Do Government Supports Influence the Talent Development in Malaysian Islamic Banks?

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Abstract: Despite the fact that the Malaysian government has initiated several comprehensive plans and imposed an additional policy to surmount the talent issues in Islamic banks, the problem of talent shortage remains unsolved. The purpose of this paper is to examine the influence of government supports towards the development of Islamic banking industry in Malaysia. Specifically, it aims to identify the government action that has been taken for talent towards graduates. In addition, it attempts to determine the influence of government in preventing talent shortage and to analyse the influence of government towards Malaysian graduates. Normality, correlation and multiple regression analysis were used to analyse the data obtained from 100 undergraduate students of Malaysian public universities via questionnaires. The results indicate that the government supports are the most contributing factor that influences talents besides providing a platform for job access to the graduates in Islamic banking institutions. The research contributes towards enhancing the action plan conducted by the government to overcome the talent shortage in Malaysian Islamic banks.

Key words: Government • Islamic banking institutions • Talent • Malaysia

INTRODUCTION

Islamic banking currently represents one of the fastest growing sectors in the world banking system. For the past five years (2010 - 2014), the Islamic banking institutions have experienced robust development recording 21% of total banking assets and 14% of year-over-year asset growth compared to that of conventional banking which is only at 6% [1]. Similarly, as the tremendous growth in Islamic banking development that has been achieved in the past, there is equally a dire need of skilled and talented human capital workforce that can drive the continuous development and sustainability of Islamic banking in the future.

Currently, Malaysian Islamic banking Institutions (IBIs) are facing acute talent shortage of about 80% [2]. Meanwhile, Bank Negara Malaysia forecasted that the Malaysian IBIs would require merely 200,000 professional workforces by 2020 to accommodate the growth of Islamic banking market [3]. On the other hand, Malaysia also aims at becoming one of the top prominent Islamic banking services hub providers in the globe [4]. Align with that, a rapid development has been witnessed in the Islamic banking sector with an average of 18% growth per annum in term of assets since 2000. This rapid growth has required the Islamic banking sector to develop high calibre talents and leaders [5].

Although, several initiatives have been carried out to develop various levels that comprise of the entry to the leadership levels. These initiatives support the development and infrastructures for talents to improve their skills and knowledge [6]. Basically, there are four stages of talent development infrastructure initiatives: first, Financial Sector Enrichment Programme (FSTEP) for entry level; second, Asian Institute of Finance (AIF), Institute of Bankers Malaysia (IBBM), Islamic Banking and Finance Institute Malaysian (IBFIM) and International Centre for Education in Islamic Finance (INCIEF) for middle level; third, Leadership and Governance Centre (ICLIEF) for leadership development; and fourth, is International Shariah Research Academy (ISRA) that focuses on research and scholarship [7]. These education and knowledge service providers are the initiatives taken by Malaysian government to make Malaysia to be recognized as a global leader in Islamic banking [8]. However, talent shortage issues in IBIs still
remain unchanged. Furthermore, the talent deployments keep on pressing the industry with a shortage of the right talent to energise innovation and lead to breakthroughs for the industry to step up into the next level [9]. Do the Malaysian government plan or initiative for talent development in Islamic banking failed to reach to the graduates? Or the plan taken has been obsolete and do not align with the current environment needs and preferences of young generations? These questions will bebaselines for the study to examine the implication of government influence in talent development for Malaysian IBIs among graduates [10].

Hence the study aims to achieve two main objectives. The first one is to identify the factors involved in the impact of government influence towards talent development through literature reviews. While, the second objective is to analyse the relationship between government influence and talent development among graduates. Then, it will determine which variables among government influence give higher impact on the talent development. On the other hand, this paper also employs normality and reliability analysis as pre-requisite for inferential analysis. Hence, this paper contributes to the growing literature on government influence in talent development by empirically examining the relationship between the two variables. The findings may benefit the government in improving talent development program in IBIs. Equally, the government may foresee the gap that needs to be filled for better future.

Government Supports: Government supports for talent development in IBIs are provided through various policies at local and international levels. There is a need for the government supports for talent development in IBIs due to the acute talent shortage which would affect their growth and effort of becoming global hub for Islamic banking service providers. Given its proximity to IBIs and government, being active in designing, proposing and also executing the program and policies for development as well as strengthening the IBIs in Malaysia, Central Bank of Malaysia (Bank Negara Malaysia) plays an important role in licensing, governing, promoting monetary stability and foster a sound and progressive financial sector [10-12].

According to Doh and Kim [13], government supports are needed for the technological development support and patent acquisition including the product design. Government's financial aids and strong affiliation is crucial for future economic development and sustainability. Meanwhile, Basset et al. [14] stated that government supports have an effect on the loan growth through capital and liquidity injection into the financial system. Such support could prevent the failure of multiple large financial institutions and make extension of credit to business and households to flourish. On the other hand, the study found the comparison between the private-owned company and government-linked company has no significant difference in performance level. However, there is a different result for government linked company through the transformation programme support by the government [15]. In addition, an influence of the government policy to the university and other parties clearly indicate the positive impact on the development program. Besides, favourable economic and technological environments contribute to more significant influence on the chance of success of university programme [16]. Hence, it is clear that the government support has a positive impact to the development program through finance, policy, patent, technology, or capital [17-21].

Government Supports Programs and Talent Capacity: Bank Negara Malaysia (BNM) is the government agency responsible with the authority to thrive for the development of talent in Islamic banking institutions (IBIs). Despite promoting and fostering the country financial stability, BNM also plays a role as a banker, financial advisor and agent to the government; including regulating and supervising IBIs based on the Central Bank of Malaysia Act, 2009. Even though BNM mainly focuses on monetary and financial stability, yet it still deals with the involvement elements of development and stability of the financial system which are the crucial parts. Therefore, Islamic banking is part of the agenda of BNM financial development.

The initiative of BNM that outlined the Financial Sector Blueprint 2011-2020 hinges on the successful implementation of the talent pool for IBIs. This Blueprint emphasizes the comprehensive steps to develop professional talents across various levels, from the entry level to the leadership level. The vision of the program is to ensure a steady stream of competent and capable talents pool for an innovative and dynamic financial sector. According to the report in Malaysian Financial Sector Blueprint, there are six bodies involved in managing the talent which are: Ministry of Finance (MOF), Central Bank, Regulatory Bodies, Financial Industry, Financial Sector and Training Affiliates. These bodies are tasked with the development of talents for the entry level and promoting the learning cycle of the talents in the industry. Furthermore, they also focus on attracting talents from abroad and foster a cohesive collaborative programme for the continuous development of domestic talents.
Equally, International Centre for Education in Islamic Finance (INCEIF) was established in 2009 as a continuity of the BNM program, in order to support the talent development program in IBIs. It was accorded the status of National Interest Project. Hence, the unprecedented growth in Islamic banking has reflected the need of high-quality talent in the industry. This development of INCEIF is having dual impact on the Islamic banking institutions as it serves the purpose of today and also the impetus to drive into the future. The objective of INCEIF is to spearhead the development of Islamic banking professionals that will support Malaysia to become a leading hub of Islamic banking services. Eventually, INCEIF has successfully graduated 830 talents across the globe [22-24].

More so, in the year 2007, the establishment of Financial Sector Talent Enrichment Programme (FSTEP) was driven by the industry needs in order to tackle the skilled talent shortage in the banking industry. The objective of the FSTEP is to nurture a talent pool among graduates, whereby the participants would undergo one year intensive financial training program related to banking. This program is an initiative support by the government agency and has thus become a platform for an entry level to get initial training before joining Islamic banking industry [25][4].

Recently, under the Economic Transformation Programme (ETP), the government initiated a program known as Entry Point Project 7 (EPP7). International Islamic University of Malaysia (IIUM) is selected as a leading university charged with the role in the academic development in terms of talent and curriculum. Several key higher education institutions such as Universiti Sultan Zainal Abidin (UniSZA), Universiti Sains Islam Malaysia (USIM), Universiti Utara Malaysia (UUM), Universiti Kebangsaan Malaysia (UKM), IIUM and other related stakeholders are recognised as National Task Force Members. The objective of the program is to specifically address the gaps in the talent development and existing curriculum in order to meet the IBIs’ demand. Therefore, it came up with frameworks that are practically relevant in developing the plan for curriculum and talent education that can be used locally and abroad [26].

Methodology: A quantitative research design was used in this study that consists of descriptive and inferential analysis. Hence, a set of survey questionnaire was developed to gather data on the influence of government supports in talent development among graduates. A structured questionnaire having 10-point likert scale was used as the research instrument for the collection of data with the anchors being “Strongly Disagree” and “Strongly Agree” [27]. The data for the study was collected from Malaysian public universities that offer Islamic banking program which are Universiti Sultan Zainal Abidin (UniSZA) and Universiti Teknologi MARA (UiTM). A set of 150 questionnaires were distributed to the respondents. In order to minimize personal bias, the researcher personally approached the respondents in the group of graduates to avoid unethical answers [28, 29]. Consequently, the data collected was analysed through these statistical tools: exploratory factor analysis and multiple regression using IBM-SPSS to examine the cause and effect relationship in order to draw the conclusion. Therefore, 100 samples are used for this study as suggested by [30] that the sample size should be 100 or greater in order to comply with the minimum requirement of the data analysis.

The purposes of the descriptive and inferential analysis are to determine the data outliers to test the correlation of the data between variable. Additionally, the study also explores the extent of reliability and normality of the data. Therefore, this analysis uncovers the pattern of the data. By doing data comparison, the researcher can identify the relationship between various data that have been analysed, including the variable that gives the highest impact to the dependent variable. There are five stages involved in the process of data analysis. First is data transformation, in which the original data is changed into a new format. The data transformation is done to simplify the data and thus achieve the objective of this paper.

Furthermore, detecting outliers is an essential part before performing data analysis. This is because in the outlier’s part, the case score that is to the extreme which affects the outcome of the data analysis would be detected [31]. Therefore, to avoid biased results, the set of data must be checked for outliers. A box-plot or a box and whisker plot are used to summarize a set of data on an interval scale. The graph is used to show the shape of the distribution, its central value and variability. While, the pictorial graph consists of the most extreme values in the data set as (maximum and minimum values) are depicted [32, 33]. For the normality test, a P-P plot is depicted as it is used to determine good theoretical distribution model of data distribution. P-P plot graphically shows point pattern on the plot as linear through the line of the origin. On the other hand, there will not be invariant to move into another scale or location [34, 35].

Meanwhile, for the inferential data analysis, Pearson correlation is used to measure the degree of linear association between two variables measured on an interval scale. This correlation analysis is used to
determine the direction of the relationship. Thus, it will measure the strength of the relationship between two variables [36, 37]. Additionally, multiple regressions are used to test the relationship between variables, specifically between a single dependent variable and more than one independent variable. This analysis will test the extent of the relationship among the selected variables. Furthermore, it will help the researcher to understand the value of the dependent variable related to the independent variable as they vary [22, 38, 39].

RESULTS AND DISCUSSION

The results of the coefficient analysis showed that the relationships between the independent variables of Government Supports, Basic Salary and Employee Benefit are significant towards Talent Development at 0.00 levels. There are three positive correlations of the independent variables namely: government supports, basic salary and employee benefit according to ‘p’ value of 0.464, 0.531 and 0.589 respectively [40]. All variables showed moderate relationships towards the dependent variable (Table 1).

As shown in Table 2 of model summary, it indicates that only 40.5% of the talent development can be explained by all the three variables in the study. Thus, the variables included are limited which caused the value of R Square to be below than 0.50 [41, 42]. Even though, the R Square value is low at 0.405, it still has a meaningful value since its value is more than 0.260 [43]. Therefore, these employee benefit, basic salary and government support variables are significant predictors as the analysis result showed a significant value at 0.000 and no outliers detected. Furthermore, these three variables have proved to be the predictors for the model. The remaining 59.5% of the model would be explained by other variables which are not included in the study. Thus, all the variables are significance at 0.000 value[44].

Consequently, Table 3 further explains the above scenario. The results show that all the three variables are significant predictors that influence talent development with a significant value of less than 0.05. Out of the three variables above, the most contributing factor towards talent development is Government supports with a Beta value of 0.209 and the least value is employee benefit with 0.123. Equally, all the variables indicate that there is a positive relationship between each independent variable and the dependent variable. More so, these coefficients stated that one unit increase in government supports will lead to an increase in the talent development value by 0.209 [45, 46]. Meanwhile, some researchers use a VIF of 5 as a critical threshold. These VIF values correspond with the values as 2.560, 2.004 and 1.461 respectively. Therefore, the estimated coefficient is unbound.

### Table 1: Pearson Correlation Coefficient for Variables

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>Talent Development</th>
<th>Government Supports</th>
<th>Basic Salary</th>
<th>Employee Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>Talent Development</td>
<td>1.000</td>
<td>0.464</td>
<td>0.531</td>
</tr>
<tr>
<td>Government Supports</td>
<td>0.464</td>
<td>1.000</td>
<td>0.345</td>
<td>0.558</td>
</tr>
<tr>
<td>Basic Salary</td>
<td>0.531</td>
<td>0.345</td>
<td>1.000</td>
<td>0.705</td>
</tr>
<tr>
<td>Employee Benefit</td>
<td>0.589</td>
<td>0.558</td>
<td>0.705</td>
<td>1.000</td>
</tr>
</tbody>
</table>

### Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.636*</td>
<td>0.405</td>
<td>0.386</td>
<td>0.66552</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### Table 3: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.939</td>
<td>0.435</td>
<td></td>
</tr>
<tr>
<td>Employee Benefit</td>
<td>0.123</td>
<td>0.055</td>
<td>0.214</td>
</tr>
<tr>
<td>Basic Salary</td>
<td>0.163</td>
<td>0.073</td>
<td>0.251</td>
</tr>
<tr>
<td>Government Supports</td>
<td>0.209</td>
<td>0.091</td>
<td>0.292</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Talent Development*
The study explored the influence of government supports on the talent development in IBIs among Malaysian undergraduates. The findings of the research justify with the evidence provided for linking government supports with the talent development. The findings suggested the government should play an important role in continue and increase to support the talent development program in IBIs. In other words, results that have been generated by the regression model indicated that a positive relationship between government supports and talent development. Despite the government supports in improving basic salary of employees, IBIs also have positive influence to the talent development. This is because, to offer the graduates join the IBIs, an attractive package that suits with the current graduate lifestyle has to be formulated.

The need for government supports is crucial for the talent development program. The government policy enforcement and alternative program would serve as catalyst of great value towards the development of talent. In addition, the government could minimize the risk of acute talent shortage in IBIs, which could impede the growth of the IBIs. The aim of the Malaysian government is to make IBIs as a global Islamic finance hub. Then, a comprehensive supply chain policy implemented by the government for talent supply to the IBIs may become one of the alternative solutions to this unsettled issue. However, this idea could not be applied if there is a supply chain break in between the chain in which the supply chain value could not properly function. Therefore, an execution of stern policy to all relevant agencies or institutions by the government authority will make the issue to be resolved with the dynamic value. Talent development could also be done more effectively and tremendously, even though nowadays there is a planning policy for the talent development, it is still not effective enough to be executed as the issue still lingers. Similarly, a modification plan that meets the need and preferences of the both sides in supply and demand may generate a different positive result.

Notwithstanding, this study has the limitations of the generalisation, since the results are only from the students’ perspectives, hence, limited to the determinants of government supports. Also, the analysis only focuses on the multiple regressions and the correlation. Moreover, the unit of analysis solely concentrates on Malaysian public university.

For future consideration of the study, more comprehensive results should be generated. New variables should be included in the study as it will generate diverse results. Besides that, a more comprehensive analysis tool can be considered such as using Structural Equation Modeling (SEM). Likewise, a different unit of analysis is suggested to be used in the future for additional results.

**CONCLUSION**

In summary, this paper explored about the influence of government supports on the talent development in IBIs among Malaysian undergraduates. The findings of the research justify the evidence provided for linking government supports with the talent development. The findings suggested that the government should play an important role in continuing and increasing its support towards the talent development program in IBIs. In other words, results that have been generated by the regression model indicated that a positive relationship between government supports and talent development. Despite the government supports in improving basic salary of employees, IBIs also have positive influence on the talent development. This is because, in order to make the graduates join the IBIs, an attractive package offer that suits with the current graduate lifestyle has to be formulated.

More significantly, the implication of this paper would benefit the stakeholders. There are three main stakeholders that are considered to benefit from this paper which include the Malaysian government, Islamic banking institutions and higher education institutions. First, based on these findings, it has shown that the government mainly contribute towards the development of Islamic banking graduates and thus, fulfilling the job demand and supply in IBIs. Second, Islamic banking institutions are now aware of the important role of government in the development of Islamic banking sector or industry. Hence, they could increase the collaboration programs between the IBIs and the government in driving their talent development. Third, higher education institutions can increase the awareness to the government, towards their role in supporting higher education institutions in creating a good form of quality talent by improving the statutory standard.

On the contrary, consideration for future study for more comprehensive results to be generated. New variables should be included in the study as it will generate diverse results. Besides that, a more comprehensive analysis tool can be considered such as using Structural Equation Modelling (SEM). Likewise, a different unit of analysis is suggested to be used in the future for additional results.
REFERENCES