

# Empowering Future Professionals: Unveiling Shariah Audit Awareness, Competency, And Career Intentions Among Accounting Undergraduates in Malaysia

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## ABSTRACT

The rise of Islamic finance highlights the crucial role of Shariah auditors in ensuring ethical adherence in financial systems. Focusing on Malaysia, a key player in Islamic finance, this study aims to clarify Shariah audit awareness, competence, and career intentions among accounting students. By understanding factors influencing their aspirations, the research aims to cultivate capable future Shariah auditors for Islamic Financial Institutions. The study has four main goals: measuring awareness of Shariah audit functions, evaluating accounting graduates' knowledge in Shariah auditing, assessing students' interest in Shariah audits, and examining factors influencing accounting students' desire to become Shariah auditors. The study's findings are significant for educational institutions and professional bodies. The insights into Shariah audit awareness, competence, and career intentions could reshape education, leading to improved curricula for Islamic finance. Universities and professional bodies can use these insights to create programs that nurture skilled Shariah auditors, blending tradition and innovation in Islamic finance. In essence, this topic calls for action, urging academics, practitioners, and policymakers to discuss and shape a group of proficient professionals who can confidently navigate Shariah auditing. This effort aims to strengthen the foundations of Islamic Financial Institutions in Malaysia.

**Keywords:** *Shariah audit awareness, knowledge and skill levels, career intentions, shariah auditors, factors influencing career intentions*

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## **INTRODUCTION**

The concept of Shariah auditing traces back to the emergence of Islamic Financial Institutions (IFIs) in Malaysia. This began in 1983 with the establishment of Bank Islam Malaysia Berhad (BIMB), a pioneer in Islamic banking. Prior to BIMB, Islamic financial activities were rooted in the establishment of Tabung Pengurusan Jemaah dan Lembaga Malaysia (later renamed Lembaga Tabung Haji), aimed at aiding Malaysian Muslims with funds for the Hajj pilgrimage, endorsed by the government to ensure Shariah compliance in financial activities. In 2006, Malaysia introduced the Malaysia International Islamic Financial Centre (MIFC) to serve as a global hub for Islamic finance. This included issuing International Islamic Banking (IIB) licenses to offer international currency-influenced Islamic financial services.

In response to increasing demand for Islamic banking services, Malaysia enacted the Islamic Banking Act 1983 and the Government Investment Act 1983 to regulate Islamic financial activities. However, integration into the broader banking landscape was gradual. Malaysia has since focused on developing the Islamic Finance Industry, which includes banks, financial institutions, and Islamic capital markets, aiming to standardize practices and educate institutions about Islamic finance. This led to substantial industry growth.

To oversee IFIs, Bank Negara Malaysia (BNM) was empowered through the Islamic Financial Services Act (IFSA) 2013, establishing a comprehensive governance framework for Shariah compliance. BNM enforces Shariah principles through the Shariah Advisory Committee (SAC) and the Shariah Committee (SC). IFSA 2013 replaced earlier acts, adapting to evolving Islamic financial practices.

Before 2011, Shariah Committees oversaw governance without standardized rules. Post-2011, the Shariah Governance Framework (SGF) led to changes in Shariah matters for IFIs. Shariah Auditing became mandatory under IFSA 2013. Three types of audits are practiced: external, internal, and Shariah audits.

BNM functions as a regulatory benchmark, deriving its standards from Islamic foundations. Malaysian Islamic Financial Institutions (IFIs) are obligated to establish a capable Shariah committee to ensure conformity. IFIs employ both statutory audits and Shariah Auditing, bolstering confidence. In collaboration with statutory auditors, Shariah auditing contributes to the equity and reliability of financial data, encompassing both financial and moral dimensions. This distinct audit evaluates the adherence of IFIs to Islamic principles and equitable treatment of stakeholders, confirming the morality of products and alignment of investments with Islamic values. Through Shariah auditing, compliance with Islamic principles within financial establishments is assured.

The role of auditors is pivotal in establishing confidence in financial statements. Essential qualities such as integrity, equity, expertise, and professionalism characterize their significance. In the Malaysian context, registered companies are mandated to carry out statutory audits in accordance with the Companies Act 2016. The convergence of Shariah auditing and standard auditing underscores the demand for well-prepared professionals. However, the scarcity of individuals possessing expertise in both areas necessitates a focus on education. The Certification Professional Shariah Auditor (CPSA) offered by IBFIM addresses this need, yet educational institutions should adapt their curricula to align with industry requirements. Recognizing the deficiency in Shariah expertise for auditing has been duly acknowledged. A profound comprehension of the motivations driving individuals to pursue roles as Shariah auditors becomes imperative for effective recruitment and professional growth strategies.

This research aims to explore the level of knowledge among accounting undergraduates about Shariah auditing and the factors that impact their decision to pursue a career as Shariah auditors. The goal is to contribute to the development of competent Shariah auditors for Islamic Financial Institutions (IFIs) by gaining insights into students' career preferences. Additionally, the study intends to investigate how awareness, knowledge, skills, and perceived desirability are related to accounting undergraduates' intention to pursue a career in Shariah auditing. This investigation will encompass both private and public universities in Malaysia.

## **Research Objectives**

The primary aim of this research is to uncover the levels of awareness regarding Shariah audit, assess the competencies, and examine the factors influencing the intention to pursue a career as a Shariah auditor among accounting undergraduates in Malaysia. The goal is to contribute to the cultivation of a skilled cohort of future professional Shariah auditors for the Islamic Financial Institutions (IFIs) within the Malaysian context. The study focuses on four specific objectives, which are as follows:

1. To evaluate the familiarity of undergraduate accounting students with the contemporary roles performed by Shariah auditors.
2. To assess the extent of knowledge and competencies in Shariah auditing possessed by undergraduate accounting students.
3. To understand the level of interest among accounting students in acquiring knowledge in Shariah auditing.
4. To identify and understand the influential factors that shape the inclination of accounting graduates towards assuming roles as Shariah auditors.

## **Research Questions**

Derived from the previously outlined problem statements, the research endeavors to address the following inquiries:

1. How acquainted are undergraduate accounting students with the current roles fulfilled by Shariah auditors?
2. To what extent are the knowledge and competencies in shariah auditing possessed by undergraduate accounting students?
3. Does there exist an inclination among accounting students to acquire knowledge in shariah auditing?
4. What are the influential factors shaping the inclination of accounting graduates towards adopting roles as shariah auditors?

## **LITERATURE REVIEW**

The landscape of Islamic finance has witnessed significant growth in recent years, necessitating the critical role of Shariah auditors in upholding ethical compliance within financial institutions (Iqbal & Mirakhor, 2007; Archer & Karim, 2011). In Malaysia, a prominent player in the Islamic finance sector, the demand for proficient Shariah auditors has risen in tandem with the expansion of Islamic financial institutions (Chong & Liu, 2009). Ensuring the competence of future Shariah auditors is paramount to sustaining the integrity of Islamic finance, thus requiring a comprehensive exploration of awareness, competence, and career intentions among undergraduate accounting students.

The shortage of qualified Shariah auditors is a pressing issue in Malaysia, as indicated by previous studies (Kasim et al., 2009; PwC, 2011). Before the introduction of the Shariah Governance Framework (SGF) in 2011, the role of monitoring Shariah-compliant matters for Shariah governance within IFIs was assumed by the Shariah Committee (SC). This included responsibility for Shariah audit and review due to the absence of specific guidelines on Shariah governance. The implementation of SGF in 2011 led to significant changes in the approach of IFIs to Shariah matters.

Addressing the shortage of competent Shariah auditors requires proactive measures, both in terms of education and professional development. In this regard, the education system must incorporate comprehensive Islamic Accounting courses that address Shariah enforcement issues alongside Islamic financial concepts. These courses can be offered as electives or core subjects, and they contribute to better-equipping students for future roles in IFIs and the broader financial industry. Collaborative efforts between universities and professional bodies such as the Islamic Banking and Financial

Institute of Malaysia (IBFIM) can play a vital role in addressing the shortage of Shariah auditors and ensuring a skilled workforce for the Islamic finance sector.

Furthermore, students should be encouraged to acquire additional knowledge beyond their primary field, especially in Islamic accounting. Respondents express a desire to learn about Islamic accounting, recognizing its relevance in the business sector and IFIs. Incorporating Islamic accounting courses as electives or part of the curriculum could help bridge the knowledge gap and better prepare students for careers in Islamic finance. These findings align with previous research highlighting the importance of Islamic accounting education for students entering the job market (Hazianti, 2017; Talib et al., 2014).

### **Shariah Knowledge and Auditing Expertise**

Shariah auditors are unique professionals who require a deep understanding of both Islamic jurisprudence and modern accounting practices (Ahmed & Rahman, 2017). The integration of Shariah knowledge and auditing expertise enables these auditors to evaluate financial practices through a dual lens, ensuring compliance with both Islamic principles and accounting standards. Their ability to navigate the intricate intersection of tradition and contemporary financial practices contributes to the ethical and financial integrity of Islamic Financial Institutions (Chapra, 2008).

### **Awareness and Proficiency in Shariah Auditing**

Past research has highlighted the varying levels of awareness and proficiency among accounting students regarding Shariah auditing principles (Ahmad et al., 2015; Basyuni et al., 2018). While awareness may be high, gaps in understanding the nuanced aspects of Shariah compliance are evident, underscoring the need for focused education and training. A holistic examination of awareness and proficiency levels is essential to address these gaps and nurture well-rounded Shariah auditors.

A study conducted by Nor Aishah and Zurina in 2014 highlighted a notable lack of awareness among undergraduate accounting students regarding the nuances between conventional and Shariah auditing. This knowledge gap is attributed to their limited exposure to Shariah audit concepts. Given their potential future involvement in the Islamic financial domain, incorporating Shariah audit principles into their curriculum could significantly enhance their understanding. In the realm of Shariah auditing, it is preferable to have auditors who possess expertise in both auditing methodologies and Shariah principles, coupled with a solid grasp of banking and financial matters. Survey participants recognized the importance of Shariah audit but underscored the need for supplementary competencies to thrive in Islamic finance professions.

### **Desirability of Students in Learning Shariah Audit**

The research by Hazianti (2017) revealed that participants within the study exhibited a strong inclination towards acquiring knowledge in the domain of Islamic accounting, deeming it pertinent for both corporate enterprises and Islamic financial establishments. The prevailing inclination was to incorporate Islamic accounting as an optional course rather than an obligatory subject. This discovery mirrors the findings of Talib et al. (2014), who similarly underscored the importance of Islamic accounting in the realms of business and Islamic financial institutions. Additionally, respondents opined that introducing Islamic accounting as an elective module is of paramount significance in preparing forthcoming accountants with competencies in Shariah-based accounting practices, thereby augmenting their competitiveness in the job arena. The outcomes of this investigation have implications that reverberate through society and the academic sector. To adequately equip students with the proficiencies sought by potential employers, local universities should expand their accounting degree curricula to include optional courses in Islamic accounting.

## 2.4 Factors Influencing Career Aspirations

The decision to pursue a career as a Shariah auditor is influenced by a complex interplay of factors (Ismail & Chandler, 2014). Social and family considerations, personal interest, and perceived job prospects are significant determinants shaping students' intentions. Exposure to Islamic finance courses and training has been identified as a catalyst for students' inclination toward Shariah auditing (Ahmad & Hossain, 2018). Understanding these factors is essential to tailor educational initiatives and strategies that foster the development of future Shariah auditors.

## METHODOLOGY

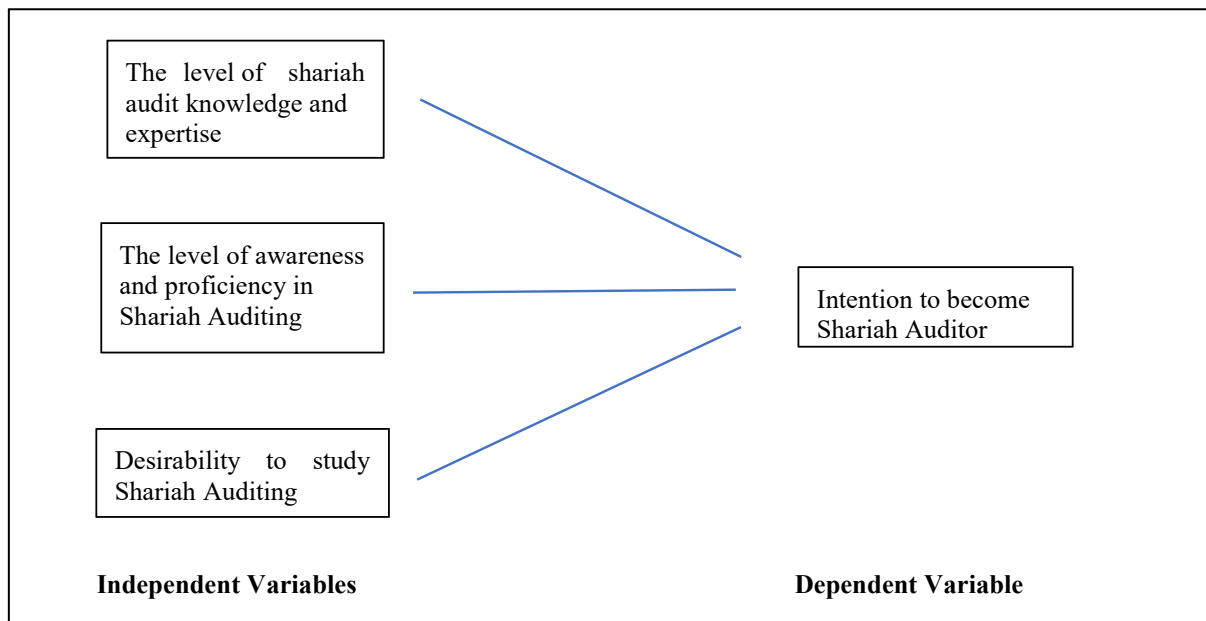
Data will be gathered through the distribution of questionnaires to Bachelor of Accounting students in both public and private universities across various regions of Malaysia. The target population for this study comprises students from universities in the Northern Region, Central Region, and Eastern Region of the country. The research methodology will involve using correlation analysis to explore the existing relationships between different variables under consideration.

### Proposed Research Framework

The proposed research framework is based on the Theory of Planned Behavior (TPB). This theory provides a foundation for understanding the perceived desirability of learning Shariah audit on individuals' intention to become Shariah auditors.

**Figure 1.**

The relationship between factors influencing the intention to pursue a career as a Shariah auditor and the intention to become a Shariah auditor



The proposed research framework illustrates the interplay between various factors and their influence on the career intentions of accounting graduates to pursue roles as Shariah auditors. The study's focal point is the intention of accounting graduates to become Shariah auditors (Dependent Variable, DV), while the independent variables (IV) encompass proficiency in Shariah audit knowledge and expertise, the level of awareness and proficiency in Shariah auditing, and the desirability to study Shariah auditing.

### **Research Gap and Contribution**

While existing literature acknowledges the importance of Shariah auditors, a research gap exists concerning the awareness, competence, and career intentions of undergraduate accounting students in Malaysia. This study aims to bridge this gap by comprehensively exploring these dimensions, with implications for both academia and the industry. The findings of this research hold the potential to guide universities and professional bodies in enhancing curriculum and programs to cultivate a skilled workforce adept in both Shariah and auditing knowledge.

In summary, the "Empowering Future Professionals: Unveiling Shariah Audit Awareness, Competency, and Career Intentions Among Accounting Undergraduates in Malaysia" study aims to shed light on the multifaceted dimensions of Shariah audit awareness, competency, and career intentions. By addressing this research gap, the study contributes to the cultivation of proficient Shariah auditors who will navigate the dynamic landscape of Islamic finance with confidence and expertise.

## **CONCLUSIONS**

In the realm of Islamic finance, the role of Shariah auditors stands as a critical linchpin, ensuring the ethical and religious integrity of financial transactions within Islamic Financial Institutions. This study, "Empowering Future Professionals: Unveiling Shariah Audit Awareness, Competency, and Career Intentions Among Accounting Undergraduates in Malaysia," has undertaken a comprehensive exploration of awareness, competency, and career intentions among undergraduate accounting students, shedding light on the multifaceted dimensions that influence the path toward becoming proficient Shariah auditors.

Our literature review has underscored the unique and demanding nature of the role of Shariah auditors, which necessitates a harmonious integration of Shariah knowledge and auditing expertise. Shariah auditors must possess a deep understanding of Islamic jurisprudence, ethical principles, and contemporary accounting practices to effectively navigate the complex intersection of tradition and modernity within the Islamic finance industry.

The examination of awareness and proficiency levels has highlighted the presence of gaps in understanding among students, emphasizing the need for focused education and training initiatives. As future professionals, these students represent the potential workforce of Islamic Financial Institutions, and their knowledge and skills are paramount to the continued growth and ethical adherence of the industry.

Factors influencing career intentions have been identified as a complex interplay of personal, social, and educational considerations. Understanding these factors is essential for universities and professional bodies to tailor programs and strategies that nurture a cadre of skilled Shariah auditors who can meet the evolving demands of Islamic finance.

This study's findings hold significant implications for both academia and the industry. Universities can use these insights to enhance curriculum offerings, ensuring that students are well-prepared to embark on careers as proficient Shariah auditors. Professional bodies can employ these findings to develop strategies for attracting and nurturing future professionals in the field.

Ultimately, this research endeavors to contribute to the development of a skilled workforce that will empower the Islamic finance industry to thrive with integrity and authenticity, harmonizing the principles of Shariah with the demands of modern financial practices. The journey toward cultivating proficient Shariah auditors in Malaysia is a vital step toward fortifying the foundations of Islamic finance in the global arena.

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### **CONFLICT OF INTEREST**

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

### **AUTHOR CONTRIBUTION STATEMENT**

Author 1 contributed to the conceptualization, research design, and writing of the original draft.

Author 2 was responsible for data collection, analysis, and validation of the results.

Author 3 provided supervision, critical review, and editing of the final manuscript.

All authors have read and approved the final version of the manuscript.

### **ETHICS STATEMENT**

This research was conducted in accordance with the ethical standards of UPTM and adhered to the principles outlined in the Declaration of Helsinki. All participants were informed about the purpose of the study and provided written informed consent prior to participation. Participants' privacy and confidentiality were strictly maintained, and data collected were used solely for academic purposes.

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