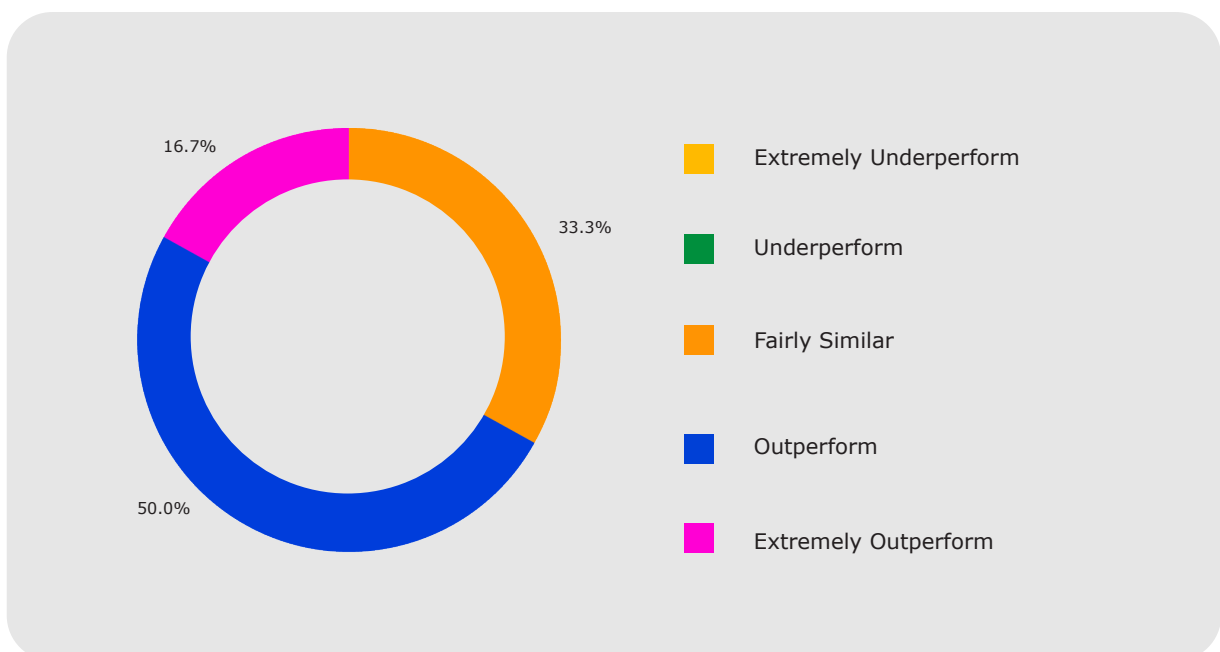
**Figure 4. Overall Banking Industry Optimism Level**



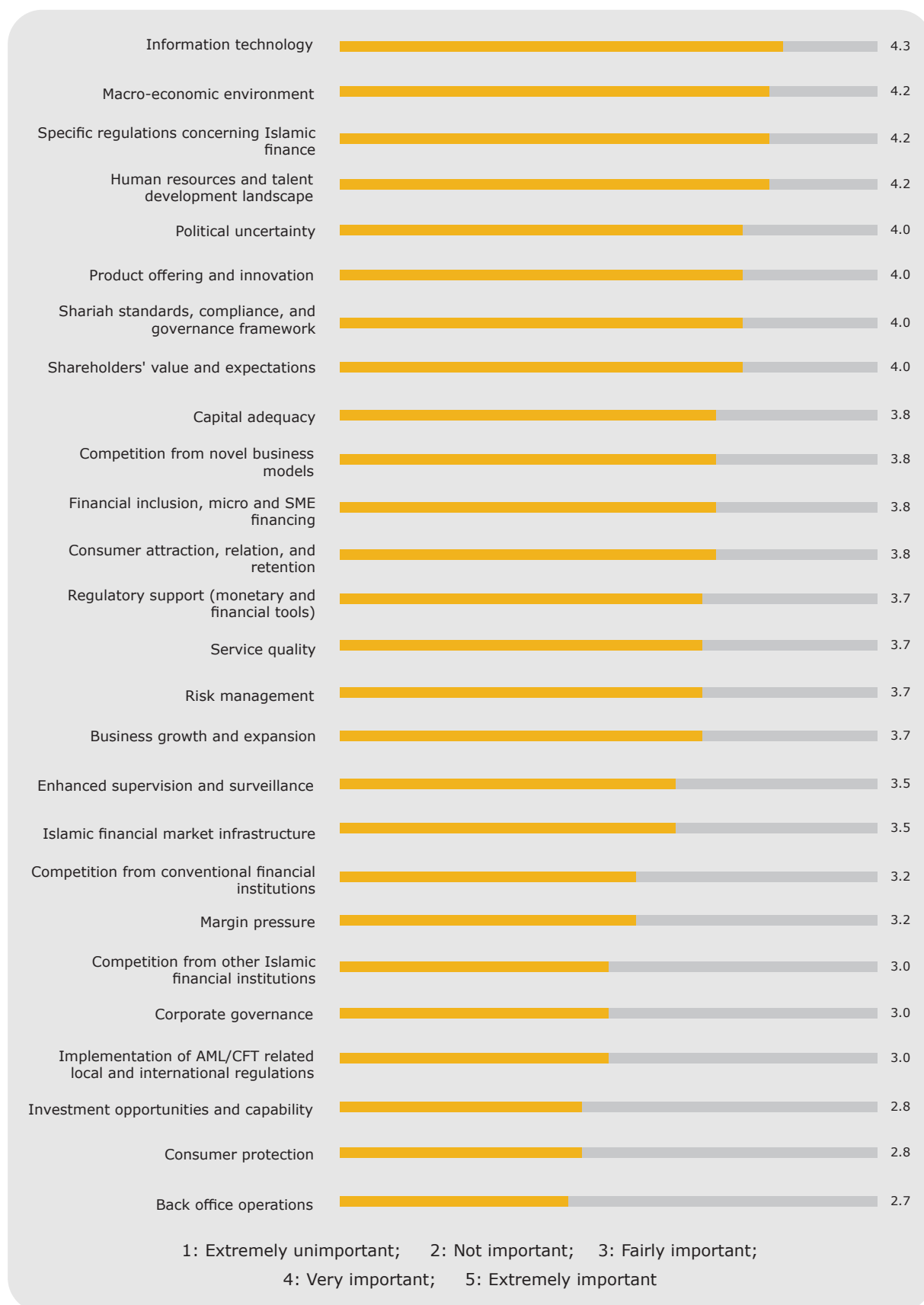
**Figure 5. Islamic Banking Industry Optimism Level**



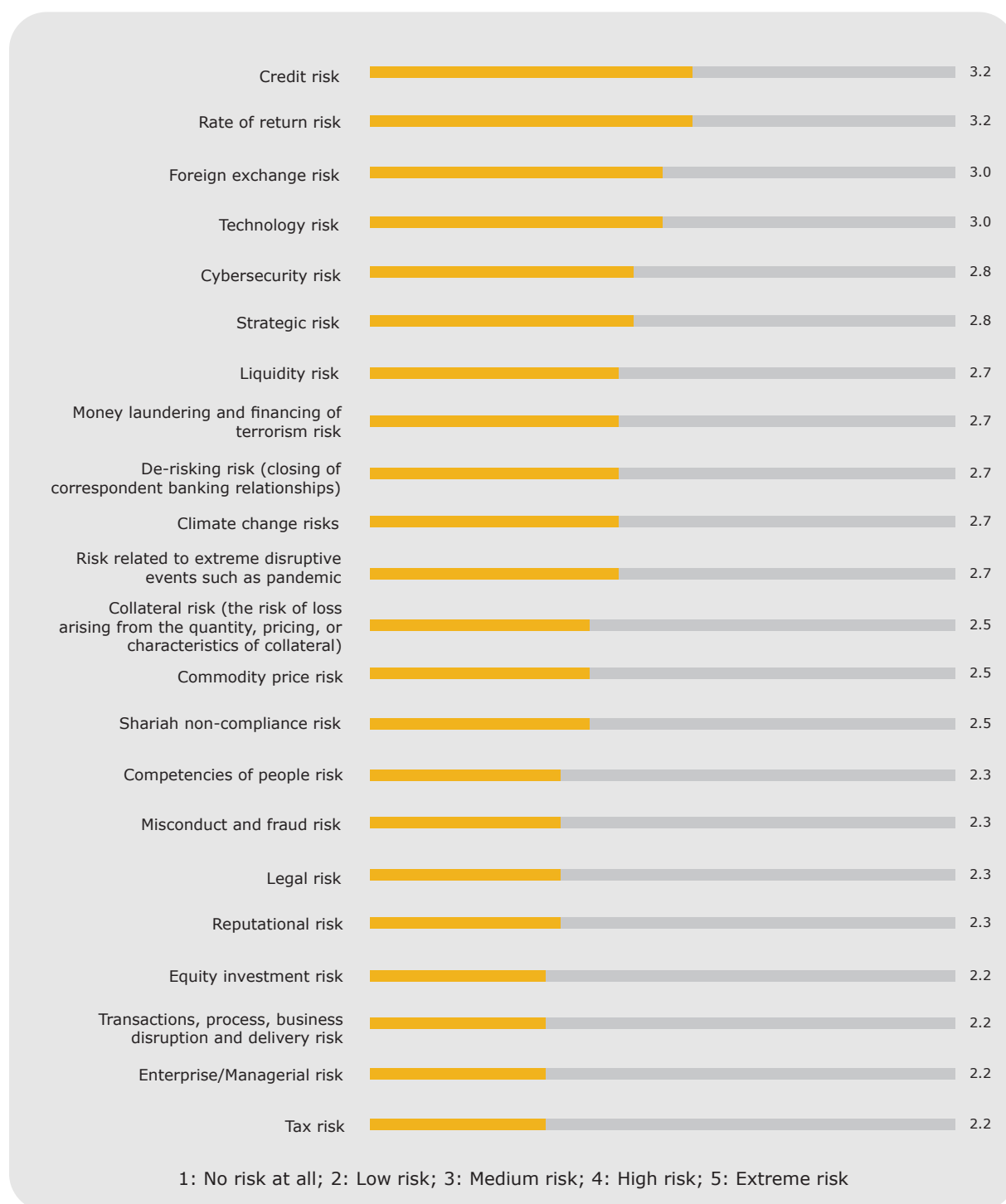
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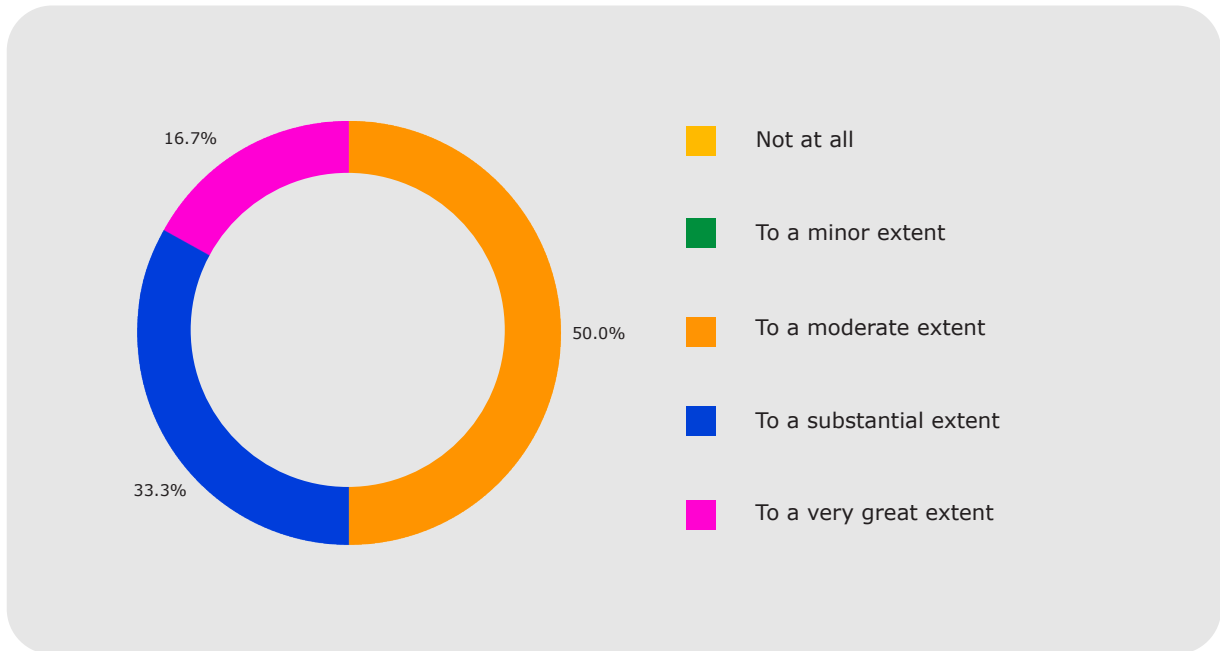


**Figure 8. Islamic Banking Risk Dashboard**

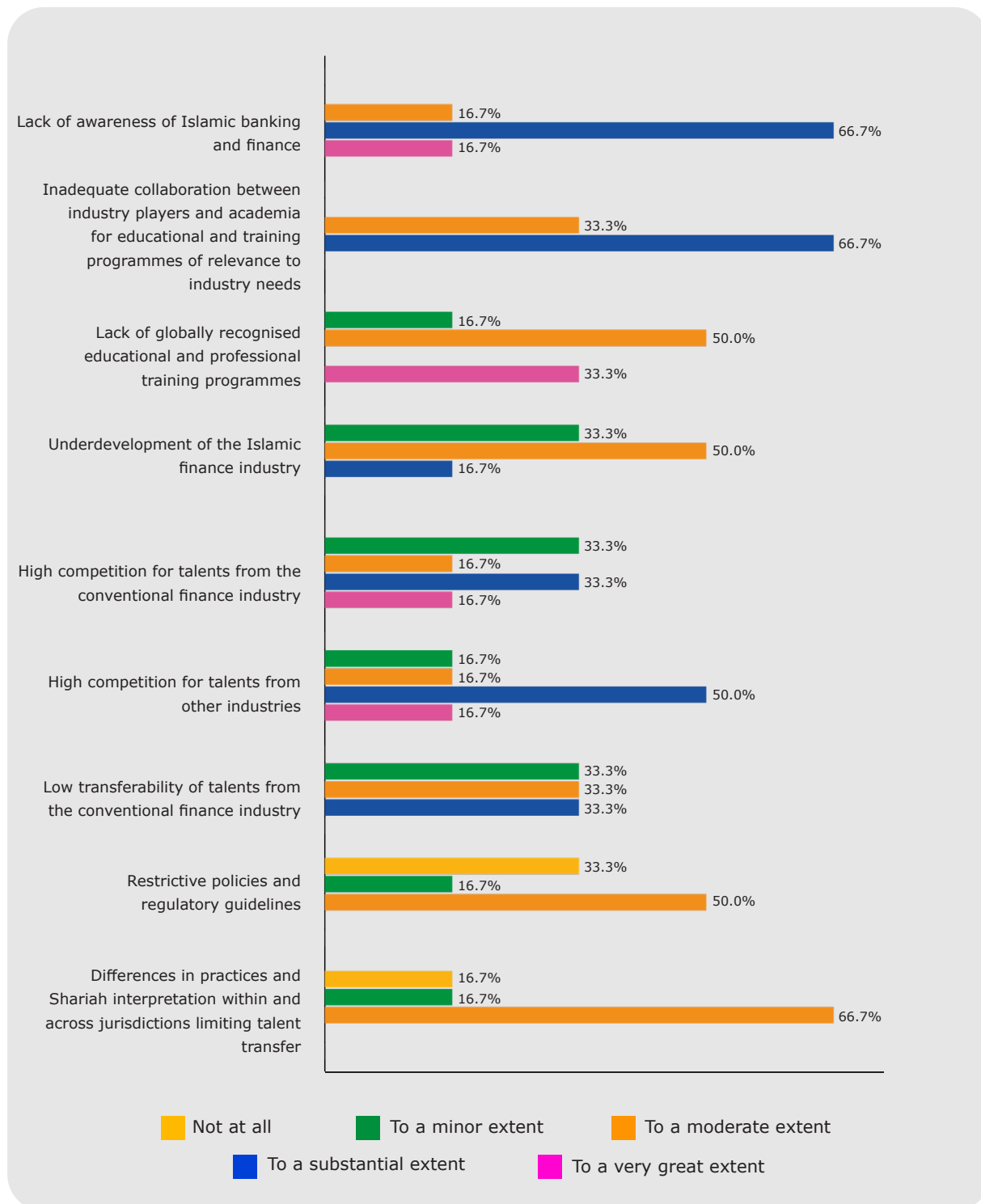




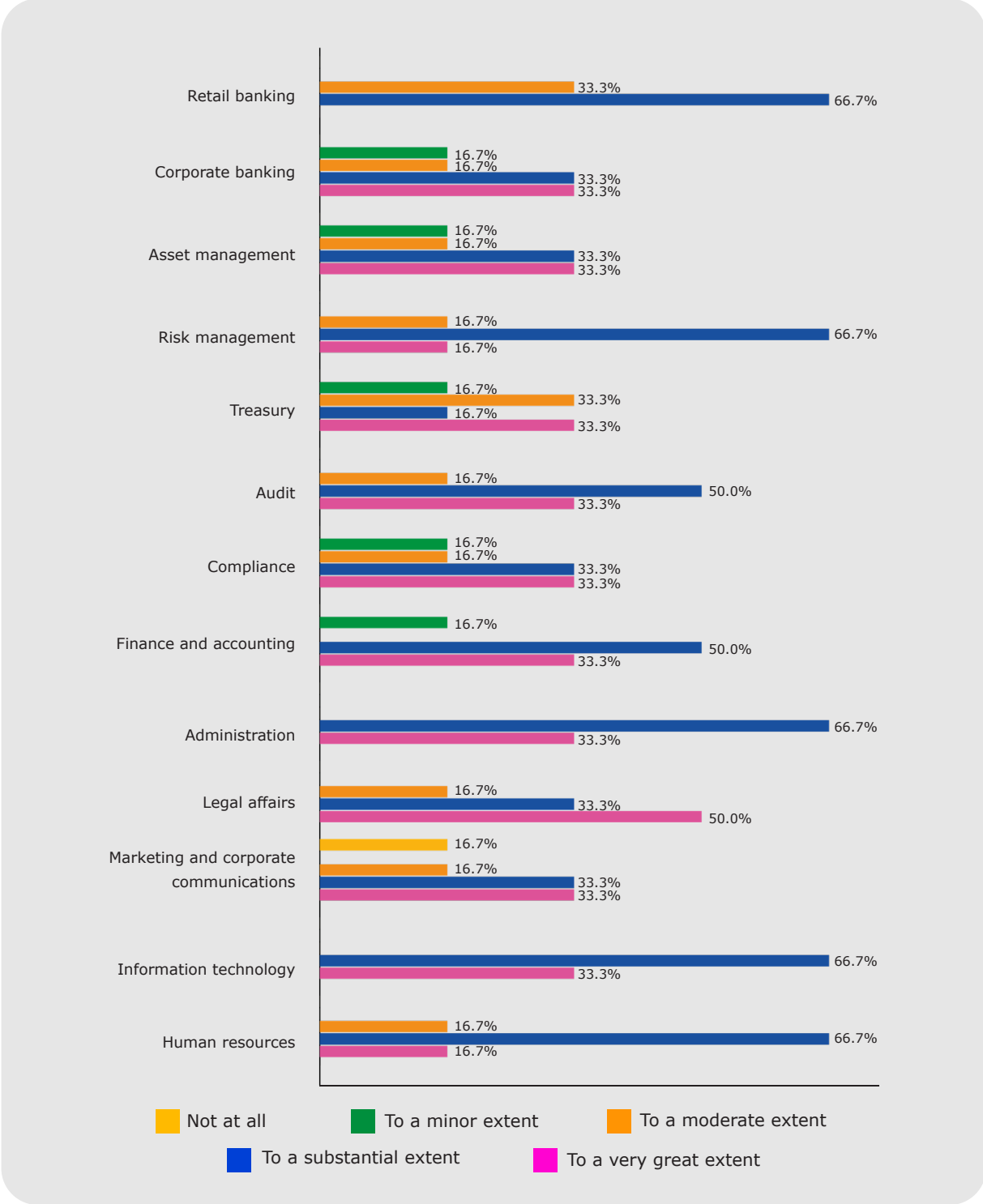
**Figure 9. Talent Availability to the Islamic Finance Industry**



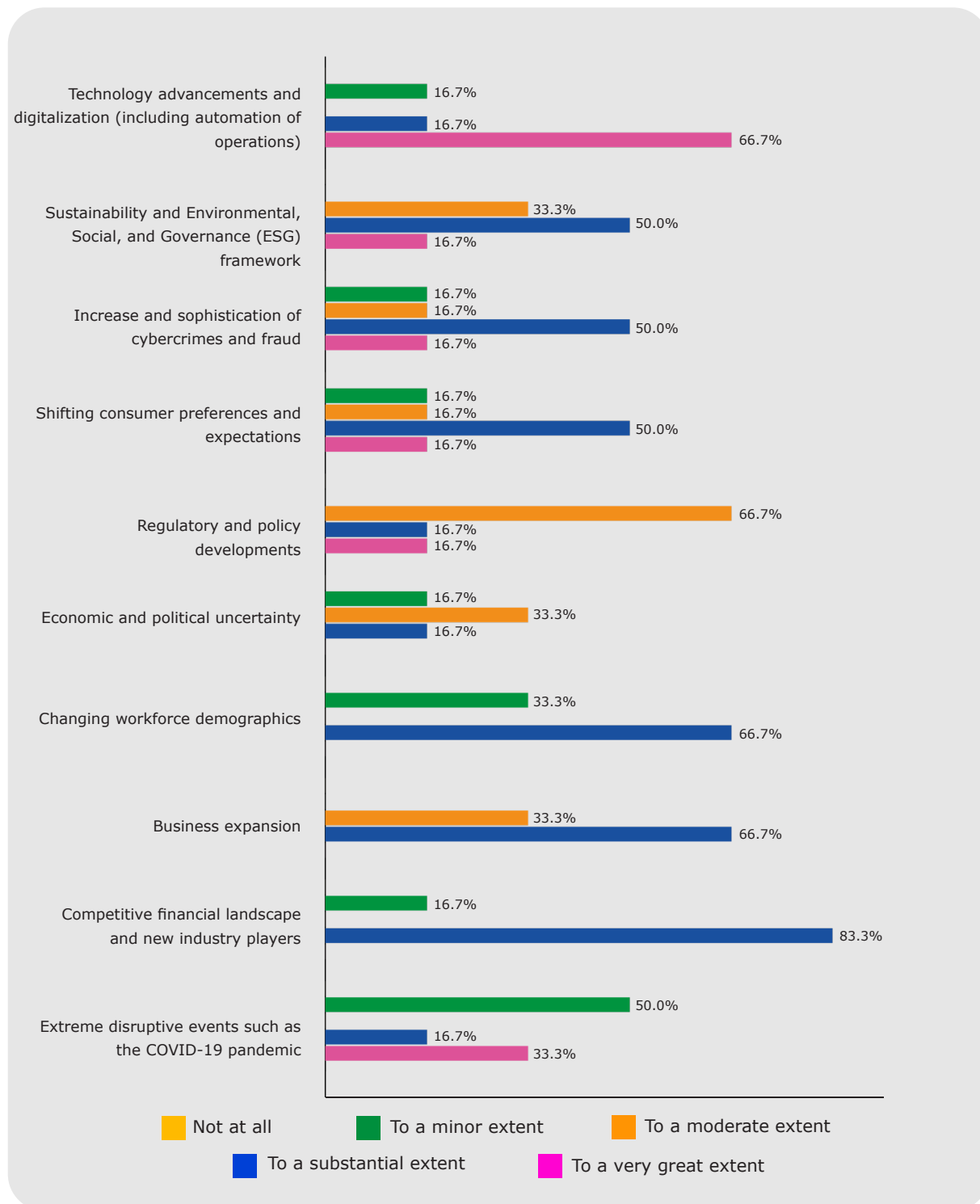
**Figure 10. Challenges to the Availability of Talent in Islamic Finance**



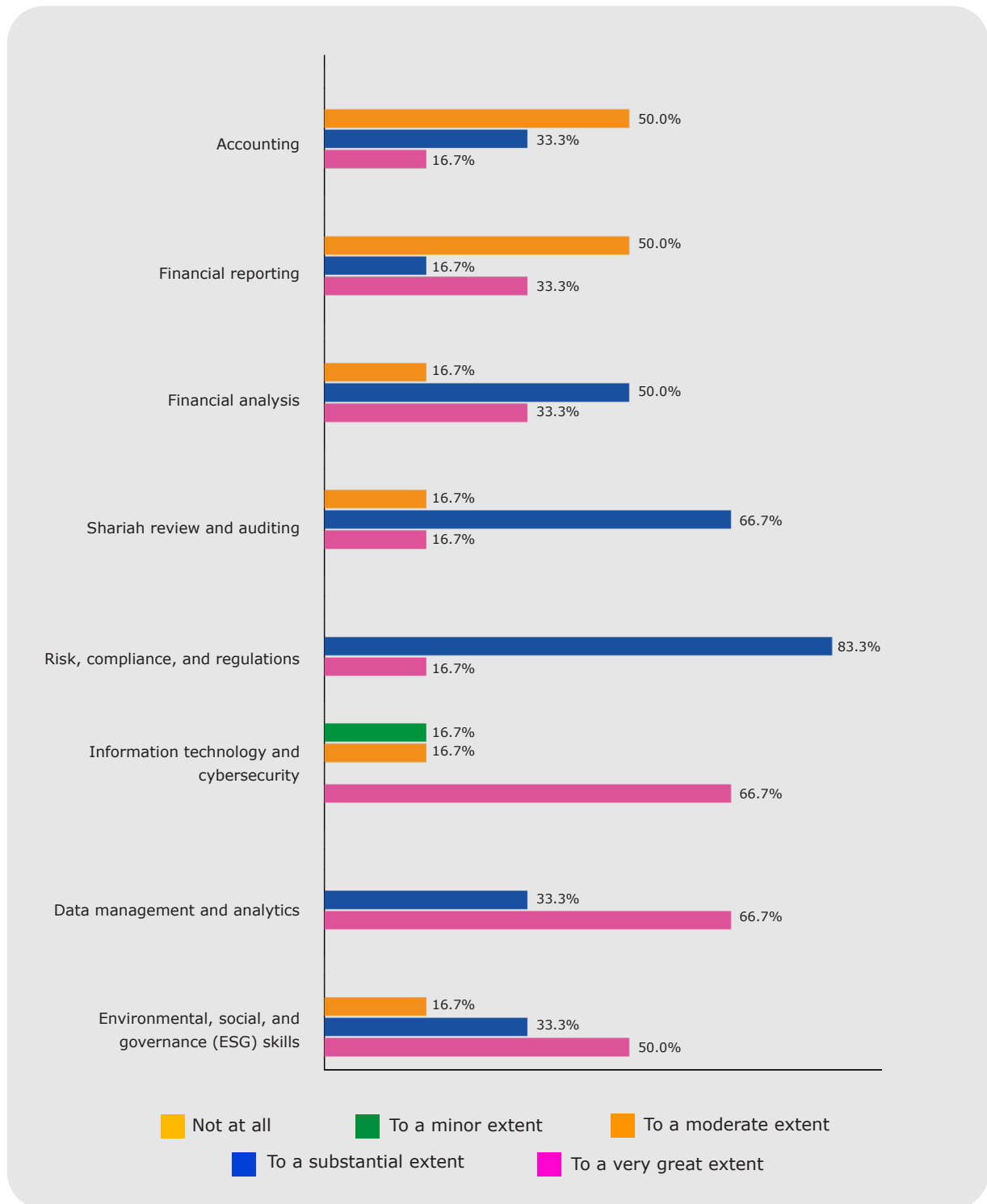
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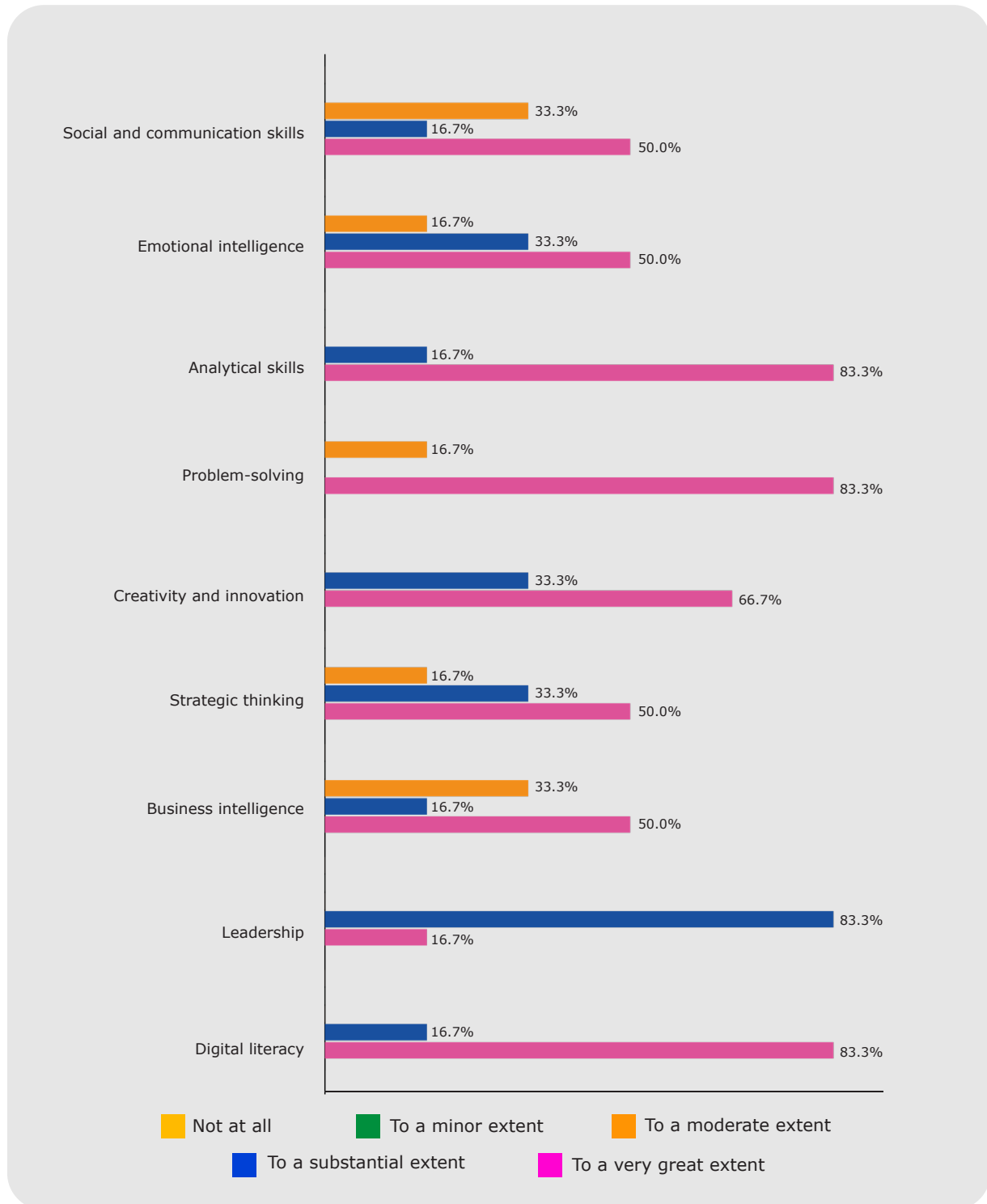
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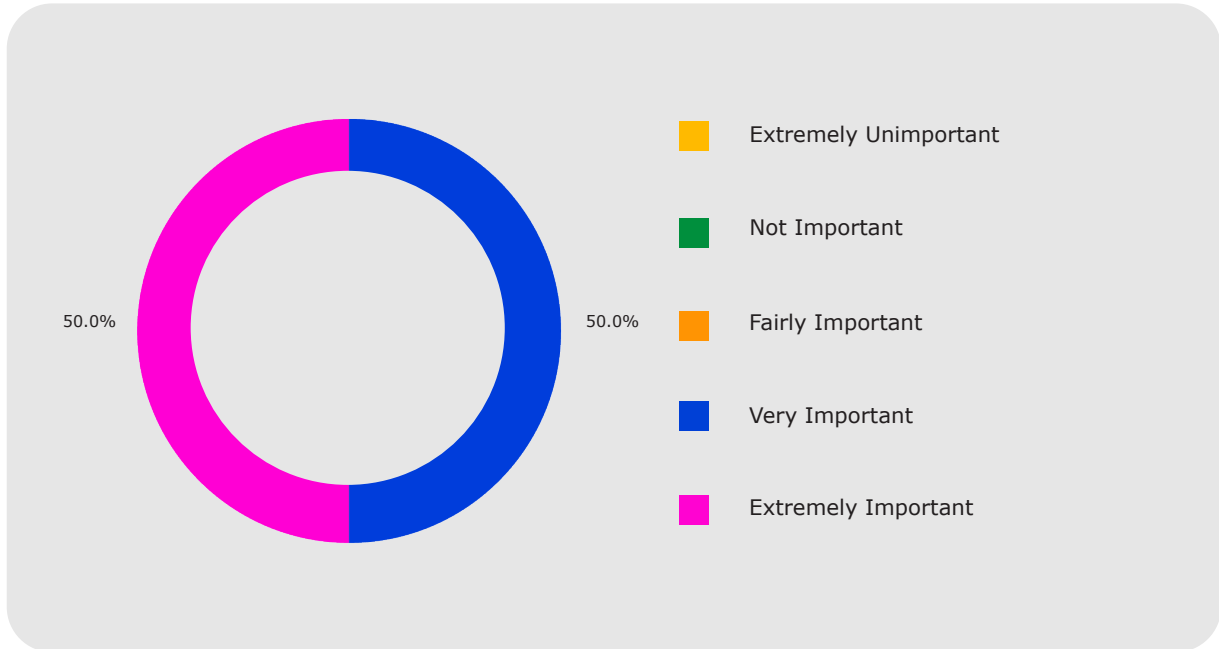
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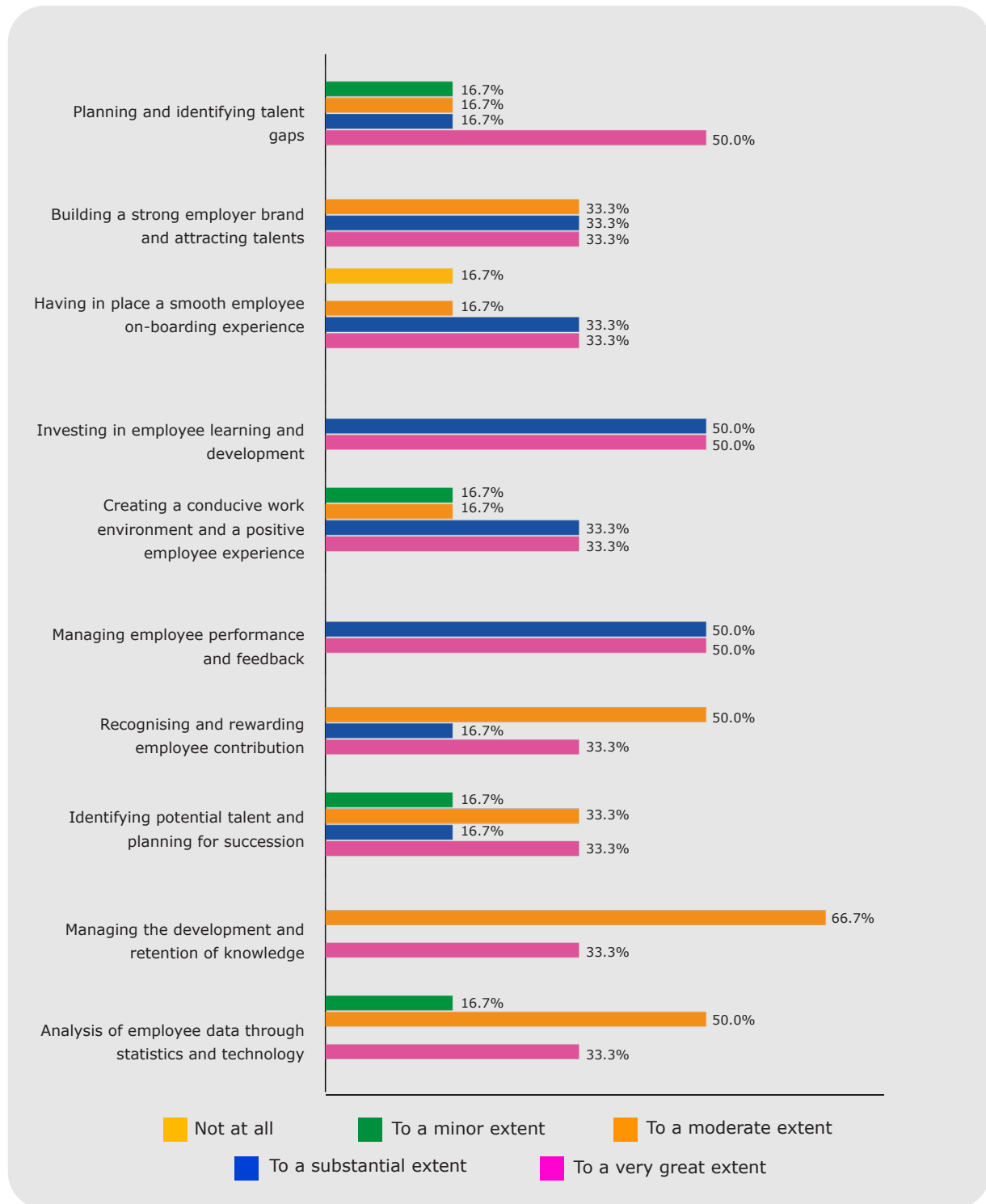
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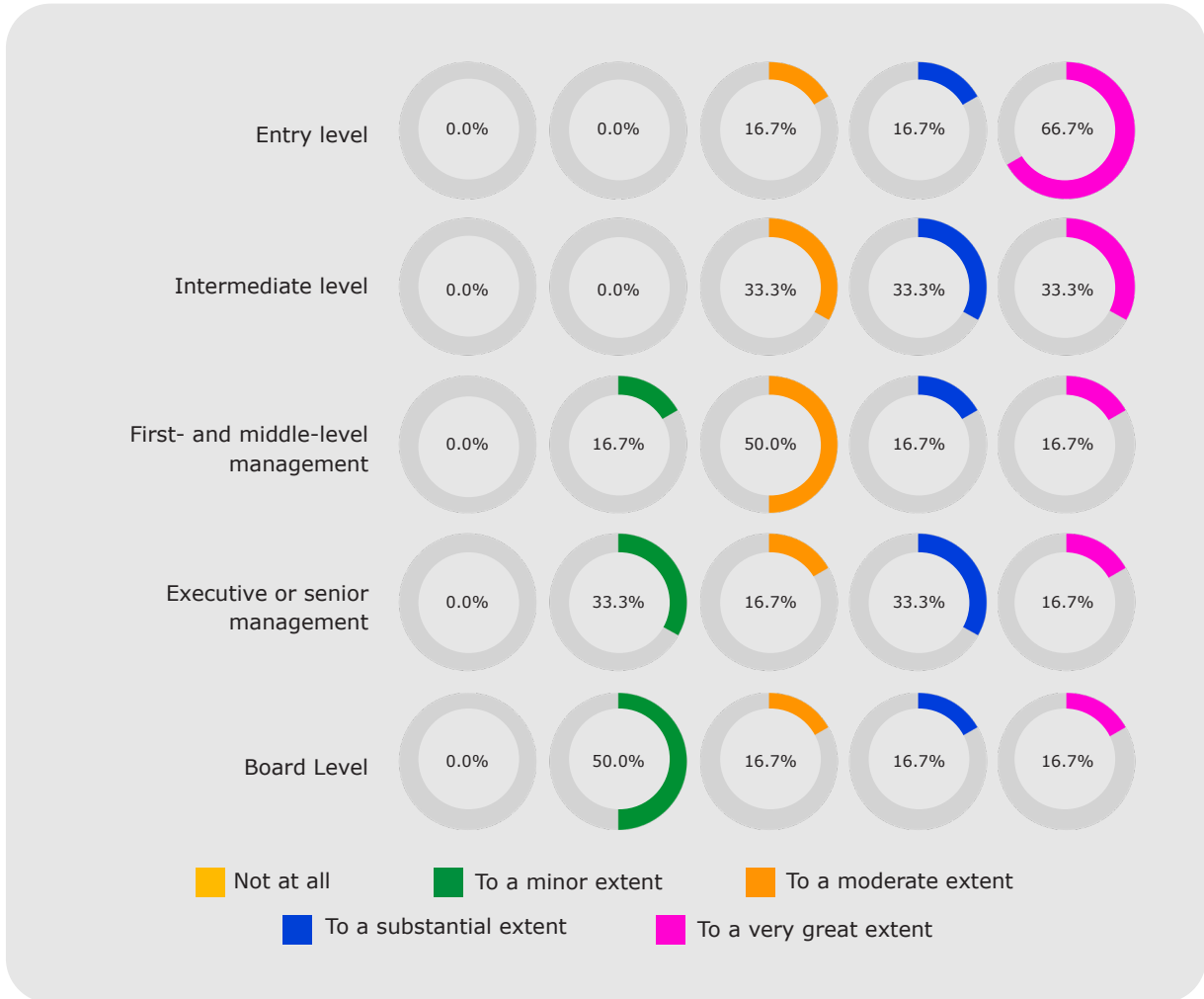


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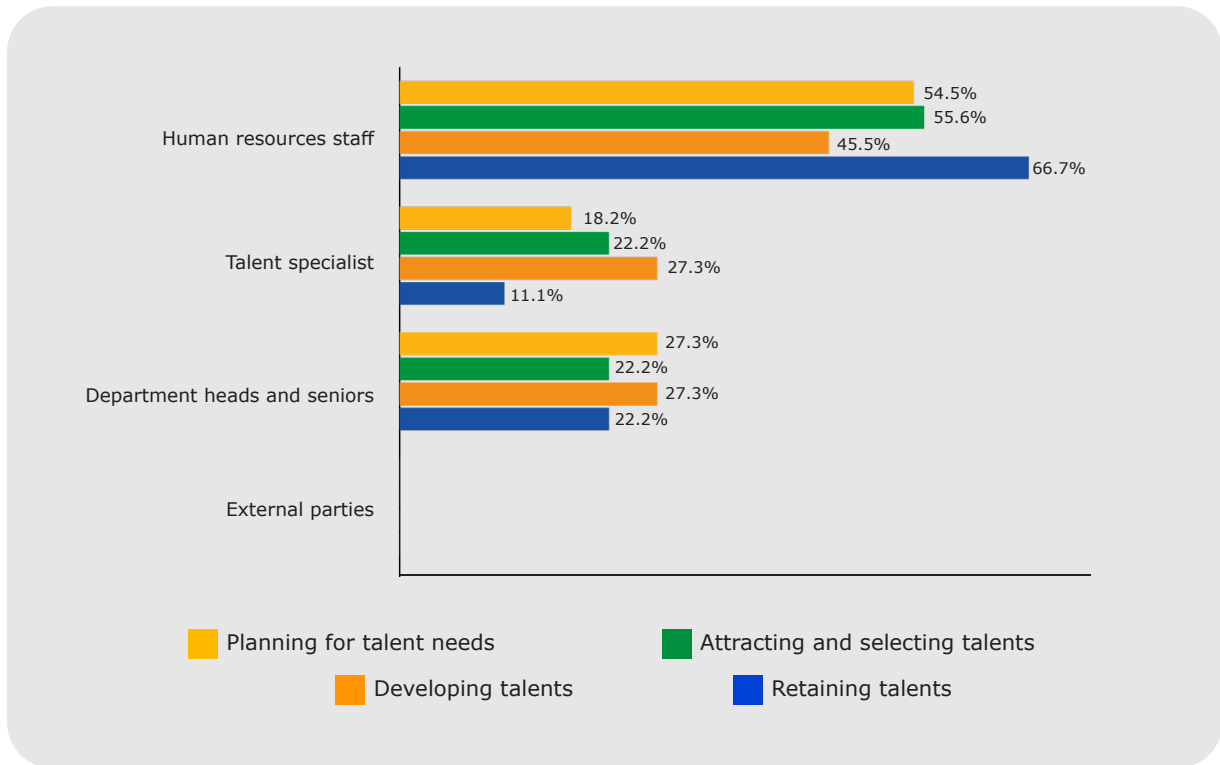




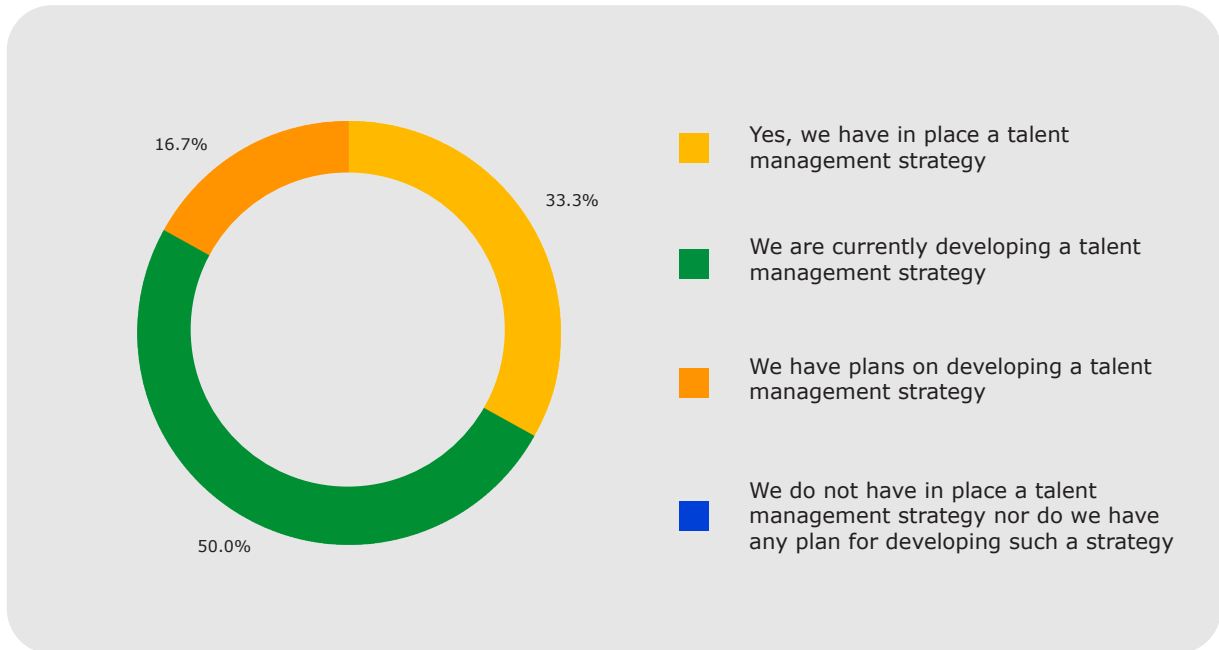
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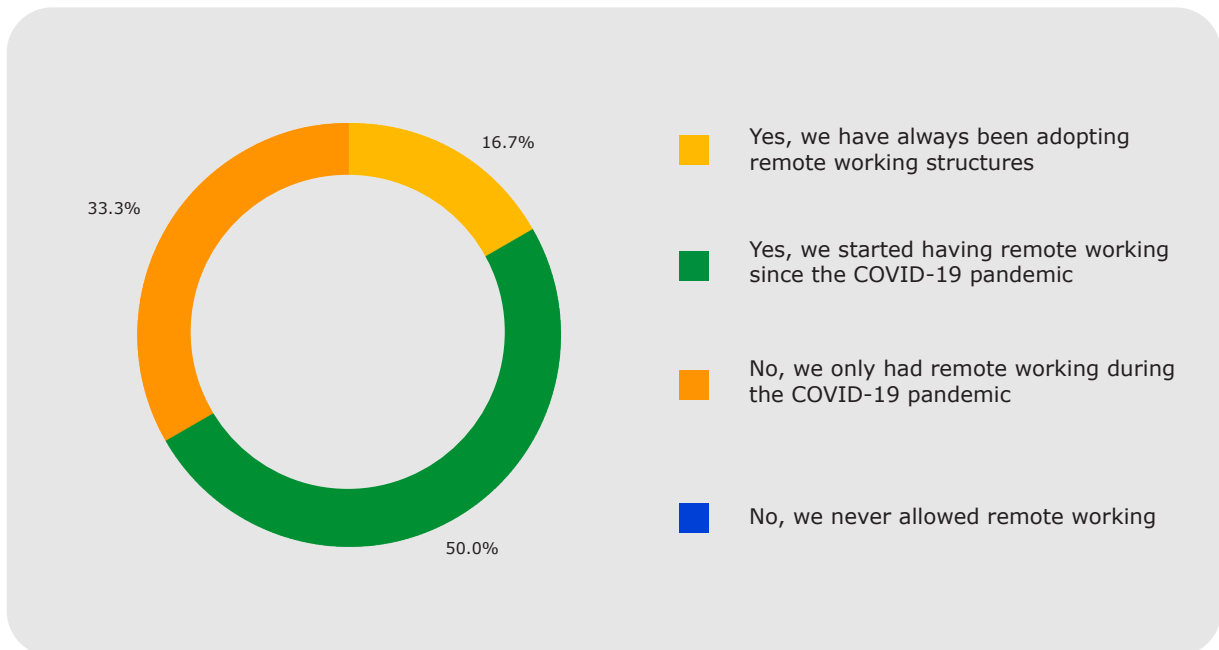
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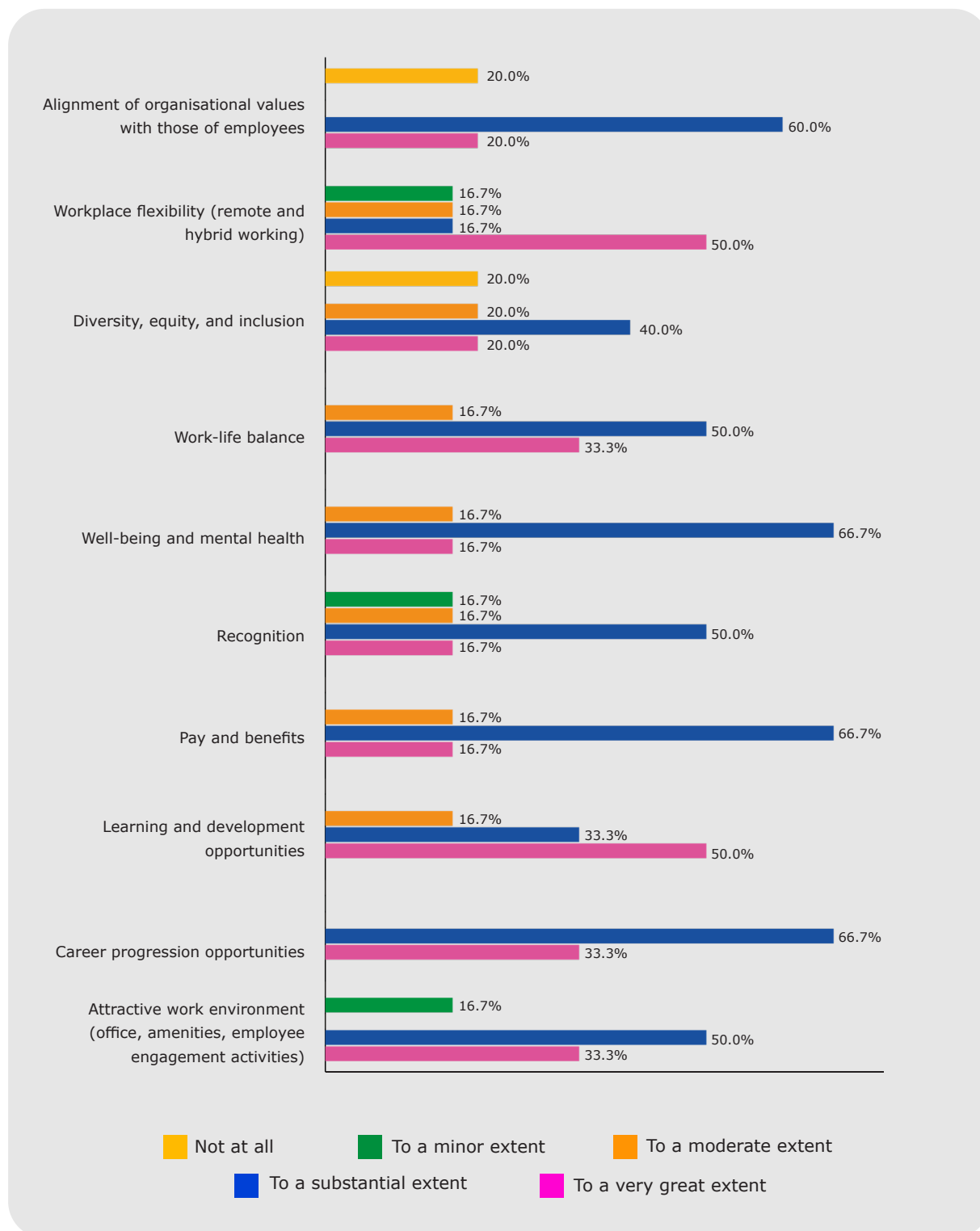
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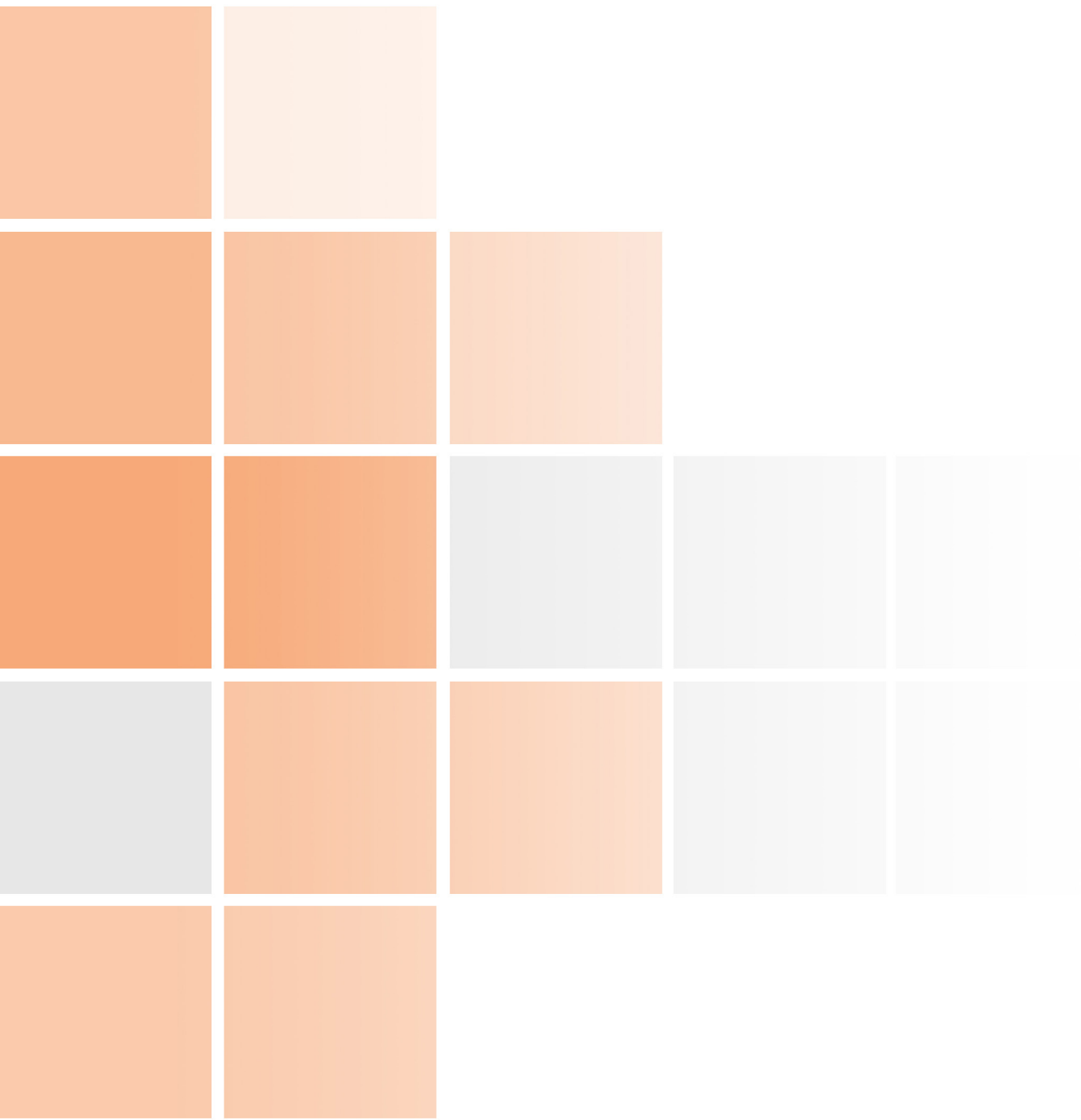
**Figure 20. Adoption of Remote Working in Islamic Banks**



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General Council for Islamic  
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