



Impact of Human Capital Skills on Corporate Performance: A Case of Islamic Banks in Pakistan

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Abstract

The education system in Islamic Banking and Finance (IBF) is trying to respond to the challenges of a fast-growing industry of IBF all over the world especially in Pakistan. This study examines the impact of human capital skills on the Islamic bank's performance in Pakistan. An empirical quantitative study was conducted using a survey-based research strategy to explore the areas for improvement in education for IBF. The population of this research covers Pakistan's 5 full-fledged Islamic banks and 9 traditional banks having more than 50 Islamic branches. The empirical findings revealed that a clear understanding of Islamic finance is crucial and there is a need to gain more exposure and experience in the banking sector and knowledge. Besides that, a proper education of Islamic banking provides significant impact on the performance of Islamic banks. The study concluded that general banking employability skills possessed by Islamic bank employees has an insignificant influence on the corporate performance of Islamic banks. The study is quite genuine concerning the topic, variables, and the approach used to conduct it.

Keywords: Islamic banks, corporate performance, human capital skills, Pakistan

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1. Introduction

In financial markets, a huge diversity is taking place across the globe and particularly in Asia (Rethel and Thurbon, 2019) in the form of Islamic banking and finance (IBF). IBF has emerged as a proven fact, impacting various disciplines around the human life (Rahman and Zada, 2016), thus education for Islamic finance being a rising discipline links all the Islamic finance stakeholders together (Khan et al., 2018). Education dictates for a raise in the human resource which not only operates the departments but leads the developments to venture into different dimensions (Kormanik et al., 2014). A professional individual must communicate effectively while having social and environmental awareness. In academics, the curriculum needs to be strategized and outlined according to the requirements of the current market to suit the demand from the modern professionals in the business field to produce successful graduates (Cheville and Heywood, 2019). Passow (2012) argued that the employability of skills is imperative for business graduates in the workplace. Dhir (2019) highlighted that human and technical skills are vital for individual success. Graduates must be self-equipped in the skills so that they perform professionally in business areas (Alpay and Jones, 2012). It is the responsibility of the educational institutes to make sure they are providing professional skills to their students (Vyas and Chauhan, 2013).

Human capital is considered to be the sustained long term growth factor (Camps, 2016). Human capabilities depend on factors such as education, talents, health, opportunities and other services, and hence the need to explore such factors (Saad et al., 2013). There is an inadequate alignment between the human capital and firm-level requirements (Hult and Olson, 2018) that includes workers, their earnings, job satisfaction, training participation and productivity (Kampelmann and Rycx, 2012; McGuinness, 2006). A

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symbiotic relationship must exist between the two spheres: academics can make practitioners reflect on what they are doing, but without practitioners to inform them, academia will stagnate (McGuinness, 2006). For a practicing business professional, the emphasis is more on technical skills and professional qualification. Customers and jurists are in favor of endorsing a more authentic Islamic legal rulings (Iqbal and Mirakhor, 2017) for which a knowledgeable and experienced human resource is needed. Due to a lack of knowledge of operational activities, tasks are not being executed properly resulting in slow IBF industry growth. In the past decade, there had been an unparalleled growth in the Islamic finance in terms of market value and industry size, even though the Islamic finance industry has a huge demand and potential not only in the Muslim dominated nations but also in other Muslim minority countries. The Islamic finance industry has a compounded annual growth rate (CAGR) of 18 percent, which can be increased if more people put on the mantle of Islamic finance. It is expected that the Islamic banking assets are estimated to reach a combined USD 1.8 trillion by the end of the year 2019 (Pepis and de Jong, 2019) in the six core markets (Malaysia, Saudi Arabia, Indonesia, Qatar, United Arab Emirates and Turkey).

The rising attention in Islamic finance requires a high level of skilled human resources (Hult and Olson, 2018). However, one of the main trials facing the Islamic finance industry is the scarcity of capable Islamic finance experts, who can bring the industry to the upper level of progress and expansion (Hassan and Mollah, 2018). Furthermore, domestically as well as internationally there is a mismatch between faculty and industry, which is necessary in providing the best-skilled persons, matching the needs of the industry (Khan and Mohammad, 2018). Currently, the Central Bank of Pakistan is also acknowledging the significance of the human skilled resource for the IFIs, by implementing and reinforcing the industry not only by executing seminars and conferences by itself (Shaikh, 2018) but with the help of its teaching subsidiary at the National Institute of Banking and Finance (NIBAF). The Central Bank of Pakistan has also established Centre of Excellence in Islamic Finance Education (CEIFES) in three academic organizations such as IBA Karachi, LUMS Lahore, and IM Sciences Peshawar to provide training and learning seminars in order to produce more experts in Islamic finance (Ali et al., 2018). Despite the fact that there is a mismatch between the demand and supply: training and education providers do not completely serve the needs of the industry and financial landscape. In terms of Islamic banking where human expertise is needed, the current graduates seem to be lacking in terms of deep understanding of *Shariah* requirements (Hult and Olson, 2018).

There is a growing awareness among the Muslims towards the prohibition of *riba* (Rammal and Zurbruegg, 2016). Muslims, especially Pakistani citizens are now shifting towards Islamic banking which indicates a strong demand for the IBF graduates to meet the requirements of the IBF industry. However, the education system with regards to IBF is unable to meet and response to the fast-growing industry. Although there is a growing demand for well qualified and skilled human resources by the IBF industry, there is a lack of resources and expertise in the academia to cater to the demand of this fast-emerging sector. It is indeed a call for Islamic financial institutions to be more pro-active and directly involve in designing the Islamic finance modules and ensure that the programs offered must match with specific needs of the industry. This is only possible if the teacher or lecturer has qualifications at a level above for a course to be taught at a given level.

Human resources have become one of the strategic issues of Islamic banking in Pakistan (Bontis and Fitz-Enz, 2002). The main issue is the inadequate and irrelevant supply of potential employees by the academia to the IBF industry (Aziz et al., 2016). There is a need to identify the effectiveness and relevancy of the education provided in academic researches to suit the demand of the IBF industry. There is also a need to find out, how the challenge of relevancy between the IBF industry's human resource requirements and supply of human resources by the academia can be addressed. What is the sequential importance/preference of the human capital skills industry required from the academic features in the IBF industry to highlight and what are the measurements required to settle this issue? This study addresses this problem and tries to find out the existing knowledge and expertise gap which should be addressed to tackle this kind of major setback in the IBF industry of Pakistan. The study explores the relationship between the skills of human capital and corporate performance in the Islamic banking sector of Pakistan.

1.1 Rationale of the Study

As the *Shariah*-compliant financial system expands into newer markets globally, the need for Islamic finance professionals will be even greater to support the growth and development of the industry in these infant jurisdictions (Ali et al., 2018). In this regard, notable measures have to be undertaken by the government of Pakistan and policymakers to address the imminent challenges of a gap in the supply of Islamic finance

qualified personnel required to support the industry's growth. It is important for Islamic banks to have good human capital resources specializing in the IBF knowledge and expertise related to Islamic banking (Kreitner and Kinicki, 2007). Education and experience are giving positive contributions to human capital and it is expected to increase productivity, entrepreneurship activity, and individual success (Honig, 1998). Carmeli (2004) added that high education level, work experience, and employability skills can increase individual skills as well as the corporate performance. The employee who has a good human capital will be able to choose to invest his time, effort, and money for education, training, and experience (Becker, 1993). This further strengthens the research by Babalola (2003) that formal education is related and much needed to increase the production capacity of the organization. This study facilitates the IBF organizations to explain strategically the characteristics of human capital skills as desired by the organization. Moreover, this research attempts to provide evidence that firms with skilled human capital have a competitive advantage over other firms.

1.2 Research Objectives

The study addresses the following research objectives:

1. To determine the influence of conceptual understanding on Islamic bank's performance
2. To explore how employee's experience and exposure influence Islamic bank's performance.
3. To determine employee's knowledge and education influence on the Islamic bank's performance.
4. To determine the influence of employability skills on the Islamic bank's performance.

The study is divided into five sections. Section I discusses the background and importance of conducting the study. Section II examines previous literature on the topic. Section III defines the methodology followed for this study. Section IV discusses the empirical findings and Section V concludes the study.

2. Literature Review

One of the main studies was done by Marimuthu et al. (2009) who argued that while it is generally accepted for the human capital to have a positive impact on firm performance, the concept of human capital performance is still untested. They examined the relationship between human capital and the company's performance in underdeveloped economies. Barney (1995) argued that there is no doubt that human resources investment plays an important role in improving the competitiveness of enterprises. The impact of human resources on human capital along with its insinuation was largely covered by competition and performance (Agarwala, 2003). Gagne et al. (1992) argued that some of the bank employees are incapable to perform well and unable to complete their tasks due to lack of experience and training. In order to introduce the innovative process, the vital role is played by formal education with the essence of literacy and numeracy which will enable the 'learning ability' (Foster, 1987). The theme of boosting economic growth via technological advancement depends on motivation and capacity of learning that are connected with that of the advancement of formal schooling (Easterlin, 1981).

Garavan et al. (2001) described human capital concept into four main characteristics: (i) flexibility and adaptability (ii) enrichment of individual competency (iii) organizational competence development, and (iv) individual's employability. These attributes, in response, begin to generate additional value for personal and organizational results entailing the high performance of the firm, higher organizational commitment and increased organizational retention (Nordhaug, 1998). Hssall et al. (2003) outlined the importance of training development and confirmed that the significant importance of developing the vocational skill set for accountants. Albrecht and Sack (2000) observed that entrepreneurs and educators have developed consensus regarding the vital importance of vocational skills and training but apparently, the practicality of this need is unlikely to happen, as the study is not aligned with the need of development. Dess and Shaw (2001) studied the voluntary turnover and social capital with corporate performance and found that productivity is weakened as human capital turnover increases.

The intellectual capital asset bears a high impact of the human capital because through this impact, the intellectual capital asset tends to have enhanced outcomes per employee. Human capital development heavily depends upon the academic background of the individuals which effects directly on the firm return on investment (ROI). The enhanced performance system is broad enough as it also entails the scenario of organization and human capital (Hsu et al., 2007). It is stated that the enrichment of the human capital does not only affect the organization's performance positively, rather it enhanced the performance system as well.

Saleim et al. (2007) found that human capital is positively related to organizational performance, efficiency, effective outstanding and increase on the productivity of 38 software companies in Egypt. Fleisher and Zhao (2010) analyzed the economic growth, inequality, and human capital and concluded that human capital influence the firm's performance because educated human resource produces higher output, thus exhibit a direct relationship of human capital with firm performance in China.

Higher education is a major platform for the graduates to grasp the knowledge and other skills related to the practicality of their field and when it comes to the subject related knowledge, the aspirants must possess the transferable skills up to a sufficient level (Grant and Dickson, 2006). Zack and Street (2007) concluded that business performance also depends on human knowledge. The knowledge has been categorized into three main characteristics: Uniqueness, Immobility, and Value. The result shows that if the strategic value of a firm's knowledge is greater, firm performance will also be greater and in this way the firm can enjoy competitive advantage. Fresh graduates seeking to start their career, are supposed to struggle among the areas of their interest (Miller and Dettori, 2008). According to Radermacher et al. (2014), one major problem arouses regarding the attainment of the jobs by fresh graduates is to have a gap between the skillset and expected requirement from recruiters. Furthermore, Zack and Chris (2007) argued that organizations must revise their understanding and concepts about how they think about the strategy, strategic decisions and competitive advantage in this knowledge economy in order to encompass learning and knowledge. The study contributed that there is a need of specifically directed research towards the strategic understanding and its influence of knowledge at the organization level.

Stoner and Milner (2010) suggested that the participants usually do not develop or engage all of their employability skills set of the courses used to emphasize. The authors figured out that students have difficulty in managing their time, difficulties in problem-solving exercises and their engagement in the modelling exercise. The study also contributed that students feel reluctant to take responsibility for a positive attitude towards learning. Khan and Ghouri (2011) studied the relationship among managers skills and organizational learning for small and medium enterprises (SMEs) sector in Pakistan. They include 300 respondents from Karachi and Hyderabad as its sample size. The model consists of seven elements from organizational learning i.e. shared vision and knowledge, team learning and working, organizational culture, system thinking, participative leadership and personnel competency whereas three from managerial skills i.e. technical, human, conceptual skills respectively. The findings showed that human skills have a significant effect on organizational behaviour.

Mehmood (2012) attempted to discover how training and development practices can encourage employee performance and human development. The empirical analysis reasoned that training and development plays a characterizing job in the progress of the financial sector in Pakistan. This study consists of 62 countries from the year 1996 to 2016 using regression analysis. The study finds that training depends significantly on the initial staff productivity and human capital in the financial sector. In the financial sector, training and development have a significant positive impact on human capital in an organization in Pakistan. Hogan et al. (2013) studied to find the gap between theory and reality of employability and career growth. After a complete analysis, it is found that psychological factors are engaged with employability like intelligence level and formal presentation. It is also found that social skills are the major characteristics of employability which may overcome the gap among career growth and employability. Cameron and Dickfos (2014) also stressed that to meet the demand of the dynamic work environment, the accounting graduates must be provided with the communication skills training. Siriwardane et al. (2015) research highlighted the significance of communication skills.

Berry et al. (2018) had done their study to examine the relation of training and development with staff productivity in the organization. To conduct this study data is collected from 1996 to 2012 from the banking sector of the USA. The finding of the study using OLS shows that those organizations following training and development lead to increasing corporate performances. Shad and Lai (2019) have researched the Malaysian banking sector from 2013 to 2017 to quantify the training and development impact on employee performance which is measured by EVA analysis under the moderating effect of practices of sustainability performance. The findings of their research through the OLS technique show that training and development increases staff performance practices and enhances the business performance by minimizing the cost though symmetric information.

Antonio et al. (2012) examined the performance of the Islamic banking industry by applying the Maqasid Index approach. The objective of this research is Islamic banking industries in Indonesia (Bank Syariah Mandiri-BSM and Bank Muamalat Indonesia-BMI) and Jordan (Jordan Islamic Bank-JIB and Islamic

International Arab Bank Jordan-IIABJ). The study concluded that Islamic banking industries in Indonesia which represented by BMI (0.17839) and BSM (0.16190) show a better performance in comparison with Islamic banking industries in Jordan, namely IIABJ (0.10295) and JIB (0.08152).

To increase the economic growth and to provide more time and put in more effort, both developed and developing countries are emphasizing on human capital skills development. Most of the earlier research studies have focused on training and development, compensation and benefits, pay structure, and job satisfaction as the main component of human capital development to retain employees. To get into the international arena, human capital development is one of the basic solutions. For this, organizations need to invest necessary resources for developing human capital which is having a greater impact on firm performance. Human development is an important end in Islamic banking development (Usman and Tasmin, 2016), therefore, considering the above literature, the following hypotheses are formulated.

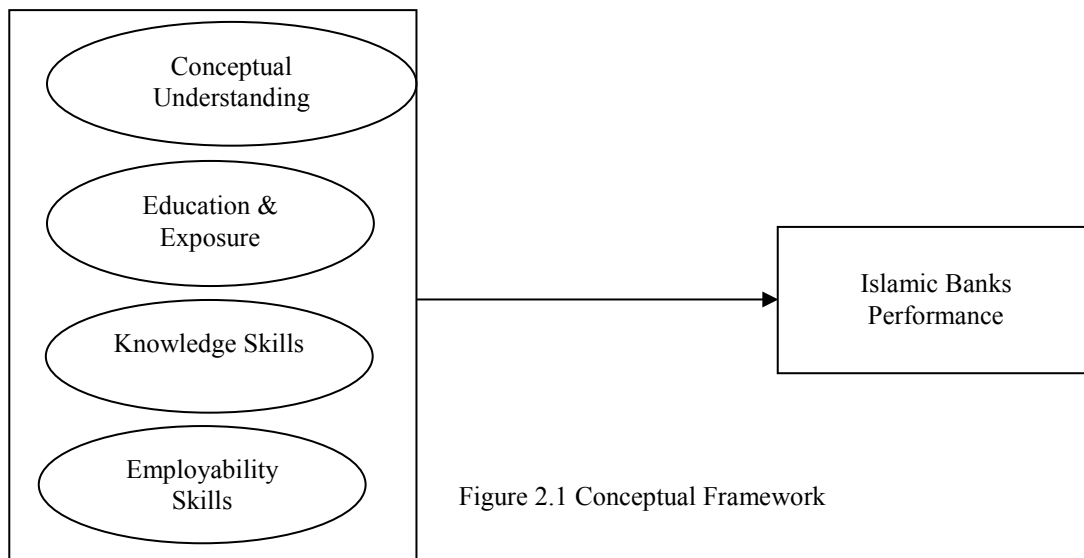
H₁: Clear understanding of Islamic financial matters by the employees of Islamic banks in Pakistan leads to an increasingly better performance of Islamic banks.

H₂: Having more experience and exposure in the banking sector by the employees’ of Islamic banks leaves positive effect on Islamic banking performance in Pakistan.

H₃: Knowledge and proper qualification of Islamic banking attained by the employees of Islamic banks increase the performance of Islamic banking.

H₄: General banking employability skills possessed by the employee of Islamic banks increases the performance of Islamic banks in Pakistan.

2.1 Conceptual Framework



3. Research Methodology

The current study aimed to explain the relationship between the human capital skills and Islamic bank's performance in Pakistan. The study has its basis upon the deduction process which tends to be quantitative. It is believed that using a deductive approach enables the generalization of the research findings (Bryman and Bell, 2007). The researchers choose a quantitative approach for two reasons; first, the research is based on a theory and the researchers prefer to test it in a different context (Casebeer, 1997). Second, the quantitative method provides the ability to gather sufficient data to get a satisfactory significance level, being a cross-sectional study. The population of the study is five (5) full-fledged Islamic banks and 17 traditional banks having Islamic windows/branches in Pakistan. However, the five (5) full-fledged and nine (9) traditional banks having more than 50 Islamic branches were selected to get the response to the study¹.

¹ Out of 22 traditional banks providing Islamic window/branch operations, this study takes into consideration only those traditional banks that have more than 50 Islamic windows/branches.

Table 1: Population, Sample and Response Rate

Sr.	Name of the Bank	Population		Sample	Response Rate	
		# of Br.	%	Division	(#)	(%)
Full Fledged Islamic Banks						
1	Al-Baraka Bank (Pakistan) Limited	180	13	42	35	83
2	BankIslami Pakistan Limited	218	16	51	42	82
3	Dubai Islamic Bank Pakistan Limited	200	15	47	40	85
4	Meezan Bank Limited	601	45	141	121	86
5	MCB Islamic Bank Limited	76	6	18	18	101
Total		1275	95	300	256	85
Traditional Banks (>50 Islamic Br.)						
6	Allied Bank Limited	117	11	23	22	13
7	Askari Bank Limited	91	9	18	15	9
8	Bank Al Habib Limited	53	5	10	10	6
9	Bank Alfalah Limited	152	15	30	25	15
10	Faysal Bank Limited	197	19	39	30	18
11	National Bank of Pakistan	169	17	33	28	16
12	The Bank of Khyber	83	8	16	15	9
13	The Bank of Punjab	64	6	13	10	6
14	United Bank Limited	93	9	18	15	9
Total		1019	100	200	170	85
Grand Total		2294		500	426	85

Table 2 shows the cities known as Pakistani business hubs. These 4 cities were selected; where full-fledged Islamic banks are working with the greatest number of their branches (SBP, 2019).

Table 2: City Wise Data Collection

City Names	Frequency	%
Islamabad	86	20.2
Karachi	131	30.8
Lahore	125	29.3
Peshawar	84	19.7
Total	426	100

Based on the literature, variables related to the study are identified. The study collected the information in the form of the current perception of the 426 Islamic bankers regarding independent variables named as Human Capital Skills (HCS). It comprises 4 variables namely Conceptual Clearance (CC), Exposure/Experience (EE), Knowledge/Education (KE), and Employability Skills (ES). Corporate Performance (CP) is taken as a dependent variable. The following Table 3 listed out the 5 constructs which are used in this study.

Table 3: Research Variables and their Definition

Variables	Symbol	Operational Definition	References
Conceptual Clearance	CC	Degree of understanding the IBF products and instruments, comparative banking system, <i>Shariah</i> rules and regulations, the Islamic way of trading and business.	Peake and Marshall (2009)
Exposure and Experience	EE	Degree of exposure to international standards, emerging markets, field and global practices in IBF.	Peake and Marshall (2009)

Knowledge and Education	KE	Facts, information, and skills acquired through experience or education; the theoretical or practical understanding of a subject.	Zack (2007); Vidotto (2017)
Employability Skills	ES	Degree of self-learning, gathering the productive information, consistently generating new ideas, leadership skills and managing the operational activities as per <i>Shariah</i> .	Ismail (2009); Fletcher (2017); Vidotto (2017)
Corporate Performance	CP	Degree of overall success, market share, growth rate, profitability, and innovativeness comparative to competitors.	Choi (2003)

The primary data collected from the sample was carefully fed, coded, and purified for the detailed analysis and hypothesis testing. A 5-point Likert scale research instrument was developed for the data collection. The first part of the research instrument covers the independent variables, the second part covers the dependent variable and the third part contains demographic information. All construct items discussed in the questionnaire are adapted from the literature. The descriptive statistics, correlation and multiple regression methodology were applied for data analysis using Smart PLS.

To get the required objectives, pilot survey was done with the support of 50 respondents who filled the survey instrument using a convenient sampling technique. The findings of the pilot study revealed that the Cronbach's alpha value for most of the scales closer to or above 0.7 (Table 4), which means that the survey instrument is reliable for the research work. Furthermore, ethical concerns like confidentiality and secrecy of the survey respondents are also considered as Kent (2007) explains that the moral values are essential while conducting this study.

Table 4: Reliability Test

Scale Name	Cronbach's Alpha	# of Items
Conceptual Clearance	0.665	5
Experience and Exposure	0.752	5
Knowledge and Education	0.639	5
Employability Skills	0.713	8
Corporate Performance	0.786	6
Combined	0.912	50

4. Results

4.1 Descriptive Statistics

Table 5 provides the descriptive statistics for the variables. The mean value of OP is 4.30, CP has a mean of 4.36, EE has a mean of 4.07, KE has a mean of 4.29, and ES has a mean of 4.14. The standard deviation for each variable is quite low. The value of the skewness and kurtosis is between -1 to +1 and -3 to +3 for all variables indicating that the data is normally distributed (George and Mallery, 2010).

Table 5: Descriptive Statistics

Statistics	OP	CC	EE	KE	ES
N	426	426	426	426	426
Mean	4.30	4.36	4.07	4.29	4.14
Median	4.33	4.40	4.20	4.40	4.13
Std. Dev.	0.55	0.49	0.60	0.49	0.47
Skewness	-0.96	-0.84	-0.72	-0.86	-0.54
Kurtosis	1.64	0.75	0.48	1.23	0.19

4.2 Reliability and Validity Tests

Reliability measures the consistency of a scale (Gliem and Gliem, 2003). Coefficient alpha, also called

Cronbach's alpha, is a very popular reliability measure. On the other hand, the validity of research is the extent of which concept is accurately measured in a quantitative approach. There are different forms of research validity; construct validity, internal validity, content validity, and criterion validity (Cohen et al., 2017).

Indicator Reliability: To obtain the loading of the indicators, cross-loadings, AVE, and composite reliability, the standard PLS algorithm was calculated in Smart PLS software. Conventionally, the value for individual item loading should be greater than 0.70 (Hair et al., 2011). On the contrary, Hulland (1999) argued that any individual indicator with an outer loading value of less than 0.4 should be removed from the measurement model. The extremely poor loaded items with low values were deleted based on the above criteria mentioned. Table 6 depicts the entire retained items and their respective loadings.

Internal Consistency Reliability: According to Hair et al. (2014), Cronbach's alpha assumes variables inter correlations whereby all indicators have the same outer loadings. Therefore, a more robust measure of assessing internal consistency reliability, known as composite reliability is proposed (Weather, 2012). Hair et al. (2011) and Nunnally and Bernstein (1994) submitted that the composite reliability value should be greater than 0.70, although they also provided a slack of 0.60 to 0.70 as acceptable. The composite reliability for all the latent constructs in this study was calculated in the Smart PLS standard algorithm as given in Table 6. The dependent variable i.e. corporate performance, composite reliability is (0.850) and for the independent variables - conceptual clearance (0.796), exposure/experience (0.833), knowledge and education (0.786) and employability skills (0.813), respectively.

Convergent Validity: Average Variance Extracted (AVE) was used to evaluate the convergence validity based on Hair et al. (2010) criteria which stated that latent construct should at least explain half of the variance of the indicators meaning that the factor loading should be above 0.708 as its square root is equal to 0.5. The AVE value for the dependent variable, corporate performance is 0.532, while the independent variables conceptual clearance has 0.566, exposure/experience has 0.501, the knowledge and education are valued at 0.551 while employability is at 0.521. The results of the PLS algorithm reveals that AVE values for all the constructs have met and exceeded the minimum threshold value as shown in Table 6.

Table 6: Internal Consistency and Composite Reliability and Convergent Validity

#	Items	Loadings	Constructs	Alpha	Composite Reliability	AVE
1	CC2	0.766	CC	0.617	0.796	0.566
2	CC3	0.776				
3	CC5	0.714				
4	EE16	0.600	EE	0.753	0.833	0.501
5	EE27	0.718				
6	EE38	0.770				
7	EE49	0.710				
8	EE510	0.752				
9	ES217	0.731				
10	ES318	0.754				
11	ES419	0.722				
12	ES621	0.701				
13	KE7	0.744	KE	0.593	0.786	0.551
14	KE8	0.735				
15	KE9	0.748				
16	OP246	0.695	OP	0.780	0.850	0.532
17	OP347	0.704				
18	OP348	0.671				
19	OP449	0.797				
20	OP550	0.774				

Discriminant Validity: This is the extent of how indicators represent a construct and how they are different from another construct (Hair et al., 2014). The discriminant validity was assessed based on Venkatesh and Morris (2000) who emphasized that the square root of the AVE value for each construct should be greater than the value of correlations with another construct. Since the square root of AVE is greater, than it is highest construct's correlation with any other constructs. Thus, it is concluded that discriminant validity on the construct has been established (Henseler et al., 2009) as shown in Table 7.

Table 7: Discriminant Validity

Sr. #	Constructs	CC	CP	ES	EE	KE	AVE
1	CC	0.753					0.566
2	CP	0.280	0.730				0.532
3	ES	0.339	0.287	0.722			0.521
4	EE	0.434	0.215	0.373	0.708		0.501
5	KE	0.330	0.303	0.403	0.338	0.742	0.551

Note: Diagonal (**bold**) values are the square root of AVE while the un-bolded values are correlations

4.3 Hypothesis Testing

Table 8 depicted that the Conceptual Clearance - Corporate Performance (CC-OP) relationship has the value of path coefficients (0.156) and standard error of 0.052 indicating a positive association between both variables. The corresponding t-statistics value is 2.982 (p-value = 0.003) significant at the 5% level of significance, therefore the first hypothesis (H₁) is accepted. This concludes that a clear understanding of Islamic financial matters by the employees of Islamic banks in Pakistan leads to an increase in the performance of an Islamic bank. The findings were consistent with the earlier work by Marimuthu et al. (2009), Hsu et al. (2007) and Garavan et al. (2001) who found that human capital has a positive impact on firm performance.

Exposure and Experience - Corporate Performance (EE-OP) has positive significant relationship having a path coefficient value of 0.150 and a standard error of 0.050. T-statistics value is 2.982 (p-value = 0.003), hence is significant at 5% level of significance. The second hypothesis (H₂) is also accepted. This reflects that having more experience and exposure in the banking sector by the employees of Islamic banks leaves a positive effect on Islamic banking performance in Pakistan. This is similar to the earlier researches by Haddad (2002), Grant and Dickson (2006) and Miller and Dettori (2008). They argued that experience is a major platform for the graduates to grasp the knowledge and other skills related to the practicality of their field and when it comes to the subject related knowledge, the aspirants must possess the transferable skills up to a sufficient level to enhance the organizational performance.

Employability Skills - Corporate Performance (ES-OP) has a path coefficient value of 0.030 and a standard error of 0.047. T-statistics value is 0.651 (p-value = 0.515) above 5% level of significance. Thus, the third hypothesis (H₃) has to be rejected. On the other hand, Knowledge and Education - Corporate Performance (KE-OP) has a path coefficient of 0.181 and a standard error of 0.057 with a t-statistics value of 3.174 (p-value = 0.002), thus, it also indicates a significant positive relationship between both the variables at 5% level of significance. Therefore, the fourth hypothesis (H₄) is also accepted as it is, similar to the work by Zack and Street (2007) who examined that business performance also depends on the knowledge. Thus, it is concluded that knowledge and proper qualification of Islamic banking attained by the employees of Islamic banks cause an increase in Islamic banking performance.

Table 8: Direct Hypothesis Testing

#	Variables	Sample (O)	Mean (M)	(STDEV)	t-stats	p-values	Decision
H ₁	CC-> CP	0.156	0.155	0.052	2.981	0.003	Supported
H ₂	EE -> CP	0.150	0.152	0.050	2.982	0.003	Supported
H ₃	ES -> CP	0.030	0.040	0.047	0.651	0.515	Rejected
H ₄	KE -> CP	0.181	0.189	0.057	3.174	0.002	Supported

5. Conclusion

The growing interest in Islamic finance warrants the availability of the required level of skilled human resources. Therefore, this research provides a framework in examining the link between demand and supply in IBFs, which is by developing the relationship between human capital skills and business performance. The findings indicate that conceptual clearance, knowledge and education and experience and exposure have a positive and statistically significant association with organizational performance in the IBF industry of Pakistan. This research offers policymakers a lens in evaluating the relative efficiency of public investments in IBF programs that encourage more training and education to achieve business performance. The framework can also contribute to more effective policy development by helping policymakers to understand the characteristics (e.g. quality) of IBF education and training that matter the most in achieving desired outcomes such as economic growth and increased levels of civic participation. The study emphasizes that human capital skills are significant factors to enhance corporate performance. The bank's management, decision-makers, academicians and policymakers, therefore, should try to optimize their human capital skills through educational programs, exposure and experience. It is also possible to provide the employability skills to increase the performance of the banking stream, so that the true talent came into the industry from the academia to cope with the challenges that are currently facing the IBF industry in Pakistan as well as across the globe.

Finally, it is also worthwhile to consider the generalizability of the best practice framework for human capital capacity-building in the Islamic banking sector in other Muslim countries. A comparative study of both qualitative and quantitative data across the Top 5 Muslim countries could provide the similarities and differences and, therefore, would help to gain a better understanding on the process of nationalization of employees. Such studies will also help in providing different mechanism from each other in outlining the future strategies. Future studies should also focus on the other important challenges faced by organizations engaged in the cultural factors of their workforce. This study revealed that managing the expectations of young people, managing attitude problems, and managing the transfer of knowledge and experience from traditional to *Shariah-compliant* point of view can be considered for future research.

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