COMPETENCY SKILLS OF GRADUATING ISLAMIC FINANCE STUDENTS

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ABSTRACT
Amid the issue of rising percentage of unemployed graduates, the Islamic finance industry is reporting of shortage in human capital. This has raised the question about the competence level of our graduates from Higher Education Institutions (HEIs) in Malaysia. This study embarks on examining the required competency skills that graduates of HEIs should have in preparing themselves for the work force. As current studies indicated that soft skills, known also as generic skills, are on top of technical skills, this present study focused on the former. Using the qualitative method of library research, the study identified several common soft skills required by the industry for the graduates to have. Knowledge capacity in shariah is the highlight of the study as this attribute is highly needed by the respective industry. Finding of the study is useful for especially the HEIs in reviewing and amending their program structures to accommodate the grooming of their students for employment.

Keywords: Competence, Graduating Students, Islamic Finance, Soft-skills

Introduction
Globally, the Islamic financial service industry has grown in size and geographic coverage (Ibrahim, 2010) and currently encompassing new jurisdictions and more institutions. The developments are seen across all asset classes and beyond traditional products and services. Islamic Financial Service Industry (IFSI) reported that the Islamic banking industry has recorded a compound annual growth rate (CAGR) of 38.5% between 2004 and 2011, while, the Islamic capital market, have recorded a CAGR of 44.0% within the same time period (IFSI stability report, 2013). In Malaysia, the Economic Transformation Programs (ETP) has reported that the financial services sector contributed 11.6% to the real gross domestic products in 2016. Further, the Islamic finance industry has been growing at annual rates of 15-20% over the last decade and expected to grow tremendously in the future. Nevertheless, one of the biggest challenges facing the industry today is inadequate human capital. The demand for human resources in the industry surpasses the supply. This brings into picture the need to have sufficient quality human capital that could meet the demand of the industry.

On the other side of the coin, not less than 200,000 students graduate from higher education institutions in Malaysia every year. However, surprisingly 25% of them remain unemployed after six months of graduation with degree holders constitute the majority (Michelle, 2016). The number of unemployed may increase further if no serious efforts are taken to solve the problem. While the government had given a strong emphasis in developing human capital alongside with the development
of Islamic finance industry, Islamic finance students as potential feeders of the industry have to equip themselves with certain professional competency skills.

Previous studies indicated the importance of graduating students to equip themselves with competencies required for employment and thereby better job performance (Ken & Cheah, 2012). This study would therefore intend to answer the questions of what quality attributes should graduating students have in preparing for their career success. The study focuses mainly on graduating Islamic finance students who would serve the industry in the area of banking, finance and other related services. Examining the competencies of the graduates is important in order to bridge the gap between the employers’ need and the feeders of the industry. In addition, the study is significant for the higher education institutions to have proper amendments and interventions at improving human capital capabilities in their programs’ curriculum.

Review of Literature

Current Scenario of Islamic Finance in Malaysia

The emergence of Islamic finance in Malaysia was marked by the presence of the first Islamic banking institution in the financial market during the eighties with the establishment of the first Islamic bank namely Bank Islam Malaysia Berhad (BIMB) in 1983 (BIMB, 1984). The aspiration of the Malaysian government to have a comprehensive Islamic banking and finance system would not be realized with the presence of a single Islamic bank. A complementary system, a wide range of products and instruments plus a large number of players are required. Thus, the Interest-free Banking Scheme was then introduced in 1993 whereby conventional banking institutions were allowed to offer Islamic banking products and services. A year after, the Ministry of Finance and BNM (Central Bank) set up Islamic Inter-bank Money Market to allow an inter-banks transactions on the basis of shariah. It was then followed by the introduction of Islamic Capital Market in 1994 and the establishment of more Islamic banks in the country.

After more than two decades of Islamic banking in Malaysia, a lot of progress and improvements had taken place. Many products are made available to various customers in the market, ranging from deposits facilities to financing and syndicating of bigger amount of financing. More local-based Islamic banks such as Bank Muamalat Malaysia Berhad (BMMB) and CIMB Islamic Bank and foreign-based banks such as Kuwait Finance House (KFH) and Al-Rajhi Bank are set up to provide wider alternatives of Islamic financing products. Their operation is even enhanced with the introduction of Islamic capital market and Islamic Offshore Financial Centre (IOFC) in Labuan through which the international capital could be tapped. Today, Malaysia aims to become among the international centres (hubs) of Islamic financial market with the conventional commercial banks and Islamic banks going hand in hand in offering Islamic banking and financial products. Known as Islamic Banking System, they offer products not only to the Muslim customers but to the non-Muslims as well.

At present, Malaysia has a significant number of full-fledged Islamic banks including several foreign owned entities; conventional institutions who have established Islamic subsidiaries and also entities who are conducting foreign currency business. Currently, a total of 16 Islamic banks had been set up in the country, out of which 10 are local-based and the rest six are foreign-based.

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<th>Ownership</th>
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<td>Local</td>
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<td>AmBank Islamic Berhad</td>
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<td>Bank Islam Malaysia Berhad</td>
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<td>Bank Muamalat Malaysia Berhad</td>
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<td>CIMB Islamic Bank Berhad</td>
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Table 1: Islamic Banks in Malaysia (as at 2017)
In addition to banks, Islamic insurance industry (Takaful) had also shown a significant growth. Beginning with the first Takaful Operator (TO) namely Syarikat Takaful Malaysia Sdn Bhd being set up in 1984, Malaysia now has nine local-owned TO, two foreign-owned TOs and three Re-takaful operators that provide various Islamic insurance products to the public.

While the industry is expanding as compared to its inception way back in 1983, the shortage of human capital is on the rise. ISRA (International Shariah Research Academy for Islamic Finance) reported that the factors contributing to the rising demand in human capital in Islamic finance are intensified competition, evolving regulations and standards and increasing cross-border Islamic finance activities.

Table 2: Takaful and Re-Takaful Operators (as at 2017)

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<tr>
<th>Ownership</th>
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<td>Local</td>
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<td>Etiqa Takaful Berhad</td>
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<td>HSBC Amanah Takaful (Malaysia) Berhad</td>
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<td>Hong Leong MSIG Takaful Berhad</td>
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<td>Prudential BSN Takaful Berhad</td>
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<td>Sun Life Malaysia Takaful Berhad</td>
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<td>Syarikat Takaful Malaysia Berhad</td>
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<td>Takaful Ikhlas Berhad</td>
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<td>MNRB Retakaful Berhad</td>
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<td>Foreign</td>
<td>AIA Public Takaful Bhd</td>
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Source: BNM
Competency

Competency is a characteristic of an individual that is causally related to job performance (Hodges et al., 2003). It refers to the capability of a person to perform certain skills particularly on coordinating production with multiple streams of technologies. Mitchell (2003) defines competencies as skills, abilities and attributes that complement the field of specialization of employees for work performance. Under normal circumstances, those who possessed competency should result in an acceptable or even superior job performance. Earlier study by Kanungo & Misra (1992) however, differentiates skills and competency. According to them, skills are ability to engage in specific behaviors to accomplish specific routine tasks and they can be learned from training and experience. Competency on the other hand is the ability to engage in non-routine cognitive and intellectual activities which would enable a person to cope with uncertainty in the environment. Among the common competency elements most frequently mentioned are inter-personal skills, communication, accountability, teamwork and many more that would impact on superior performance at work (Boyatziz, 1982; Kavanagh et al., 2008; Sofiah et al., 2014; Abas et al., 2016).

Searching for the right candidates is an important task for any firms. It is not just about filling in the vacancy and anticipating for the selected few to spend their entire life serving the firm and producing the expected outcomes or KPIs (Key Performance Indicators). It is indeed a matter of dollar and cents as the firm has to invest and gamble for the return. Having fresh graduates with no proper training and skills would be an added cost that any particular firm would try to reduce or eliminate. Hence, well trained graduates with certain skills would be at a competitive advantage in securing job as compared to those who are not. Past studies revealed that employers looked for certain skills and behaviors in their potential employees. Nurita, Shaharudin & Ainon (2004) indicated that employers preferred employees who are having good academic achievement and at the same time possessing soft skills such as communication skills, problem solving skills, interpersonal skills and the ability to be flexible.

Another study by Ken and Cheah (2012) on business graduates competencies in the eyes of employers found that oral skill, problem solving skill, computer skill and teamwork ability are rated as important by the employers. This study finding is consistent with the earlier finding by Lai (2011) on the same issue.

Methods of Study

This study adopts qualitative approach using the method of library research. Relevant literatures from the existing texts and previous studies were extensively reviewed to investigate the extent of studies on competency skills. Articles and writings in journals, books, research papers, reports, dissertations etc were scrutinised. The scope of this study revolved around the required competency skills that graduating students should have in preparing themselves for employment. Findings of the previous studies were critically analysed inductively and deductively. Several constructs of competency skills are expected to be produced from the analysis.

In many literatures, the term competency is used interchangeably with the term capability. This study uses the term competency, as in Hodges & Burchell (2003) that include capability and skills which an individual may utilise in performing tasks in familiar and unfamiliar situation. Graduating students are those final year final semester students who undertake their respective courses and programs at their universities.

Results and Discussion

Analysis on the previous studies (such as Hodges et al., 2003; Ken et al., 2012) indicated that soft-skills are highly rated by industries compared to technical skills. Possessing soft-skills are much needed by the employers in especially service industries (Nurita, Shaharudin & Ainon, 2004). Interestingly, technical skills such as reporting skills, research skills, innovative skills and numerical or...
statistics skills are regarded as neutral by the employers (Ken et al., 2012). Soft-skills are personal attributes, personality traits, inherent social cues and communication abilities that would characterize how a person interacts and deals with others. Having soft-skills is important particularly in customer-based jobs as the employees are in direct contact with the customers. The soft-skills enable the employees to communicate with the customers effectively, and provide them with helpful and polite services. It is indeed the soft-skills that shape the personal characteristics of a person which thereby enable the success of one’s career (DeLange et al., 2006). The present study would therefore focus mainly on the required soft-skills that graduates should have in pursuing their career at the relevant industry. There are numerous soft-skills being studied by researchers such as inter-personal skills, communication skills, problem solving skills, teamwork, attitude, work ethic, decision making, positivity, time management, flexibility, conflict resolution and many more. The following discussion highlighted the common soft-skills highly rated by industry that graduating students should have in fulfilling competency gap. A unique soft skill that relates to Islamic finance industry i.e. knowledge capacity in shariah, is added as a new variable in describing the required competency of the graduating students.

**Communication:** Having a good communication skill is essential to individual's success in any position at work. Individuals should represent themselves and their organization with substance and style. This requires individuals to communicate information, ideas and opinions with clarity, accuracy and directness. It also implies an ability to persuade others and sell ideas to people. A study on the skills and attributes that graduating students need to have by Kavanagh et al. (2008) found that students rated communication skill at the top order of ranking. Another study by Ken & Cheah (2012) which looked at the employers’ side indicated that most employers viewed communication skill as the most important capability sought among graduates. Earlier study by Maes, Weldy & Icenogle (1997) had indeed ranked communication at the very top of the competency list. Mayer (1992) also put communication at the very top of the list of employability skills that graduates should possess in ensuring easy access to employment.

**Problem solving:** Problem solving ability is among the key competencies to the success of a person in facing different challenges in especially today’s working environment. In a study on the importance of competencies in hiring decision by Maes et al. (1997), problem solving ability is ranked second after communication. This indicates the importance of the characteristic in ensuring success of a graduate to enter work force. Earlier study by Mayer (1992) had also ranked this skill second after communication. A most recent study by Abas & Imam (2016) causally proved that problem solving skill could enhance graduate employability.

**Teamwork:** Having the skill of working in teams is essential as it would contribute to productive working relationship and constructive outcomes. A study by Maes et al. (1997) had put teamwork at the top five of the list of required competencies that a graduate students should have for their success in work force. Similar study by Boud & Middleton (2003), Quck (2005) and Abas et al. (2016) also found the importance of teamwork as a characteristic to be owned by graduates.

**Interpersonal Skills:** In order for a person to be effective in working with others, he or she must contribute to an environment of mutual trust and respect, treat others fairly, demonstrate empathy for others’ needs and concerns, and also manage interpersonal conflict effectively and preserving professional relationship constructively. In this regard, study by Andrews & Higson (2008) in four countries found that employers expect for graduates to have interpersonal competency to make them employment-ready.

**Accountability:** This attribute refers to individuals with a sense of ownership and responsibility for contributing to business success. Persons having this trait would independently establish work goals and specific plans for achieving them. They would also respect individual’s talents and abilities, as well as recognize the benefits of entrepreneurship in achieving business results. A study by Gow & McDonald (2006) on the required attributes of graduates for their future workplace found that accountability is the most important competency for graduates to possess.

**Enthusiasm:** Individuals who perform well in this competency area display personal motivation and excitement about their work. They talk enthusiastically about the firm, its goals and its people. They
display a passion for their work and maintain a positive outlook, serving as a source of encouragement for those around them. Individuals who demonstrate energy and enthusiasm are also likely to be recognized as good team players. A study on employability skills and attributes in Australia (ACCI/BCA, 2002) listed enthusiasm as among the important personal traits that a graduate should have.

**Integrity:** Individuals with this trait is expected to uphold the organization's standards of quality and ethics in their everyday words and actions. They should consistently demonstrate integrity in dealing with others including the customers, suppliers and colleagues. These individuals can be trusted and thus will be respected by those with whom they work, and act consistently with what they say. The ACCI/BCA (2002) study had listed integrity as among the important personal attributes for a particular graduate to have in entering the employment sector.

**Knowledge capacity:** Having the ability to comprehend the theoretical knowledge of a specific field is not sufficient since learning as an employer is different from learning as a student. In the field of Islamic finance, the graduating students should not only have theoretical comprehension on *shariah* (the Islamic laws) but also the theoretical implementation in the industry. This kind of work-related competency is essential in order to prepare the students in handling many situations they encounter at work (Gasperz, 2002; Ied Veda, 2011).

The above competency attributes, particularly the top three i.e. communication skills, problem solving skills and team work skills, are the “must have” generic skills (*kemahiran insaniah mesti*) being set by the Malaysian government in preparing the graduates to face the challenge of skilled labour market. Through various training and apprentice programs, the students are expected to complete their trainings at higher education level prior to graduation. In the context of banking and finance, IBBM (Institut Bank-bank Malaysia) has developed a program to improve the marketability of the participants. The program, known as Banking Industry Training for Unemployed Graduates (BITS), exposes the participants with basic work-related skills as well as training in public speaking, thinking skills, time management, professional image and as such (Kamal, n.d.).

**Conclusion**

Working environment today is much challenging amidst the rapid deployment of new technology and intense competition of globalization. While technical know-how is undeniably important for the graduates to be able to get employed, having the soft skills is at a greater advantage for individuals to succeed in their working and personal lives, thereby contributing to the development of the economy and the nation at large. This study embarks on examining the required soft skills or generic skills that graduating students should have in preparing themselves for the work force. Analysis of the existing literatures indicated that communication skill, problem solving skill and team work skill are the top most required skills that graduating students should have in meeting the demand of the industry. Other generic skills include accountability, enthusiasm, inter-personal skill and integrity. In the area of Islamic banking and finance, knowledge capacity that includes *shariah* comprehension and application are necessary in ensuring effective implementation of knowledge at work. Further study should be undertaken in order to measure each and every generic skill in order to determine the competence of the graduates so as to meet the demand of the industry.

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