

Human Capital Competencies and Organizational Effectiveness in Pakistan's Islamic Banking Sector

Afia Mushtaq

*Doctoral Candidate (Islamic Banking and Finance), Assistant Professor, School of
Professional Advancement, University of Management and Technology, Lahore*

Dr. Talat Hussain

*Assistant Professor, School of Business and Economics, University of Management
and Technology, Lahore*

Dr. Muhammad Mahmood Shah khan

*Assistant Professor, School of Business and Economics, University of Management
and Technology, Lahore*

Abstract

The purpose of the current research is to examine the impact of employability skills on the Islamic bank's performance in Pakistan. The study empirically based on the primary data collection via survey-based research instrument from 249 Islamic bankers of five Islamic banks and six conventional banks having more than 100 Islamic branches in Pakistan. The empirical results revealed that interpersonal skills, social skills, technical skills and subject knowledge have a positive and significant relationship with organizational performance in the Islamic banking sector of Pakistan. The skilled human resources availability is the need for a significantly growing Islamic banking and finance industry. The education for employability focuses not only on development of employability skills but also on subject-specific knowledge acquisition required for the existing dynamic business settings. Policy-makers, the university administration, employers, and graduates should actively find ways to enhance employability skills by identifying and encouraging the best practices for successful employability initiatives.

Keywords: Employability skills, Organizational performance, Islamic banks, Pakistan



Introduction

One of the prominent factors for organizational success is their proper utilization of high-performance work systems.¹ Human resources employed by the organizations are considered the fundamental corporate assets to facilitate business goals.² Human resources who possess the requisite skills, knowledge and expertise can enhance an organization's economic value.³ Islamic banking and finance (IBF) industry have a complex operating environment due to the Shariah-compliant operational processes and the financial regulations that may create human resource challenges in terms of having the right people in the right job.⁴

In IBF, particularly Islamic banking, human capital is one of the significant factors to stall the growth as there is a lack of vigorous training and educational programs, standard operational requirements to entry in the sector, lack of encouragement and support, and unrealistic expectations.⁵ The employability of the Islamic finance graduates remains an essential agenda within Islamic countries to make the economy an International Islamic financial education hub.⁶ The Islamic finance graduates are the main concerns of the government institutions and society in the Islamic countries and across the globe. According to Belt, Drake and Chapman, the term employability is an individual ability to sustain and secure employment within the workplace.⁷ Employability includes organizational skills, personal personality traits and capacity, academic skills, knowledge and formally learned capacities.⁸

Numerous researches established the empirical linkages between the most sought-after skills by employers and the skills that are most useful for graduates in different disciplines.^{6 9 10} Few studies previously conducted in the Islamic banking sector.¹¹ However, not a single research readily available to explore the influence of employability skills on organizational performance, except Khan, Alheety and Bardai.¹² The mismatch between the IBF industry and academic institutions and students is a predicament for Islamic finance jobs. Graduates do not meet the requirements for IBF-related positions for various reasons, including a lack of employability skills.¹³ Nevertheless, jobs vacancies in the Islamic finance sector still have a higher demand due to the skilled and qualified staff's shortage.¹⁴

It is evident that there is a growing demand for employers for highly skilled graduates who can play a role in producing an effective change in their field.¹⁵ Alpay and Jones suggested that the graduates must be self-equipped with generic skills to perform skillfully and professionally.¹⁶ The graduates must be skilled enough to act as good employers with improved abilities for business, better communication skills, and more professional skills.¹⁷ Therefore, this research investigates the impact of various employability skills on the performance of Islamic banks to fill the research gap based on employer's perspectives. Thus, the study comprehensively analyses and critically re-defines Islamic finance knowledge and associated employability skills into the Islamic banking domain.

Rationale of the Study

Earlier scholarly work has ascertained that human resources can create value to achieve the organization goals.¹⁸ This evidence further strengthens that employability skills and formal education are related and much needed to increase the organization production capacity.¹⁹ This research will help provide a framework for examining the link between employability skills to Islamic banks performance. This study will facilitate the Islamic banking organizations to explain strategically the characteristics of subject (or job) knowledge that their organization desires. In addition, this research endeavors to prove that superior human capital makes a difference regarding competitive advantage to firms. Organizations with outstanding human capital have a sustainable competitive advantage over other firms. The performance of Islamic banking organizations based on their employees, unlike the organizations that rely on technology; therefore, this study will be beneficial in providing guidelines to the industry on how they can improve their performance based on their employees.

Problem Statement

In the IBF industry, human resources shortage lies in the fact that a significant chunk of industry professionals and practitioners are experienced and trained in the conventional finance industry. At the same time, a small proportion of individuals know about Islamic finance.²⁰ The industry assumes that Islamic graduates and bankers must have conventional banking processes sufficient

knowledge besides Islamic banking related knowledge and acquired skills. Keeping into consideration, Islamic financial professionals need to have the necessary employability skills as there are market requirements for the jobs in the IBF industry. Moreover, the IBF industry needs new theories and applications for better organizational performance.²¹ There is the emergence of a unique view of integrated human resource management. This view has had not tested in the setting of IBF. This study added human capital theory by adding employability variables and examined the integrated framework of the human capital theory under the new geographical environment of Pakistan. This study makes this unique attempt to fill the research gap between employability factors and their effects on organizational performance.

Research Objectives

The study achieves the following research objectives:

1. To investigate the impact of communication skills on the performance of Islamic banks.
2. To investigate the impact of interpersonal skills on the performance of Islamic banks.
3. To investigate the impact of social skills on the performance of Islamic banks.
4. To investigate the impact of technical skills on the performance of Islamic banks.
5. To investigate the impact of subject knowledge on the performance of Islamic banks.

Literature Review

The term 'employability' has been given cumulative consideration over the previous few years.^{22 23} However, the intensified significance placed upon the concept rather than proposing a single universal definition of the term.^{24 25 26} According to Li and Sun, there are different classifications for employability skills like basic academic skills and high-order thinking skills.²⁷ Kornelakis and Petrakaki argued that employability skills serve as a basis for life-long learning and are crucial for graduates' workplace success and employment need.²⁸ Employability is "a mixture of achievements, skills, understandings and some personal attributes that enable graduates to gain employment".²⁹ It used to

define the candidate's ability to be employed³⁰ and reflect the quality and skills posed for vacant positions offered by organizations.³¹

Organizations need knowledgeable and skilled human resources (or graduates) to cater, familiarize and adapt to dynamic, vibrant technological and economic changes.³² Even though organizations always look for the best-skilled workforce, however with growing competition for jobs, higher unemployment levels, and enduring economic recession, potential graduates need to show their academic and employability skills to reflect themselves among various positions.^{31 33 34} Tymon highlighted that one measure of higher education institutes performance is graduate employability.³⁵ The university education system is the chief provider of employability skills development among the participants.³⁶ Besides that, many authors suggested that university graduates must possess the employability skills to tackle the unemployment crisis.^{37 38 39}

Earlier empirical literature proposed that the skills that employers seek from the graduating participants include generic or soft skills.^{40 41 42 43 44 45 46 47 48} These generic or soft skills can be communication,^{40 45 47 48} social skills,^{40 41 49} and interpersonal skills,^{43 50} as well as analytical thinking skills,⁴⁴ problem-solving skills,⁴⁸ self-management skills,⁴⁸ numeracy skills,⁴⁰ writing skills,⁵¹ data analysis skills,⁵² and technical skills.^{41 44} Social skills help build shared cognition and expected to affect the organizational innovation process given the level of communication and interpersonal interactions needed for conceiving, developing and approving the financial product or service by the Shariah committee in the Islamic financial institution's context.⁵³

Jackson conducted a study to overcome the graduate skill gap using a new systematic approach. They consider generic graduates and business graduates as samples from different countries like the USA, UK and Australia. The study also unpacks the concept of graduate employability and focuses on the importance identified by employers internationally over the past ten years. The findings show what business needs today from graduate, and the results show that graduates know how they studied and if that study is beneficial for their workplace.³⁶ Thereby, the application of knowledge and skills enhanced for graduates.⁵⁴

According to previous studies, banks employees cannot perform well and not complete their task due to less experience and lack of training.^{55 56} The main problem is to identify the effect of training and development on overall employee performance. Jensen et al. argued that the vital procedures of the market mechanism bear a strong relationship with that of the extent of a capable workforce.⁵⁷ A positive impact of quality workforce in inter-organizational differences for productivity discussed by the recent studies⁵⁸ and a positive effect on the capacities of the companies through which they tend to avail the opportunities for enhanced operations and increased returns.⁵⁶

For any organization to meet up the expectations of its stakeholders, organizations should give human capacity utmost priority.⁴³ Against this backdrop, human resources managers always source outstanding, qualified candidates who can deliver their organizations' results.⁴⁰ Recruitment and selection is an onerous task that requires the utmost attention of HR managers since it determines the quality of staff at an organization's disposal par time.⁴³ Therefore, they need to ensure that job analysis done so that the organization's goals consistently met at each employee's desk. Since employability skills are competencies tied to staff performance, the former has a proportionate impact on the organization's business performance. While prospective candidates need testing on these employability skills, the organization needs to invest in their continuous improvement to enhance business performance.

Khan et al. examined the influence of human capital skills (knowledge, experience and exposure, employability skills, conceptual clearance) on the Islamic bank's performance in Pakistan. The study found that all these human capital skills have a statistically positive relationship with the corporate performance of Islamic banks of Pakistan. They concluded a need for robust learning, research and development model implementation by corporate organizations to invest in their human resources.¹² A learning and development budget must exist in organizations to ensure that the entire workforce trained consistently. The changes in job roles and functions are inevitable within organizations; however, an adequate budget will ensure that such changes only improve business performance. Human resource experts recognize that skill development is only a subset of learning and development.⁵⁹ Hence

organizations pay adequate attention to continuous learning. Employability skills developed on the job; thus, there is a need to train staff consistently since that is the best way to ensure that they remain relevant to the organization and ultimately improve business performance.⁶⁰

Furthermore, an individual basic understanding of something, either a concept, person or object, is referred to as knowledge. Natt, Al-Habshi and Zainal said that knowledge could be either specific or general knowledge. Only a competent and well-balanced knowledgeable worker is groomed and equipped to serve in the IBF sector when both kinds of knowledge infused into the human capital training and development programs.⁶¹ Zack and Street investigate the impact of knowledge on the performance of firms. This research observed that competitive advantage is just getting through knowledge rather than what you have or what you produce. The study examined whether business performance also depends on knowledge or not. They observed the significant influence of selected characteristics on the strategic value of that knowledge. After this, they followed the relationship between strategic value and the performance of the firm.⁶²

Research Gap

The performance of an organization is greatly affected by its human resources.⁶³ Higher education institute educators and students must before understand what these needs and skills are to meet the employer's needs.⁴⁴ Therefore, there is a necessity for research work to clarify what organizations need from their graduating human resources. Even though various researches conducted on whether new graduates have the essential skills to succeed in their jobs, very few studies have addressed this issue specifically to the Islamic banking sector in Pakistan. Few studies explored the single-factor construct employability skills within the banking industry.^{12 41 64} Also, limited studies examine the employability skills needed for a specific profession or sector.^{43 65} Besides, since Shariah knowledge in the mindset of an individual is the crucial foundation for the operations of Islamic financial institutions that differ from the conventional banking system, thus there is a need for time to examine these variables role in the relationship between the employability skills and organization performance. Additionally, Khan et al. (2020) use a single-factor construct in

their study, while the current research employed a multi-factor construct for exploring employability skills. This study aims to fill this research gap within the Pakistan Islamic banking sector.

Research Hypothesis

H₁: Communication skills have a significant effect on the performance of Islamic banks.

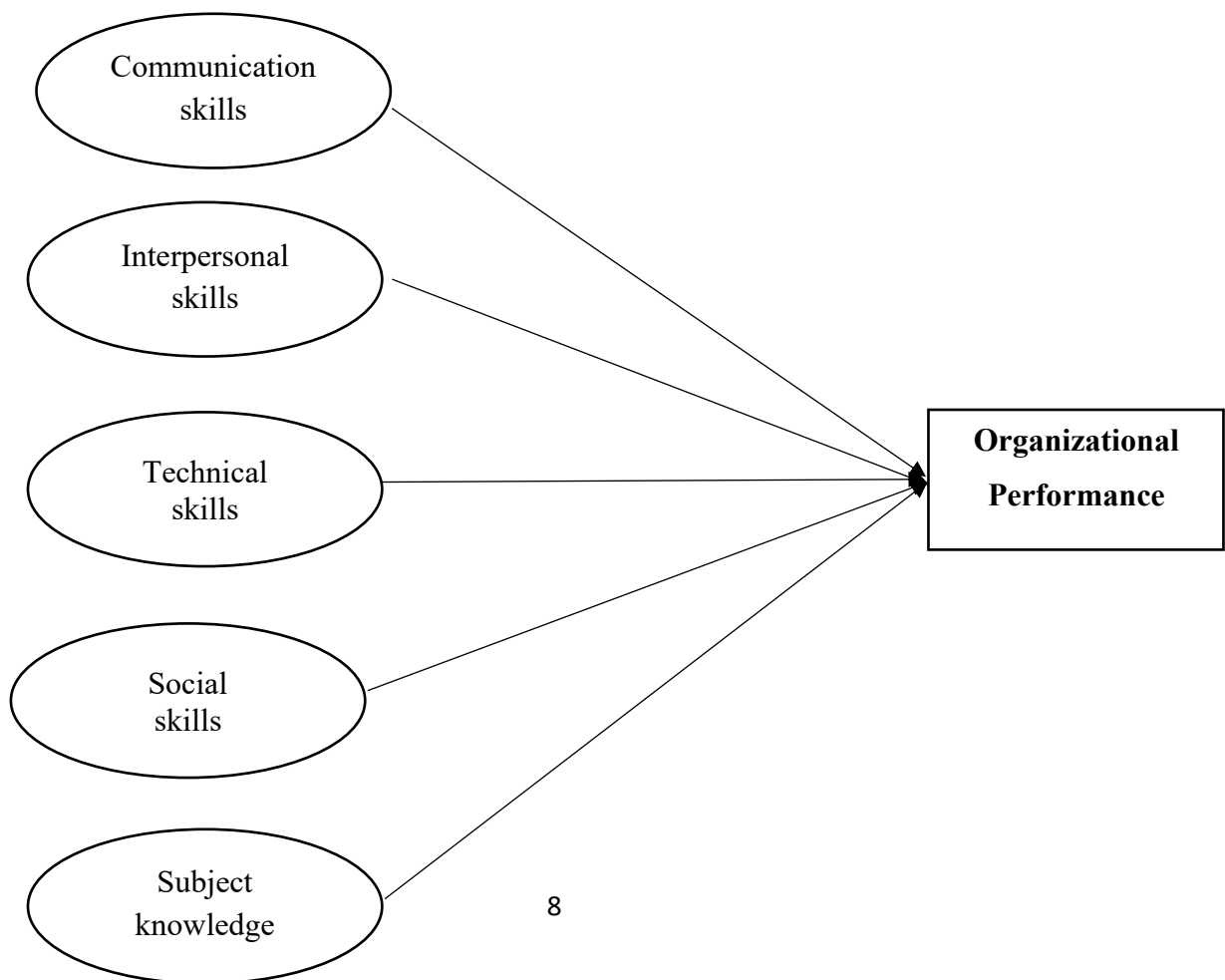
H₂: Interpersonal skills have a significant effect on the performance of Islamic banks.

H₃: Social skills have a significant effect on the performance of Islamic banks.

H₄: Technical skills have a significant effect on the performance of Islamic banks.

H₅: Subject knowledge has a significant effect on the performance of Islamic banks.

Theoretical Framework



Research Methodology

The study employs a deductive approach to generalize the research findings that examine the five research questions exploring the influence of employability skills on the organizational performance of Islamic banks. The study adopted a quantitative research approach to assess the structural relationships among the constructs in Pakistan. A self-administered survey instrument used for gathering the data because it is the most suitable way to collect the primary data.⁶⁶ The questionnaire divided into two parts – Demographic information (part 1) and Islamic banker's view on employability skills and organizational performance (part 2). The study has made use of a 7-point scale to indicate the respondent's degree of disagreement or agreement (where 1- Strongly Disagree; 2- Somewhat Disagree; 3- Disagree 4- Neutral; 5- Agree, 6- Somewhat Agree, and 7-Strongly Agree) to the particular series of statements regarding the employability skills factors and organizational performance.

The study population comprises five full-fledged Islamic banks and 17 standalone Islamic banking branches of traditional banks in Pakistan. For the current study, a multi-phase sampling approach has adopted. In the first phase, stratified sampling employed. The four big business/banking hubs and the capital cities of the provinces of Pakistan selected as stratum (Table 1). Moreover, these four cities have the highest number of full-fledged Islamic bank's branches.⁶⁷ In the next phase, all Islamic banks and six standalone Islamic banking branches of traditional banks with above 100 branches as of December 31, 2020 taken as a sample. Table 2 provides the classification of sample and response rate.

Table I: Province Wise Branch Network and City Wise Data Collection

Province Names	Frequency	%	City Names	Frequency
Federal Capital	75	5.0	Islamabad	15

Impact of Employability Skills on the Organizational Performance: Case of...

Sindh	522	34.8	Karachi	104
Punjab	787	52.4	Lahore	157
KPK	116	7.7	Peshawar	23
Total	1500	100.0	Total	300

In multivariate studies, a sample size several times larger (say ten times) than the number of variables is often required.⁶⁸ Therefore, the current study response rate considered adequate going with the suggestion that the sample size should be ten times higher than the number of the variables. Partial Least Squares (PLS) path modelling used to test the established research hypotheses in conjunction with Smart PLS. Other statistical tests include descriptive statistics, reliability analysis, and factor analysis.

Table 2: Study Sample and Response Rate

Full-Fledged Islamic Banks		Total	%	Sample	Response
		No. of			Rate
		Br.			
1	Al-Baraka Bank (Pakistan) Limited	181	11.3	20	18
2	BankIslami Pakistan Limited	227	14.2	25	21
3	Dubai Islamic Bank Pakistan Limited	210	13.2	24	23
4	Meezan Bank Limited	802	50.1	89	73
5	MCB Islamic Bank Limited	180	11.2	20	16
	Total	1600	100.	178	151
			0		
Conventional Banks (100+ Islamic Branches)		# of Br.	%	Sample	Response
					Rate
6	Allied Bank Limited	117	10.7	13	9
7	Bank Al Habib Limited	102	9.3	11	9
8	Bank Alfalah Limited	171	15.7	19	16
9	Faysal Bank Limited	413	37.8	46	41
10	National Bank of Pakistan	189	17.3	21	16
11	United Bank Limited	100	9.1	11	7
	Total	1092	100	122	98

Grand Total	2692	300	249
--------------------	------	-----	-----

Operationalization of constructs comprises defining the variables used to represent constructs and how they measured.⁶⁸ Appendix I exhibit the operational definitions of constructs used in the study. Based on the literature, employability skills identified and information is collected from 249 Islamic bankers, representing a response rate of 83.0%. Employability skills (taken as an independent variable) comprise communication skills, interpersonal skills, technical skills, social skills, and subject knowledge — and organizational performance taken as a dependent variable.

Initially, a pilot study does conduct on the 30 responses. The findings show that the Cronbach's alpha value for all constructs is above 0.7 (Table 3), depicting the questionnaire is reliable for further research. Moreover, ethical issues like the respondent's secrecy and confidentiality also considered as Kent explains that moral values are crucial while piloting research.⁶⁹

Table 3: Reliability Analysis (Pilot Study)

Sr. #	Scale Name	Cronbach's Alpha	Number of Items
1	Communication skills (CS)	.888	5
2	Interpersonal skills (IS)	.852	7
3	Technical skills (TS)	.869	5
4	Social skills (SS)	.891	7
5	Subject knowledge (SK)	.876	7
6	Organizational performance (OP)	.805	6

Results and Discussion

Descriptive Statistics

In this study, to describe the basic features of research variables, descriptive statistics are used. Table 4 provides the descriptive statistics for the variables taken into consideration for the current study. The mean value of organizational performance (OP) is 5.42, communication skills (CS) is 5.13, interpersonal skills (IS) is 4.99, technical skills (TS) is 5.11, social skills (SS) is 5.00, and the subject knowledge (SK) is 5.84. The skewness and kurtosis

value of the variables can be positive or negative or even undefined and can always be equal or close to 0 for normally distributed data.⁷⁰ George suggested that the dataset usually bell-shaped if the skewness values lie between ± 1.96 and Kurtosis values lie between ± 3 , respectively, thus indicating that the research data normally distributed.⁷¹

Table 4: Descriptive Analysis

Variables	Mean	Std. Dev.	Skewness	Kurtosis
Communication skills (CS)	5.13	1.25	-1.05	1.50
Interpersonal skills (IS)	4.99	1.24	-1.08	1.31
Technical skills (TS)	5.11	1.12	-0.61	0.38
Social skills (SS)	5.00	1.25	-0.81	0.41
Subject knowledge (SK)	5.84	1.12	-1.01	1.80
Organizational performance (OP)	5.42	1.08	-1.11	2.22

Reliability and Validity Analysis

Reliability and validity are an essential part of any research. The instrument's reliability is the degree to which the tool is free from errors, while the instrument's validity is the degree to which the tool measures the construct.⁷² The aim of measuring the reliability and validity of an instrument is to examine the internal stability.⁷³ Consequently, to confirm the face and content validity and the instrument's relevance, the questionnaire sent to few experts in the respected field to seek their assistance in the Pakistani context, particularly the Islamic banks. Furthermore, content validity described as the degree to which an instrument explains the meaning inserted in specific concepts.⁷⁴ Moreover, content validity includes experts' panel views on the items, wordings, and phrases enclosed in the instrument.⁷²

Using Smart PLS software, reliability analysis conducted. The findings show that all constructs have surpassed the minimum threshold of 0.7, thereby concluding that variables/constructs are reliable measures. Table 5 presents the details of Cronbach's alpha and composite reliability values along with the total number of items for each construct.

Table 5: Reliability Analysis

Sr. #	Scale Name	Cronbach's Alpha	Composite Reliability	Number of Items
1	Communication skills (CS)	.875	.909	5
2	Interpersonal skills (IS)	.887	.914	6
3	Technical skills (TS)	.835	.940	5
4	Social skills (SS)	.902	.925	6
5	Subject knowledge (SK)	.925	.883	7
6	Organizational performance (OP)	.859	.899	5

To identify which underlying factors/constructs measured by a (much larger) number of observed variables, the researcher applied the Exploratory Factor Analysis (EFA).⁷⁵ It is a statistical technique used to analyze the Islamic banker's views on the variables. This statistical technique helps the scholar explore the items that contribute to the viability of each employability skills.⁷⁶ Moreover, discriminant validity is how a construct represented by the indicators and how these constructs were different from one another.⁶⁸ The researcher has used Henseler, Ringle and Sarstedt criteria to assess the discriminant validity.⁷⁷ They stated that the square root of the Average Value Extracted (AVE) of the constructs must be higher than the value of the correlation of the constructs compared to other constructs. From Table 8, it is evident that the AVE value square root is greater than the highest construct's correlation; thus, discriminant validity established as given in Table 6.

Table 6: Discriminant Validity

	CS	IS	OP	SS	SK	TS
Communication skills (CS)	0.817					
Interpersonal skills (IS)	0.698	0.800				
Organizational performance (OP)	0.623	0.678	0.801			
Social skills (SS)	0.626	0.754	0.648	0.820		
Subject knowledge (SK)	0.494	0.431	0.460	0.167	0.831	
Technical skills (TS)	0.699	0.813	0.672	0.793	0.336	0.776

Note: Bold values represents the AVE square root while non-bolded values represent the correlations

Impact of Employability Skills on the Organizational Performance: Case of...

Furthermore, the researcher used the AVE to measure the convergence validity as per Hair et al. (2010) criteria. The criteria state that at least half of the indicators variance explained by the latent construct. It means that the factor loading value should exceed 0.708 as its square root value equals 0.5.⁶⁸ The AVE value of organizational performance is 0.642, communication skill is 0.667, interpersonal skills is 0.640, technical skills is 0.602, social skills is 0.672 and subject knowledge is 0.691. It found that AVE scores of all variables have met the minimum threshold value criterion as given in Table 7.

Total 7: Rotated Component Matrix

Construct	Items	Component						AVE
		1	2	3	4	5	6	
CSI	Islamic Finance graduates communicate effectively.	.817						.667
CS2	Islamic Finance graduates express ideas verbally.	.850						
CS3	Islamic Finance graduates speak well in public.	.855						
CS4	Islamic Finance graduates have social speaking abilities.	.758						
CS5	Islamic Finance graduates communicate quite well in English.	.800						
ISI	Islamic Finance graduates can work individually.		.818					.640
IS2	Islamic Finance graduates can work as a member.		.798					
IS3	Islamic Finance graduates respect other' opinion.		.701					
IS5	Islamic Finance graduates guide their team members.		.836					

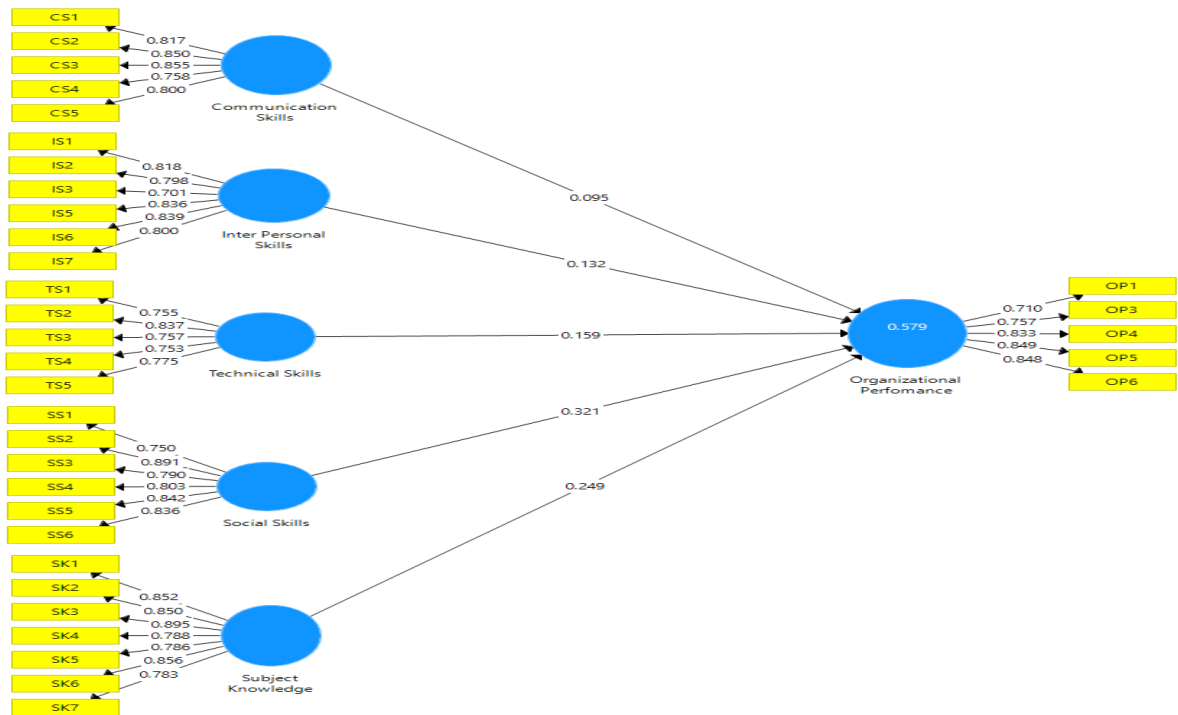
IS6	Islamic Finance graduates attract the audience's attention.	.839	
IS7	Islamic Finance graduates have a high confidence level.	.800	
TS1	Islamic Finance graduates can obtain information effectively.	.755	
TS2	Islamic Finance graduates capable of acquiring information from various sources.	.837	
TS3	Islamic Finance graduates have good information communication and technology knowledge (say internet, email, social media, etc.).	.757	.602
TS4	Islamic Finance graduates have technical know-how about essential computer software's.	.753	
TS5	Islamic Finance graduates easily cope with multimedia components.	.775	
SSI	Islamic Finance graduates are committed to their work.	.750	
SS2	Islamic Finance graduates can adapt to changing environment.	.891	.672
SS3	Islamic Finance graduates can work in cultural diversity.	.790	

Impact of Employability Skills on the Organizational Performance: Case of...

SS4	Islamic Finance graduates can deal with work pressure.	.803	
SS5	Islamic Finance graduates usually initiate conversation.	.842	
SS6	Islamic Finance graduates help people around their surroundings.	.836	
SKI	Islamic Finance graduates have good knowledge and awareness about Islamic finance product development.	.852	
SK2	Islamic Finance graduates have good knowledge and awareness about Islamic financial products and contracts (say Musharakah, Mudarabah, etc.).	.850	
SK3	Islamic Finance graduates know that socio-religious contexts motivate the customer to open an account in an Islamic bank.	.895	.69I
SK4	Islamic Finance graduates know the differences in customer dealings between Islamic and traditional banks.	.788	
SK5	Islamic Finance graduates have knowledge about banking disciplines (such as general banking, finance, and accounting).	.786	

SK6	Islamic Finance graduates have knowledge and awareness about comparative banking systems.	.856
SK7	Islamic Finance graduates have knowledge and awareness about Shariah rules and regulations.	.783
OPI	You agree that employability skills and subject knowledge affect the organization productivity.	.710
OP2	You agree that employability skills and subject knowledge affect the organization profitability.	.757
OP3	You agree that employability skills and subject knowledge affect the organization market share.	.833 .642
OP4	You agree that employability skills and subject knowledge affect the customer's satisfaction level.	.849
OP5	You agree that employability skills and subject knowledge affect the skills development process in an organization.	.848

Figure I: Structural Model



Hypothesis Testing

In statistics, hypothesis testing is a test whereby a researcher tests an established assumption about a population parameter.^{lxxviii} Table 8 shows the hypothesis testing for all independent variables on the organizational performance (dependent variable). The results indicate that the Communication skills - Organizational performance (CS-OP) relationship has a path coefficient value of 0.095 and standard error of 0.072, implying a positive association between the two variables. The corresponding t-stats value is 1.317 (p-value = 0.188), which is statistically insignificant at the 0.05 level of significance; therefore, we fail to accept our first hypothesis (H₁). It means that Islamic finance graduates' clear communication skills are highly appreciated by the Islamic banks yet not an essential factor for graduates' employability to enhance Islamic banks' performance. One of the reasons for this is that almost all banks offer management trainee programs for new graduates that provides and polish such skills, thereby not necessarily needed at the time of employability by the recruitment committee of these banks. Although, these findings were contrary to the work of McMurray et al. (2016), Ngoo et al. (2015) and Jackling & De Lange (2009), who emphasized that communication skill is a vital employability skill that employers seek from new graduates.

Table 8: Direct Hypothesis Testing

#	Variables	Coefficient	Std. Error	t-stats	p-values	Decision
H ₁	CS-> OP	0.095	0.072	1.317	0.188	Rejected
H ₂	IS -> OP	0.132	0.128	1.776	0.076*	Supported
H ₃	TS -> OP	0.159	0.155	2.124	0.034**	Supported
H ₄	SS -> OP	0.321	0.319	3.862	0.000***	Supported
H ₅	SK -> OP	0.249	0.246	4.268	0.000***	Supported

*** p < 0.01 ** p < 0.05 * p < 0.10

Interpersonal skills – Organizational performance (IS-OP) also have a significant direct relationship with a coefficient value of 0.132 and a standard error of 0.128. The t-stats value is 1.776 (p-value = 0.076), hence is significant at 0.10 level of significance. Thus, H₂ is accepted. It reflects that having interpersonal skills in the banking sector by the employees of Islamic banks

leaves a positive effect on Islamic banking performance in Pakistan. This finding is consistent with the previous study of Collet et al. (2015) and Husain et al. (2010). They argued that improvising the employee performance can be done by increasing the interpersonal skills among the new graduates, increasing the organizational effectiveness, productivity, and performance in the long run. The graduates with good interpersonal skills can convey their ideas more effectively and maintain positive relationships inside and outside of work.⁴⁷

The relationship between Technical skills – Organizational performance (TS-OP) has a beta coefficient of 0.159 and a standard error of 0.155. The corresponding t-stats value is 0.124 (p-value = 0.034), depicting that the impact of technical skills on organizational performance is significant at the 0.05 level of significance, thereby accepting our third hypothesis (H₃). Technical skills are essential to perform the specialized tasks to predict the managerial performance for incremental organizational value.⁴¹ Since each banking channel has its state-of-the-art pre-defined software's, nevertheless new graduates must require prior technical knowledge, realizing that technical skills are a significant contributor to the Islamic banks in Pakistan.⁴⁴ Nevertheless, management and technical firms consider technical skills a prominent factor for their organization success.⁴⁸

The impact of Islamic finance graduates social skills on organizational performance (SS-OP) found to be statistically significant with a coefficient value of 0.321 and a standard error of 0.319 having a t-stats value of 3.862 (p-value = 0.000). It means H₄ is accepted, similar to the earlier research work of McMurray et al. (2016), Adebakin et al. (2015) and Jackling and De Lange (2009), who also highlighted the prominence of social skills as a critical employability skill that employers seek from the new graduates. Moreover, good social skills facilitate interpersonal interactions, leading to effective job outcomes.⁴⁰ Hochwarter further stated that social skills are more strongly related to performance among graduates reporting low rather than high organizational support level.^{lxxix}

Lastly, the Subject knowledge – Organizational performance (SK-OP) relationship also exhibit a positive and statistically significant association with a path coefficient value of 0.249 with a t-stats value of 4.268 (p-value =

0.000). The findings are consistent with Zack, McKeen and Singh^{xxxx}, who found that knowledge is directly related to organizational performance, which, in turn, directly related to financial performance. Zack and Street also investigate the impact of knowledge on the performance of firms and found that competitive advantage is just getting through knowledge rather than what you have or what you produce.⁶²

Conclusion

The growing interest in Islamic finance warrants the availability of the required level of skilled human resources. This study examines the impact of employability skills on the organizational performance of the Pakistan Islamic banking sector. The study finds that interpersonal skills, social skills, technical skills and subject knowledge have a positive and statistically significant association with organizational performance in the Islamic banking sector of Pakistan. The current changing business environment emphasizes the importance of education for employability, focusing on developing employability skills and the acquisition of subject-specific knowledge. All stakeholders, the government, the university administration, employers and graduates themselves must be actively involved in this process should find a way to enhancing these employability skills. Policy-makers need to consider how the importance of employability skills within these programs can be assured and adequate resourcing provided, for example, through leadership support or performance measures.

Limitation and Study Forward

This research comprises of few limitations, such as:

- (i) The study takes only Pakistan's Islamic banks as a sample; however, the whole Islamic financial market, including capital markets (Sukuk, Takaful, Ijarah, Mudarabah Funds, etc.) still untouched as far as such kind of study concerned, and
- (ii) The comparison of the employability skills with conventional banks is also valuable. It provides a clear understanding of the main employability factors that traditional banks have and what can be taken from their model to adopt in the Islamic bank's settings.

- (iii) It is also vital to conduct similar researches in other Muslim countries IBF industry settings to generalize the employability skills framework. A comparative study (either qualitative or quantitative) across different countries offering Islamic banking products and services may provide the similarities and differences and, therefore, help gain a better understanding of the topic.
- (iv) Future studies should also focus on the other critical graduate's skills related challenges faced by the organizations.

Authors Contribution

All authors contribute significant work to the article. The first author was responsible for proposing the research idea, exploring the existing pieces of literature to be the basis for formulating the hypothesis, analyzing the data and providing interpretation and discussion of this study. The second author was responsible for explaining the methodology for conducting the research. The third author was responsible for concluding and reviewing the whole paper.

Appendix – I

Variables Operational Definitions	
Variables	Definition
Employability skills	<p>Communication skills: The level of expertise in expressing one's opinion in oral and written format and be able to understand others through reading and listening (Evers, Rush & Berdow, 2009).^{lxxxii}</p> <p>Interpersonal skills: Interpersonal skills refer to individuals working ability and negotiating in a team with cultural diversity (Islam et al., 2018).^{lxxxiii}</p> <p>Technical skills: The skills required for a particular operation in terms of equipment or a process is called technical skills (Guy, Sitlington, Larsen & Frank, 2009).^{lxxxiii}</p> <p>Social skills: These skills defined as an individual ability to perform acceptable behaviour as per diverse contexts of social situations (McMurray et al., 2016).⁴⁰</p> <p>Subject knowledge: Subject knowledge is an individual basic understanding of something, be it information or a subject (Natt et al., 2009).⁴²</p>
Organizational performance	Organizational performance is the extent of the overall company's productivity, profitability, market share, success, and growth rate compared to competitors in the industry (Khan et al., 2020). ¹²

References

- ¹ Anwar, Govand, and Nabaz Nawzad Abdullah. "The impact of Human resource management practice on Organizational performance." *International journal of Engineering, Business and Management (IJEBM)* 5, no. 1 (2021): 35-47.
- ² Gbervbie, Daniel Esem. "Organizational retention strategies and employee performance of Zenith Bank in Nigeria." *African Journal of Economic and Management Studies* 1, no. 1 (2010): 61-74. <https://doi.org/10.1108/20400701011028167>
- ³ Riordan, Christine M., Robert J. Vandenberg, and Hettie A. Richardson. "Employee involvement climate and organizational effectiveness." *Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management* 44, no. 4 (2005): 471-488.
- ⁴ Kormanik, Martin B., and Thomas J. Shindell. "Future directions for HRD." *Handbook of human resource development* (2014): 688-708.
- ⁵ Rethel, Lena, and Elizabeth Thurbon. "Introduction: Finance, development and the state in East Asia." *New political economy* 25, no. 3 (2020): 315-319.
- ⁶ Kayadibi, S. "Employability and marketability of the graduates of Islamic studies in Islamic banking and finance: Malaysian experience." *Journal of Islamic Law Studies (IHAD)* 16, no. 16 (2010): 503-516.
- ⁷ Belt, Vicki, Paul Drake, and Katherine Chapman. *Employability skills: A research and policy briefing*. UK Commission for Employment and Skills (UKCES), London, (2010). Retrieved from <http://webarchive.nationalarchives.gov.uk/20140108090250/www.ukces.org.uk/assets/ukces/docs/publications/briefing-paper-employability-skills.pdf>. [Accessed on May 11, 2021]
- ⁸ Purcell, Kate, Peter Elias, Gaby Atfield, Heike Behle, Ritva Ellison, Daria Luchinskaya, Jane Snape, Lynne Conaghan, and Charoula Tzanakou. "Futuretrack Stage 4: transitions into employment, further study and other outcomes." *Warwick Institute for Employment Research, Warwick* (2012): 1-250.
- ⁹ Stewart, Jim, and Vanessa Knowles. "Graduate recruitment and selection: implications for HE, graduates and small business recruiters." *Career Development International* (2000).
- ¹⁰ Fletcher, Ashleigh J., Abdul Wadood A. Sharif, and Mark D. Haw. "Using the perceptions of chemical engineering students and graduates to develop employability skills." *Education for Chemical Engineers* 18 (2017): 11-25.

- ¹¹ Khan, Rubaiyet H., Geetha Subramaniam, Ershad Ali, and Saida Parvin. "Islamic banking opportunities in a non-Islamic economy: Customer perspectives of New Zealand." *Journal of Emerging Economies & Islamic Research* 6, no. 3 (2018): 59-68.
- ¹² Khan, Muhammad Mahmood Shah, Sadun Naser Yassin Alheety, and Barjoyai Bardai. "Impact of Human Capital Skills on Corporate Performance: A Case of Islamic Banks in Pakistan." *Journal of Islamic Finance* 9, no. 1 (2020): 076-088.
- ¹³ Al Nasser, Sulaiman Abdullah Saif, and Jorah Muhammed. "Introduction to history of Islamic banking in Malaysia." *Humanomics* 29, no. 2 (2013): 80-87.
- ¹⁴ Khnifer, Mohammed. "The human remains of Islamic finance." *Islamic Business & Finance* (2010): 36-39.
- ¹⁵ Dhir, Saloni. "The changing nature of work, leadership, and organizational culture in future ready organizations." *CMC Senior Theses* (2019). Retrieved from https://scholarship.claremont.edu/cmc_theses/2064?utm_source=scholarship.claremont.edu%2Fcmc_theses%2F2064&utm_medium=PDF&utm_campaign=PDFCoverPages [Accessed on April 23, 2021]
- ¹⁶ Alpay, Esat, and M. E. Jones. "Engineering education in research-intensive universities." *European Journal of Engineering Education* 37, no. 6 (2012): 609-626.
- ¹⁷ Vyas, P. R. I. T. I., and Gajendra Singh Chauhan. "The preeminence of soft skills: need for sustainable employability." *International Journal of Social Science & Interdisciplinary Research* 2, no. 5 (2013): 124-131.
- ¹⁸ Malhotra, Yogesh. "Measuring knowledge assets of a nation: knowledge systems for development." In *Invited Research Paper Sponsored by the United Nations Department of Economic and Social Affairs. Keynote Presentation at the Ad Hoc Group of Experts Meeting at the United Nations Headquarters, New York City, NY*, pp. 4-5. 2003.
- ¹⁹ Babalola, Joel B. "Budget preparation and expenditure control in education." *Basic Text in Educational Planning. Ibadan Awemark Industrial Printers* (2003): 225-299.
- ²⁰ Islamic Finance News "Education: Cultivating talent for Islamic finance" (2015). Retrieved from <http://www.mqa.gov.my/mqr/> [Accessed on May 17, 2021]
- ²¹ Bontis, Nick, and Jac Fitz-enz. "Intellectual capital ROI: a causal map of human capital antecedents and consequents." *Journal of Intellectual capital* 3, no. 3 (2002): 223-247. <https://doi.org/10.1108/14691930210435589>
- ²² McQuaid, Ronald W., and Colin Lindsay. "The concept of employability." *Urban studies* 42, no. 2 (2005): 197-219.

- ²³ Small, Lynlea, Kate Shacklock, and Teresa Marchant. "Employability: A contemporary review for higher education stakeholders." *Journal of Vocational Education & Training* 70, no. 1 (2018): 148-166.
- ²⁴ Harvey, Lee. "Defining and measuring employability." *Quality in higher education* 7, no. 2 (2001): 97-109.
- ²⁵ Weinert, Patricia, ed. *Employability: From theory to practice*. Vol. 7. Transaction Publishers, New Jersey, 2001.
- ²⁶ Artess, Jane, Tristram Hooley, and Robin Mellors-Bourne. "Employability: A Review of the Literature 2012 to 2016. A Report for the Higher Education Academy." *Higher Education Academy* (2017).
- ²⁷ Li, Hongjie, and Zhenjia Sun. "Study on the definition of college students' employability." In *ITM Web of Conferences*, vol. 25, p. 04001. EDP Sciences, 2019.
- ²⁸ Kornelakis, Andreas, and Dimitra Petrakaki. "Embedding employability skills in UK higher education: Between digitalization and marketization." *Industry and Higher Education* 34, no. 5 (2020): 290-297.
- ²⁹ Di Fabio, Annamaria. "A review of empirical studies on employability and measures of employability." *Psychology of career adaptability, employability and resilience* (2017): 107-123. https://doi.org/10.1007/978-3-319-66954-0_7
- ³⁰ Vanhercke, Dorien, Nele De Cuyper, Ellen Peeters, and Hans De Witte. "Defining perceived employability: a psychological approach." *Personnel Review* 43, no. 4 (2014): 592-605. <http://dx.doi.org/10.1108/PR-07-2012-0110>
- ³¹ Madar, Ahmad Rizal, and Y. Buntat. "Elements of employability skills among students from Community Colleges Malaysia." *Journal of Technical, Vocational & Engineering Education* 4 (2011): 1-11.
- ³² Brynjolfsson, Erik, and Andrew McAfee. *Race against the machine: How the digital revolution is accelerating innovation, driving productivity, and irreversibly transforming employment and the economy*. Brynjolfsson and McAfee, 2011.
- ³³ Miller, Linda, Andy Biggart, and Becci Newton. "Basic and employability skills." *International Journal of Training and Development* 3, no. 17 (2013): 173-175.
- ³⁴ Griffin, Mamie, and Heather Annulis. "Employability skills in practice: the case of manufacturing education in Mississippi." *International Journal of Training and Development* 17, no. 3 (2013): 221-232.
- ³⁵ Tymon, Alex. "The student perspective on employability." *Studies in higher education* 38, no. 6 (2013): 841-856.

³⁶ Jackson, Denise. "The contribution of work-integrated learning to undergraduate employability skill outcomes." *Asia-Pacific Journal of Cooperative Education* 14, no. 2 (2013): 99-115.

³⁷ Pillai, Stefanie, Mahmud H. Khan, Ida Syahirah Ibrahim, and Sharmane Raphael. "Enhancing employability through industrial training in the Malaysian context." *Higher Education* 63, no. 2 (2012): 187-204.

³⁸ Pavlin, Samo, and Ivan Svetlik. "Employability of higher education graduates in Europe." *International journal of Manpower* 35, no. 4 (2014): 418-424.
<https://doi.org/10.1108/IJM-05-2013-0104>

³⁹ Kulkarni, Nitin, and A. H. Chachadi. "Skills for employability: Employers' perspective." *SCMS Journal of Indian Management* 11, no. 3 (2014): 64.

⁴⁰ McMurray, Stephen, Matthew Dutton, Ronald McQuaid, and Alec Richard. "Employer demands from business graduates." *Education and Training* 58, no. 1 (2016): 112-132.
<https://doi.org/10.1108/ET-02-2014-0017>

⁴¹ Adebakin, Azeez B., O. Timothy Ajadi, and S. Tayo Subair. "Required and Possessed University Graduate Employability Skills: Perceptions of the Nigerian Employers." *World Journal of Education* 5, no. 2 (2015): 115-121.

⁴² Ngoo, Yee Ting, Kui Ming Tiong, and Wei Fong Pok. "Bridging the gap of perceived skills between employers and accounting graduates in Malaysia." *American Journal of Economics* 5, no. 2 (2015): 98-104.

⁴³ Collet, Chris, Damian Hine, and Karen Du Plessis. "Employability skills: perspectives from a knowledge-intensive industry." *Education+ Training* 57, no. 5 (2015): 532-559.
<https://doi.org/10.1108/ET-07-2014-0076>

⁴⁴ Andrews, Jane, and Helen Higson. "Graduate employability, 'soft skills' versus 'hard' business knowledge: A European study." *Higher education in Europe* 33, no. 4 (2008): 411-422.

⁴⁵ Sodhi, ManMohan S., and Byung-Gak Son. "ASP, the art and science of practice: Skills employers want from operations research graduates." *Interfaces* 38, no. 2 (2008): 140-146.

⁴⁶ Kavanagh, Marie H., and Lyndal Drennan. "What skills and attributes does an accounting graduate need? Evidence from student perceptions and employer expectations." *Accounting & Finance* 48, no. 2 (2008): 279-300.

⁴⁷ Morley, Louise, and Sarah Aynsley. "Employers, quality and standards in higher education: shared values and vocabularies or elitism and inequalities?." *Higher Education Quarterly* 61, no. 3 (2007): 229-249.

- ⁴⁸ Hesketh, Anthony J. "Recruiting an elite? Employers' perceptions of graduate education and training." *Journal of education and work* 13, no. 3 (2000): 245-271.
- ⁴⁹ Jackling, Beverley, and Paul De Lange. "Do accounting graduates' skills meet the expectations of employers? A matter of convergence or divergence." *Accounting Education: an international journal* 18, no. 4-5 (2009): 369-385.
- ⁵⁰ Husain, Mohd Yusof, Seri Bunian Mokhtar, Abdul Aziz Ahmad, and Ramlee Mustapha. "Importance of employability skills from employers' perspective." *Procedia-Social and Behavioral Sciences* 7 (2010): 430-438.
- ⁵¹ Thomas, Ian. "Employers expectations of graduates of environmental programs: An Australian experience." *Applied Environmental Education and Communication: An International Journal* 2, no. 1 (2003): 49-59.
- ⁵² Hellier, Phillip, Monica Keneley, Rodney Carr, and Barbara Lynch. "Towards a market oriented approach: employer requirements and implications for undergraduate economics programs." *Economic Papers: A journal of applied economics and policy* 23, no. 3 (2004): 213-233.
- ⁵³ Loimeier, Roman. *Between social skills and marketable skills: The politics of Islamic education in 20th century Zanzibar*. Brill, 2009.
- ⁵⁴ Khan, M. Mansoor. "Developing a conceptual framework to appraise the corporate social responsibility performance of Islamic banking and finance institutions." *Accounting and the Public Interest* 13, no. 1 (2013): 191-207.
- ⁵⁵ Athar, Rida, and Faiza Maqbool Shah. "Impact of training on employee performance (banking sector Karachi)." *IOSR Journal of Business and Management* 17, no. 11 (2015): 58-67.
- ⁵⁶ Belonio, Rochelle Joy. "The effect of leadership style on employee satisfaction and performance of bank employees in Bangkok." *AU-GSB e-journal* 5, no. 2 (2012). 111-116.
- ⁵⁷ Jensen, Morten Berg, Björn Johnson, Edward Lorenz, Bengt-Åke Lundvall, and B. A. Lundvall. "Forms of knowledge and modes of innovation." *The learning economy and the economics of hope*, Anthem Press (2007): 155-182.
- ⁵⁸ Mokaya, Samuel Obino, and Maureen Jerotich Kipyegon. "Determinants of employee engagement in the banking industry in Kenya; Case of Cooperative Bank." *Journal of human resources management and labor studies* 2, no. 2 (2014): 187-200.
- ⁵⁹ Christensen, Ralph. *Roadmap to strategic HR: Turning a great idea into a business reality*. Amacom Books, 2006.

- ⁶⁰ Hager, Paul, Susan Holland, and David Beckett. "Enhancing the learning and employability of graduates: The role of generic skills." *B-Hert Position Paper* 9 (2002).
- ⁶¹ Natt, Agil, Syed Othman Al-Habshi, and Mohd-Pisal Zainal. "A proposed framework for human capital development in the Islamic financial services industry." *The Journal of Knowledge Economy & Knowledge Management* 1, no. 1 (2009): 9-26.
- ⁶² Zack, MICHAEL H., and C. H. R. I. S. Street. "A framework for assessing the impact of knowledge on firm performance." In *The International Conference on Organizational Learning, Knowledge, and Capabilities*. 2007.
- ⁶³ Stankevičienė, Asta, Algirdas Krivka, and Aušra Liučvaitienė. "The theoretical and practical aspects of human resource management strategy development: A case of Lithuanian telecommunication sector." *Business: Theory and Practice* 10, no. 4 (2009): 276-284.
- ⁶⁴ Cicekli, Elif. "Graduate skills requirements for effective performance in the banking sector." *Verslas: teorija ir praktika* 17, no. 4 (2016): 317-324.
- ⁶⁵ Klibi, Mohamed Faker, and Ahmed Atef Oussii. "Skills and attributes needed for success in accounting career: Do employers' expectations fit with students' perceptions? Evidence from Tunisia." *International Journal of Business and management* 8, no. 8 (2013): 118.
- ⁶⁶ Kerlinger, Fred N., Howard B. Lee, and Duangduen Bhanthumnavin. "Foundations of behavioral research: The most sustainable popular textbook by Kerlinger & Lee (2000)." *Journal of Social Development* 13, no. 2 (2000): 131-144.
- ⁶⁷ State Bank of Pakistan. *Islamic Banking Bulletin* (2020). Retrieved from <https://dnb.sbp.org.pk/ibd/Bulletin/2020/Dec.pdf> [Accessed on May 12, 2021]
- ⁶⁸ Hair, Joseph F., Mary Celsi, David J. Ortinau, and Robert P. Bush. *Essentials of marketing research*. Vol. 2. New York, NY: McGraw-Hill/Irwin, 2010.
- ⁶⁹ Kent, Jennifer. "Individualized responsibility and climate change: 'If climate protection becomes everyone's responsibility, does it end up being no-one's?'" *Cosmopolitan Civil Societies: An Interdisciplinary Journal* 1, no. 3 (2009): 132-149.
- ⁷⁰ Kim, Hae-Young. "Statistical notes for clinical researchers: assessing normal distribution (2) using skewness and kurtosis." *Restorative dentistry & endodontics* 38, no. 1 (2013): 52-54.
- ⁷¹ George, Darren. *SPSS for windows step by step: A simple study guide and reference, 17.0 update, 10/e*. Pearson Education India, 2010.
- ⁷² Sekaran, Uma, and Roger Bougie. *Research methods for business: A skill building approach*. John Wiley & Sons, 2016.

- ⁷³ Zikmund, William G., Jon C. Carr, and Mitch Griffin. *Business Research Methods (Book Only)*. Cengage Learning, 2010.
- ⁷⁴ Sander, Tom, and Phoey Lee Teh. "SmartPLS for the human resources field to evaluate a model." (2014): 346-358.
- ⁷⁵ Yong, An Gie, and Sean Pearce. "A beginner's guide to factor analysis: Focusing on exploratory factor analysis." *Tutorials in quantitative methods for psychology* 9, no. 2 (2013): 79-94.
- ⁷⁶ Zainudin, A. "Research methodology for business and social science." *Shah Alam: Universiti Teknologi Mara Publication Centre (UPENA)* (2010).
- ⁷⁷ Henseler, Jörg, Christian M. Ringle, and Marko Sarstedt. "A new criterion for assessing discriminant validity in variance-based structural equation modeling." *Journal of the academy of marketing science* 43, no. 1 (2015): 115-135.
- ^{lxxviii} Naghettini, Mauro, ed. *Fundamentals of statistical hydrology*. Switzerland: Springer International Publishing, (2017): 251-309.
- ^{lxxix} Hochwarter, Wayne A., Lawrence A. Witt, Darren C. Treadway, and Gerald R. Ferris. "The interaction of social skill and organizational support on job performance." *Journal of applied psychology* 91, no. 2 (2006): 482.
- ^{lxxx} Zack, Michael, James McKeen, and Satyendra Singh. "Knowledge management and organizational performance: an exploratory analysis." *Journal of knowledge management* 13, no. 6 (2009): 392-409.
- ^{lxxxii} Evers, Frederick T., James C. Rush, and Iris Berdrow. "The bases of competence: Skills for lifelong learning and employability." *San Francisco* (2009).
- ^{lxxxiii} Islam, Umna A., Kristie L. Poole, Louis A. Schmidt, Jennifer Ford, Saroj Saigal, and Ryan J. Van Lieshout. "Childhood language skills and adolescent self-esteem in preterm survivors." *Journal of Child Health Care* 22, no. 1 (2018): 34-45.
- ^{lxxxiii} Guy, Barbara A., Patricia L. Sitlington, Michael D. Larsen, and Alan R. Frank. "What are high schools offering as preparation for employment?." *Career Development for Exceptional Individuals* 32, no. 1 (2009): 30-41.