

## Staff Training and Islamic Banks Performance: Evidence from Pakistan

**Dr Zubair Ahmed Naseem, Dr Muhammad Azam**

Assistant Professor, Business Studies Department, Bahria University Karachi Campus, Email:

[zubairahmed.bukc@bahria.edu.pk](mailto:zubairahmed.bukc@bahria.edu.pk), [mi4bl@gmail.com](mailto:mi4bl@gmail.com)

Professor | HOD, Department of Management Sciences, Mohammed Ali Jinnah University, Karachi Email:

[muhhammad.azam@jinnah.edu](mailto:muhhammad.azam@jinnah.edu)

Received: 30 July | Revised: 02 Dec | Accepted: 30 Dec | Available Online: 31 Dec

### ABSTRACT

Islamic banking is experiencing an extraordinary growth rate. As the number of Islamic banks increases, there is a need for well-trained employees. Especially in Pakistan, after the Federal Shariat Court decided to eliminate Reba from the Economy by the end of 2027, and the Parliament endorsed it by the 26th amendment in the constitution of Pakistan. This study was conducted to examine the effect of staff Training on the overall performance of Islamic banks and to determine the types of Trainings influence the performance of the Islamic banking institutions the most. After reviewing the already available literature, a questionnaire was developed and filled out by the employees of full-fledged Islamic Banks in Pakistan. A "one sample t-test" was applied. A test value of 4 was taken, and conclusions were drawn based on the p-value. Out of ten statements, six were accepted, indicating that the staff training positively influences the performance of Islamic banks. Currently major portion of Islamic finance consists of Islamic banking, but further expansion is the need of time. This study concluded that Islamic banks could improve their performance by increasing the effectiveness of their staff training.

**Keywords:** Islamic banking; Staff Training; Performance, Shariah Compliance, Pakistan economy.

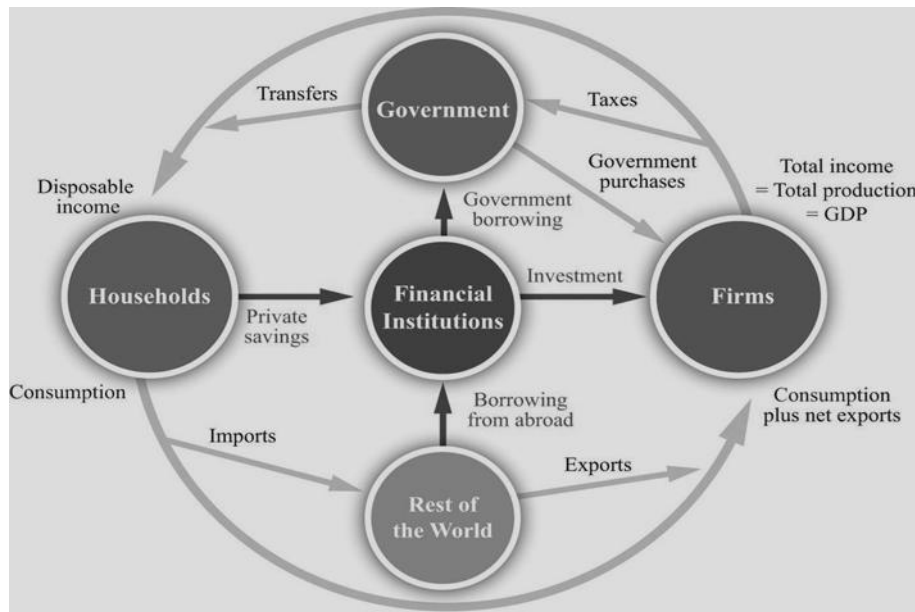
**Funding:** This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Correspondence Author: [mi4bl@gmail.com](mailto:mi4bl@gmail.com)

**1. Introduction:**

A bank is a financial intermediary that receives excess funds from the nation's savers and provides them to businesses and other individual fund seekers. It may cater the government's financial needs and facilitate people in national and international trade. Figure 1 illustrates the functions of a bank.

**Figure 1**

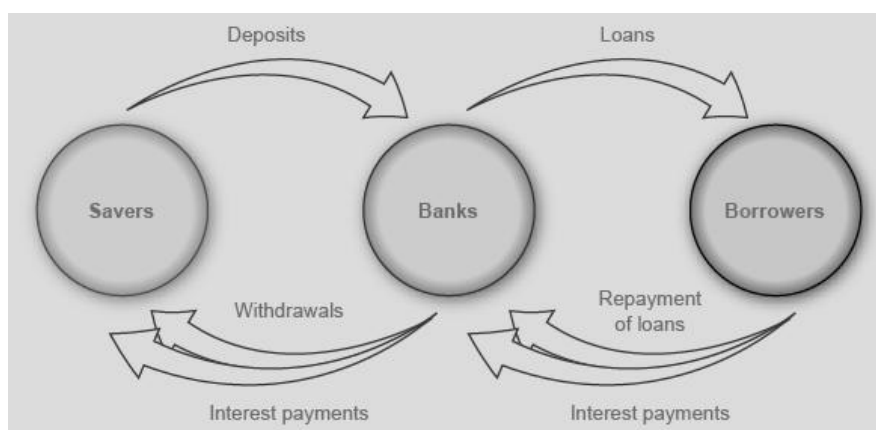


(Cooper and John 2012)<sup>1</sup>

In Conventional banking, funds are received and provided based on a Loan (Qarz). According to Islamic teachings, any remuneration based on a loan is interest, and riba is strictly prohibited in Islam. The basis of Conventional banking can be seen in Figure2.

**Figure 2**

Basis of Conventional Banks



<sup>1</sup> Cooper, D. R., & John, A. (2012). *Theory-and-applications-of-economics*. Retrieved December 11, 2016, from <http://2012books.lardbucket.org/>: <http://2012books.lardbucket.org/books/theory-and-applications-of-economics/s24-globalization-and-competitiven.html>

(OpenStax 2014)<sup>1</sup>

Allah the Al mighty says about Riba (Interest / Sood), which is base of the Conventional banking system:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلَ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۗ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۗ هُمْ فِيهَا خَالِدُونَ<sup>2</sup>

“275. Those who take Riba (usury or interest) will not stand but as stands the one whom the demon has driven crazy by his touch. That is because they have said, SaleSale is but like Riba, while Allah has permitted SaleSale, and prohibited Riba. So, whoever receives an advice from his Lord and desists (from indulging in Riba), then what has passed is allowed for him, and his matter is up to Allah. As for the ones who revert back, those are the people of Fire. There they will remain forever.” (J. M. Usmani 2007)

In another place it is mentioned in Quran:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ، فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ ۗ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ<sup>3</sup>

“278. O you who believe, fear Allah and give up what still remains of Riba, if you are believers. 279. But if you do not (give it up), then listen to the declaration of war from Allah and His Messenger. However, if you repent, yours is your principal. Neither wrong, nor be wronged.” (J. M. Usmani 2007)

Qur’an has further discussed Riba at various places like Surah Rome, Verse no 39, Surah Nisa, verse no 161 and Surah Aal e Imran, verse no 130

In order to avoid Riba, the concept of Islamic banking emerged, where various modes of Islamic finance were introduced in order to come up with an alternate option to conventional banking. This concept gained great attention from the Muslim throughout the world and hundreds of institutions were established based on the principles of this concept. However, as the conventional banking has a long history and in contrary Islamic banking industry has emerged recently, there is a dire need of proper trainings for the staff of Islamic banking to adopt Islamic banking with its core principles.

## 2. Definitions:

**Advanced Training:** This means product-based special Training provided to staff that is directly related to specific products, like Murabaha Training for asset-side staff and Ijarah for retail side staff.

**SBP:** Means the State Bank of Pakistan

**IBD:** Means SBP’s Islamic Banking Department

**IBB:** means Islamic Banking Bulletin, the IBD of SBP issues after every quarter.

1 OpenStax. (2014, March 19). *Macroeconomics*. Retrieved December 12, 2016, from courses.lumenlearning.com: <http://cnx.org/content/col11626/latest/>.

2 Surah Al-Baqarah (2:275)

3 Surah Al-Baqarah (2:278-279)

**IBI:** Islamic Banking Institutions, which are 22 according to SBP IBB Sep. 2015<sup>1</sup> and as well as March 2024

**SGFW:** Shariah Governance Framework issued by IBD, SBP.

### 3. Staff Training in Islam:

Seeking knowledge has great importance in Islam. Allah says in Surah Az-Zumar (39:9)

هَلْ يَسْتَوِي الَّذِينَ يَعْلَمُونَ وَالَّذِينَ لَا يَعْلَمُونَ<sup>2</sup> ۗ

Translation: "Are those who know equal to those who do not know?"

In another place it is mentioned:

وَالَّذِينَ جَاهَدُوا فِينَا لَنَهْدِيَنَّهُمْ سُبُلَنَا<sup>3</sup> ۗ

Translation: "And those who strive for us – We will surely guide them to Our ways."

Prophet Muhammad PBUH has given great importance to training and getting excellence. He PBUH says in one of his hadith:

إِنَّ اللَّهَ يُحِبُّ إِذَا عَمِلَ أَحَدُكُمْ عَمَلًا أَنْ يُتْقِنَهُ<sup>4</sup>

Translation: "Indeed, Allah loves that when any one of you does something, he does it with excellence.

Umar RA used to instruct the businessmen to get learn Islamic principles of business and trade first and then enter into market. It is mentioned in Muwatta imam malik:

لَا يَبِيعُ فِي سُوْقِنَا إِلَّا مَنْ تَفَقَّهَ فِي الدِّينِ، وَإِلَّا أَكَلَ الرِّبَا شَاءَ أَمْ أَبِي<sup>5</sup>

Translation: "Let no one trade in our market except one who has gained understanding in the religion; otherwise, he will consume usury, whether he likes it or not."

### 4. Already Available Trainings:

According to Mr Shahan Mate, Section Head Cross Selling, Bank Islami Pakistan Limited, there are four types of Training.

1. Basic Islamic Banking Trainings (IBT)
2. Product Advance Trainings Like Murabaha, Istisna, Ijarah
3. Banking Operations Training
4. Soft Skills Training.

Mr Ali Ahmed Siddiqui, Head of PDSC (Product Development and Shari'ah Compliance), Meezan Bank, said that the bank's Training system has changed from classroom training to learning by reading and supervision. In Meezan Bank, any responsible person, like a Branch Manager, etc., cannot take charge without clearance in viva about Islamic Banking knowledge. International Institute of Islamic Bankers (IIIB), backed by the Meezan Bank Team, has started offering a distance learning

1 Islamic Banking Department. (September 2015 & March 2024). *Islamic Banking Bulletin*. State Bank of Pakistan, <http://www.sbp.org.pk/ibd/bulletin/2015/IBB-Sep-2015.pdf>.

2 Surah Az-Zumar (39:9)

3 Surah Al-Ankabut (29:69)

4 Al-Bayhaqi, Ahmad ibn Husayn, *Shuab al-Iman* (The Branches of Faith), Hadith No. 4933, Edited by Abd al-Qadir al-Arnaout, Beirut: Dar al-Kutub al-Ilmiyya, 1990.

5 Imam Malik ibn Anas, *Al-Muwatta*, Book of Business Transactions (Kitab al-Buyu), Section: "What is Disliked in Business Transactions." Translated by Aisha Bewley, London: Diwan Press, 2019.

program. Islamic Research and Training Institute (IRTI) has also started online courses in collaboration with Harvard. According to Thomson Reuters, 378 educational institutions offering Islamic-related courses in Malaysia and the UK are at the top of the list. 21 educational institutions in Pakistan are offering IF-related education.

Recently, three Centers of Excellence in Islamic Finance (IBA, LUMS, and IMS science Peshawar CEIFs) were founded in Pakistan with the help of the State Bank of Pakistan, which expected to cater to the academic needs of the Islamic Financial Industry (AHSON 2016)<sup>1</sup>.

## 5. Problem Statement:

Does staff training influence Islamic banks' performance? If so, which types of Training are effective for better performance?

### 5.1 Background:

Many researchers have worked on staff Training and the performance of employees and organizations. They have explored the significant impact and influence of staff training on employee and organizational performance. Islamic Banking is growing at an extraordinary rate, but there is no specific study about staff training and Islamic banks' performance. Most Islamic Banks' Management complains about the shortage of capable employees. Trained employee retention is a massive challenge for Islamic Banks, especially full-fledged Islamic Banks, because of the industry's overall growth.

This study will identify areas for improvement in Islamic banking staff training and will encourage the top management to pay more attention towards the training of their staff.

## 6. Literature Review:

According to (Mirza and Riaz 2012)<sup>2</sup> and Mr Dahlawe (2005)<sup>3</sup> In Islamic financial institutions, staff training is divided into two basic categories: shariah training and technical Training. According to Dahlawe, technical Training may include the same steps as in a conventional financial institution, such as cheque clearance steps.

Edbiz Consulting conducted a KAP (Knowledge Attitude and Perception) of Islamic Banking Study with the help of the State Bank of Pakistan. This is based on 9000 households, 1000 Businesspeople, and 100 Islamic Banking Higher management interviews. This study realized a massive gap between the demand and supply of Islamic Banking in Pakistan. Lack of proper communication and awareness is the main reason for meeting demand. (Edbiz Consulting, 2014)<sup>4</sup>.

A study conducted by Raza (2014)<sup>5</sup> who obtained primary data and found that staff

1 AHSON, S. (2016, January 04). *Gaping HR gap in the Islamic finance industry*. Dawn, Business & Finance weekly.

2 Mirza, A. A., & Riaz, S. (2012). *Training needs assessment in the Islamic Banking Sector*. Qualitative Research in Financial Market, 4 (2/3), 142-155.

3 YĒsir SaÑĒd DahlawĒ. (2005). Tools for Comprehensively Qualifying the Employees of Islamic Financial Institutions, and the Role of SharĒÑah Boards and Relevant Institutions in SharĒÑah Training. A paper presented at the fifth conference of the SharĒÑah Boards of Islamic Financial Institutions, held in the Kingdom of Bahrain on the 17th and 18th of ShawwĒl, 1426, corresponding to the 19th and 20th of November, 2005.

4 Ibid

5 Ibid

were satisfied with their industry's training and development systems.

Bebe Salma Sairally (2013)<sup>1</sup> said that I have conducted research on CSR by Islamic Financial Services Companies and observed a need to improve CSR activities by Islamic Financial Services (Sairally, 2013). Research and studies which are conducted on the topic of staff training and organizational performance could be divided into some categories also:

1. Staff Training and Organizational Performance
2. Staff Training and Banks Performance
3. Staff Training and Islamic Banks

A study conducted by Khan, Khan, & Khan (2011)<sup>2</sup> who used primary and secondary data? The results found that staff training has no ignorable impact on an organization's performance.

The study was conducted by some researchers of Azad Jammu w Kashmir. Using a questionnaire, they collected data from government schoolteachers of Kotli, Azad Jammu Kashmir. The researchers have analysed and found a positive association between employee training and the performance of the institution. (Shaheen, Naqvi, and Khan, 2013)<sup>3</sup>.

In the research study "Role of Training & Development in an Organizational Development," the researcher discovered three approaches for Training and development:

1. Reactive Approach
2. Proactive Approach
3. Active Learning Approach (PG 2014)<sup>4</sup>

The author got data from National Bank of Pakistan Employees in another research. Data was collected using the ball technique, then regression and ANOVA were applied. Results are optimistic, and significant Impact of Staff training on the National Bank's performance (Abbas, 2014)<sup>5</sup>.

Training need assessment in the Islamic banking sector was conducted by (Mirza & Riaz, 2012). They got primary data by filling out a questionnaire from 100 employees of Islamic Banks. They have realized that after the proper Training needs assessment, the training organizers can make better training plans and instructions for trainers (Mirza & Riaz, 2012)<sup>6</sup>

A researcher has conducted research and found that the number of Islamic Banks is increasing, and they are facing the problem of a shortage of trained, skilled, and Shariah

1 Sairally, B. S. (2013). Evaluating the corporate social performance of Islamic financial institutions. *International Journal of Islamic and Middle Eastern Finance and Management*, 6 (3), 238-260.

2 Khan, R. A., Khan, F. A., & Khan, D. M. (2011). Impact of Training and Development on Organizational Performance. *Global Journal of Management and Business Research*, 11 (7), 62-68.

3 Shaheen, A., Naqvi, S. M., & Khan, M. A. (2013). Employees Training and Organizational Performance: Mediation by Employees Performance. *INTERDISCIPLINARY JOURNAL OF CONTEMPORARY RESEARCH IN BUSINESS*, 5 (4), 490–503.

4 As previous

5 Abbas, Z. (2014). Identification of Factors and their Impact on Employees' Training and Organizational Performance in Pakistan. *KASBIT Business Journal (KBJ)*, 7 (No 6), 93–109.

6 As previous



Passionist staff (T. N. Khan 2015)<sup>1</sup>.

Dr. Mahmood Ahmad Ghazi has delivered various lectures about various topics of Islamic economics that were later on compiled in the form of book. He writes there that that by default, dealings are permissible, so any dealings and trade that are not found prohibited in Shariah will be allowed. Dr. Ghazi listed down fifteen alternatives of riba suggested by fuqaha: Musharakah, Mudaraba, Murabaha, Bai muajjal, Ijarah, Muzarah, Musaqat, Salam, Istisna, Ijarah Muntahia Bittamleek, Tawarruq, Bai Bit Taqseet, Murabaha lil amir Bishara, Diminishing Musharakah, and Waqf (Ghazi, 2010)<sup>2</sup>. These modes of finance can be minimized into the following categories: Trade-based Mode of Finance, lease-based Mode of Finance, Partnership-based Mode of Finance, Others allowed Services based on the fee

## 7. The need of Islamic Banking:

The current banking system can be traced back to sixteenth century AD in Italy, but the pace of development increased by the end of 19<sup>th</sup> century. The banking industry started playing key role in international trade after the mid of the twentieth century, that could be called the era of the development and expansion of this industry. Currently, banking functions are very complicated. The functions of the banks are counseling services, helping with investment, custody of savings, funds providing, direct investments, locker providing, cooperation for business, and Management of properties. If these functions can be done in limitation of Islamic law, especially the function of financial Intermediation, it could be called Islamic banking; these are parameters to know that how many objectives of Shariah are being fulfilled by this system. (Ghazi, 2010).<sup>3</sup>

Pakistan was among the first three countries that tried to convert the entire banking system into Islamic Banking. The two others are Iran and Sudan. The story starts in the late 1970s with proper suggestions from Islamic Ideology Councils. The struggle can be summarized in three major phases in Pakistan's Banking System:

1. 1948-1980: Evolution process of conventional Banking
2. 1980s-1990s: Profit and Loss Sharing (PLS) claimed Banking
3. 2000s- Current: Mix of PLS claimed and Shariah Compliant Banking (International Finance Corporation (World Bank Group) 2014) <sup>4</sup>.

## 8. Critics about current Islamic banking:

There are many critics of the current Islamic banking system. Dr Umar Farooq writes in his research paper that The current Islamic Banking system seems neutral or like the conventional system in terms of injustice, exploitation, and the difference between rich and poor (Farooq, 2012) <sup>5</sup> Poor become Poorer, and Richer people only become more

1 Khan, T. N. (2015, May). Closing the Gaps of Human Resource in Islamic Banks: Literature Review Analysis. *International Journal of Business and Social Science*, 168-181.

2 Ghazi, D. M. (2010). *Muhazrat e Maeeshat w Tijart*. Lahore: Al-Faisal Nashiran.

3 Ghazi, D. M. (2010). *Muhazrat e Maeeshat w Tijart*. Lahore: Al-Faisal Nashiran.

4 International Finance Corporation (World Bank Group). (2014). *Islamic Banking Opportunities Across Small and Medium Enterprises (Pakistan)*. Retrieved December 12, 2016, from [http://www.ifc.org/wps/wcm/connect/e2241a804556c73a80728cc66d9c728b/FIN\\_AL+Pakistan+Report+Final+Layout+For+Printing.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/e2241a804556c73a80728cc66d9c728b/FIN_AL+Pakistan+Report+Final+Layout+For+Printing.pdf?MOD=AJPERES)

5 Farooq, M. O. (2012). Exploitation, profit, and riba-interest reductionism. *International Journal of Islamic and Middle Eastern Finance and Management*, 5 (4), 292–320.

affluent and it cannot fulfil the spirit of Islamic economics. In holy Quran, Allah Says,

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ<sup>1</sup>

“.....so that it (Wealth) may not circulate only between the rich among you....”

The circulation of wealth is also an objective of Islamic Economics. Some Malaysian and Indonesian researchers also suggested in their research on Islamic Law and Finance that the current framework is not accurate and does not match Islamic Finance because Islamic finance contracts are cooperative, like Mudarabah and Musharakah, and Riba is strictly prohibited, which is the core element of current systems (Ismail & Tohirin, 2010)<sup>2</sup>.

## 9. Importance of Staff training in Islamic banking:

Islamic Banking is growing at an extraordinary rate. Currently there are hundreds of Islamic banking branches nationwide. Punjab has a higher branch network, while KPK and Baluchistan have a lower branch network, mainly because of economic activities. (Edbiz Consulting, 2014)<sup>3</sup>. In Sep 2015, the Branch network reached 1783 branches, while in Sep. 2006, only 114 Islamic Banking Branches existed in Pakistan. Total Assets reached Rs 1,511 billion in the same period compared to Rs 95 billion. Deposits of IBI stood at Rs 1,271 billion by the end of September 2015 compared to 66 billion in September 2006. Based on these facts and figures, Islamic Banking has expended over 12 times in only 10 years. Detailed data is included in Appendix: Islamic Banking Data. The main reason is the cannibalization by converting conventional banking towards Islamic Banking. Faysal Bank and Summit Banks were in the process of complete conversion in 2016, and Faysal Bank wholly converted into a full-fledged Islamic bank in 2023. MCB launched a subsidiary Islamic Bank called MCB Islamic Bank. Other Banks are also increasing their Islamic Banking Branches and windows. The untapped market is also attractive to Islamic banking. Local Islamic Banks also supply human capital to foreign countries; Oman is a current example that attracted the talent and experience from Islamic Banks in Pakistan. All these reasons create a gap between the demand and supply of trained and faithful staff of Islamic Banks. According to the HR manager of a leading Islamic bank, the retention of trained staff is a very big challenge for the bank because of the current need for trained staff. (AHSON 2016)<sup>4</sup>

State Bank of Pakistan regulates Islamic banking. The research Section of SBP has worked on Islamic Banking, and the Islamic Banking division was founded for this purpose. After expanding Islamic banking in Pakistan, SBP merged the Research section and the Islamic Banking division to initiate the Islamic Banking Department (IBD), which is currently responsible for regulating the Islamic banking Industry in Pakistan. IBD Issued a Strategic Plan for the Islamic Banking Industry from 2014 to 2020 at the start of 2014, followed by the Shari'ah Governance Framework (SGFW).

The Strategic Plan and SGFW emphasize staff training in Islamic banks. According to

1 Surah Al-Hashr (59,7)

2 Ismail, A. G., & Tohirin, A. (2010). *Islamic Law and Finance. Humanomics*, 26 (3), 178-199.

3 Edbiz Consulting. (2014). *KAP Study (Knowledge, Attitude, and Practices of Islamic Banking in Pakistan)*. State Bank of Pakistan, DFID. Karachi: SBP BSC Printing press.

4 Ibid



the Shari'ah Governance Framework (SGFW), the Shai'ah Compliance Department (SCD) is responsible for facilitating the training unit of IBI's HR. It will help develop training material and organize Shari'ah training activities as per the Training sketch approved by the executive and the Shari'ah board.

SCD will be liable for ensuring that required Training has been provided to all the Islamic banking staff and that HRD also structures periodic refresher courses to keep the staff Informed of the latest developments in the field. The Management is bound to make all required facilities available for this function, and the SCD shall report any concerns to SB.

Numerous other authors, researchers, and experts have also debated the association between staff training and organizational performance. General-level theory on human resources management consists of strategic theories, descriptive theories, and normative theories. In recent times, stiff competition, technology, globalization, trade liberalization, and many other factors have forced organizations to emphasize staff training. The concept of variance of thinking and the need to ensure uniformity of behavior among employees toward achieving organizational ultimate goals and objectives necessitate staff training. Environmental changes and global approaches to business are challenges that any organization must try to overcome.

Staff Training enables people to perform optimally. Training is preparing current and future employees to perform their responsibilities efficiently and accurately (Nnadi, 2014)<sup>1</sup>. Competency is enhanced by Training and development (Raza, 2014)<sup>2</sup>.

Training is the preparing of employees to perform better in current responsibilities, and development is the preparing of the staff for future responsibilities and positions (PG 2014)<sup>3</sup>.

Many organizations do not give importance to staff training. As the Nigerian researcher said in his research, many employees have worked at the university for 20 years but have not attended staff training. Usually, the selective staff is invited on a personal selection basis for training purposes (Nnadi, 2014)<sup>4</sup>.

## 10. Hypotheses:

The following hypotheses are used to conduct research.

- H1: Advanced Training influences staff to meet profit targets.
- H2: Emphasizing human resource training increases shareholders' value.
- H3: Advanced Training influences staff to meet deposit target
- H4: Periodic human resources training influences staff to achieve market share targets.
- H5: Staff orientation training helps employees perform better.
- H6: Training program design impacts branch targets achievements.
- H7: The availability of modern and adequate training facilities influences staff to

1 Nnadi, C. (2014). TRAINING AND DEVELOPMENT PROGRAMME AND ITS IMPACT ON THE PERFORMANCE OF SENIOR ADMINISTRATIVE STAFF IN THE NIGERIAN UNIVERSITY SYSTEM. *International Journal of Education Learning and Development*, 2 (2), 59–75.

2 Raza, H. (2014). Training and Development Impact on Organizational Performance: Empirical Evidence from Oil and Gas Sector of Pakistan. *IOSR Journal of Business and Management (IOSR-JBM)*, 16 (1 Version II), 67-72.

3 PG, D. (2014). Role of Training & Development in Organizational Development. *International Journal of Management and International Business Studies*, 4 (2), 213-220.

4 As previous

perform challenging tasks.

H8: Exposure to technology helps staff in target marketing.

H9: Staff resistance to new methods restricts staff from rendering improved customer service.

H10: Soft Skills training improves the performance of the bank.

## 11. Research Methodology:

### 11.1 Methods of Data Collection:

Many sources have been used in this research to get information, including first-hand knowledge of the researcher, experienced people meetings, and primary and secondary data sources. The first plan of this study was based on a mixed (Primary and secondary) data collection strategy. The missing data on staff training was collected from full-fledged Islamic banks. After many struggles to get unpublished staff training data of Islamic banks, it could not be collected for multiple reasons, so a questionnaire was developed with the help of Supervisor and filled out by employees of Islamic banks of Pakistan. Google Forms and hard copies were used to collect data from the employees of full-fledged Islamic banks of Pakistan.

### 11.2 Sampling Technique:

Data was collected using a random sampling method. Forms were distributed among the Employees of full-fledged Islamic Banks throughout Pakistan.

### 11.3 Sample Size:

Total 108 questioners have been filled out.

### 11.4 Data Collection Instrument:

Google Form questionnaire and its hard copy are used to collect data, which are part of the Appendix.

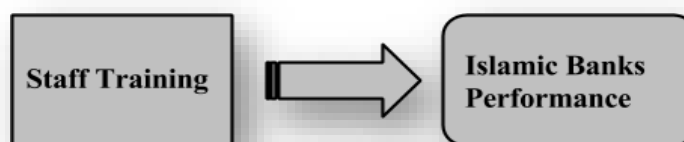
### 11.5 Validity and reliability test:

Cronbach's Alpha test has been run to check the validity and reliability of the instrument. The value of Cronbach's Alpha is 0.759, which indicates that the instrument is valid and reliable.

## 12. Research Model developed:

Figure 7

Research Model



Source: Self Designed

### 12.1 Statistical Technique:

Since data was collected by a Likert scale questionnaire, a "one-sample t-test" was utilized. The results will be concluded based on the p Value.

Table 1, Decision Criteria

If Sig. (p-Value) $\geq 0.05$ shows that respondents agree with the statement	OR @ $p \geq 0.05$ Accept Hypothesis
If Sig. (p-Value) $< 0.05$ , and the Mean Difference value is positive. It also shows that the respondents agree with the statement.	OR @ $p < 0.05$ & MD +ve Accept Hypothesis
Otherwise, Statements are not significantly agreed by respondents	OR @ $p < 0.05$ & MD -ve Reject Hypothesis

Test value = 4

### 13. Results:

#### 13.1 Findings and Interpretation of the Results:

After applying "the one-sample t-test," it was identified that the following statements could not be rejected because their signature value was more significant than 0.05, and the test value was t.

1. Advanced Training influences staff to meet profit targets
2. Staff orientation training helps to perform higher.
3. The availability of modern and adequate training facilities influences staff to perform challenging tasks.
4. Exposure to technology helps staff in target marketing.
5. Staff resistance to new methods restricts staff from rendering improved service to customers.
6. Soft Skills training improves the performance of the bank.

Other statements (Emphasizing human resource training increases shareholders' value, Advanced Training influences staff to meet deposit targets, Periodic human resources training influences staff to achieve market share targets, Training program design impacts on branch targets achievements.) are rejected by respondents because their Sig. Values are less than 0.05, and the Mean Difference value is Negative. This shows that respondents do not significantly agree with the statements.

## 14. Hypotheses Assessment Summary:

Table 2

Hypothesis Statement	Mean Value	p-value	Empirical Conclusion
Advanced Training influences staff to meet profit target	3.85	.089	Hypothesis accepted though $MV < TV$ but $P > 0.05$
Emphasizing human resource training increases shareholders' value.	3.17	.000	Hypothesis rejected because $MV < TV$ and $P < 0.05$
Advanced Training influences staff to meet deposit target	3.73	.013	Hypothesis rejected because $MV < TV$ and $P < 0.05$
Periodic human resources training influences staff to achieve market share targets.	3.57	.000	Hypothesis rejected because $MV < TV$ and $P < 0.05$
Staff orientation training helps us to perform better.	3.99	.935	Hypothesis accepted though $MV < TV$ but $P > 0.05$
Training program design impacts branch targets achievements.	3.71	.007	Hypothesis rejected because $MV < TV$ and $P < 0.05$
The availability of modern and adequate training facilities influences staff to perform challenging tasks.	4.07	.471	Hypothesis accepted because $MV > TV$
Exposure to technology helps staff in target marketing.	3.95	.607	Hypothesis accepted though $MV < TV$ but $P > 0.05$
Staff resistance to the new method restricts staff from rendering improved customer service.	3.81	.067	Hypothesis accepted though $MV < TV$ but $P > 0.05$
Soft Skills training improves the performance of the bank.	4.10	.323	Hypothesis accepted because $MV > TV$

## 15. Discussions:

Respondent accepted that advanced Training influences staff to meet profit targets because advanced Training is more specific to objectives, and these kinds of Training are delivered only to relevant employees. For example, Murabaha special product training is provided only to asset side / financing relevant teams.

Staff orientation training helps to perform higher. Respondents also accepted this statement because, after staff orientation training, a new employee knows the organizational culture and can perform better. Other statements (Availability of modern

and adequate training facilities influences staff to perform challenging tasks, Exposure to technology helps staff in target marketing, Staff resistance to new methods restricts staff from rendering improved service to customers, and Soft Skills Training improves the bank's performance.) accepted because the today's challenging market cannot be competed without modern techniques and technologies.

## **16. Conclusion:**

Research has been conducted on Staff training and Organizational performance in different countries and sectors. Staff training has been discovered to have a remarkable impact on Islamic Banks' performance. In this study, six out of ten statements, accepted by respondents, show the influence of staff training on the performance of Islamic banks.

## **17. Recommendations:**

Staff training is a big challenge for Islamic Banks, especially in the industry's fastest growth stage. This study can help Islamic Banks Improve the effectiveness of their Training. IBIs should give more attention to staff Training because without properly trained employees, Islamic Banks cannot achieve their goals and objectives.

## Appendix:

Table 3: Islamic Banking Data:

Time	Assets	Assets Growth	Fin & Inv	Fin & Inv Growth	Deposits	Deposits Growth	Branches	Branches Growth
Sep-06	95012		111884		66011		114	
Dec-06	118183	24.39%	137329	22.74%	83742	26.86%	150	31.58%
Mar-07	135641	14.77%	148389	8.05%	93068	11.14%	170	13.33%
Jun-07	158990	17.21%	169187	14.02%	108293	16.36%	170	0.00%
Sep-07	178000	11.96%	113812	-32.73%	124437	14.91%	225	32.35%
Dec-07	205946	15.70%	137809	21.08%	147361	18.42%	289	28.44%
Mar-08	212338	3.10%	149650	8.59%	152462	3.46%	312	7.96%
Jun-08	235343	10.83%	166402	11.19%	168886	10.77%	341	9.29%
Sep-08	251025	6.66%	182452	9.65%	171302	1.43%	427	25.22%
Dec-08	275972	9.94%	185813	1.84%	201598	17.69%	514	20.37%
Mar-09	278388	0.88%	185154	-0.35%	206240	2.30%	524	1.95%
Jun-09	313000	12.43%	193800	4.67%	238200	15.50%	528	0.76%
Sep-09	323000	3.19%	198400	2.37%	244800	2.77%	551	4.36%
Dec-09	366000	13.31%	225000	13.41%	283000	15.60%	649	17.79%
Mar-10	371000	1.37%	229000	1.78%	289000	2.12%	654	0.77%
Jun-10	411000	10.78%	235000	2.62%	330000	14.19%	667	1.99%
Sep-10	424000	3.16%	233000	-0.85%	338000	2.42%	684	2.55%
Dec-10	477000	12.50%	338000	45.06%	390000	15.38%	751	9.80%
Mar-11	497000	4.19%	374000	10.65%	398000	2.05%	759	1.07%
Jun-11	560000	12.68%	420000	12.30%	452000	13.57%	799	5.27%
Sep-11	568000	1.43%	414000	-1.43%	463000	2.43%	841	5.26%
Dec-11	641000	12.85%	475000	14.73%	521000	12.53%	886	5.35%
Mar-12	644000	0.47%	487000	2.53%	530000	1.73%	905	2.14%
Jun-12	711000	10.40%	543000	11.50%	603000	13.77%	948	4.75%
Sep-12	742000	4.36%	571000	5.16%	628000	4.15%	977	3.06%
Dec-12	837000	12.80%	626000	9.63%	706000	12.42%	1097	12.28%



Mar-13	847000	1.19%	666000	6.39%	704000	-0.28%	1100	0.27%
Jun-13	903000	6.61%	700000	5.11%	771000	9.52%	1115	1.36%
Sep-13	926000	2.55%	711000	1.57%	775000	0.52%	1161	4.13%
Dec-13	1014000	9.50%	709000	-0.28%	868000	12.00%	1304	12.32%
Mar-14	1016000	0.20%	662000	-6.63%	872000	0.46%	1314	0.77%
Jun-14	1089000	7.19%	682000	3.02%	932000	6.88%	1335	1.60%
Sep-14	1102000	1.19%	693000	1.61%	934000	0.21%	1423	6.59%
Dec-14	1259000	14.25%	765000	10.39%	1070000	14.56%	1574	10.61%
Mar-15	1302000	3.42%	768000	0.39%	1122000	4.86%	1597	1.46%
Jun-15	1495000	14.82%	891100	16.03%	1281000	14.17%	1702	6.57%
Sep-15	1511000	1.07%	925300	3.84%	1271000	-0.78%	1783	4.76%

Source: (Shaikh 2015 source SBP)<sup>1</sup>

## 18. Reliability:

Scale: ALL VARIABLES

Table 4: Case Processing Summary:

		N	%
Cases	Valid	106	98.1
	Excluded	2	1.9
	Total	108	100.0

a. Listwise deletion based on all variables in the procedure.

Table 5: Reliability Statistics

Cronbach's Alpha	N of Items
.759	10

<sup>1</sup> Shaikh, S. A. (2015 original source SBP, September). IEP, a source SBP, compiled Islamic Banking Data for Pakistan. Retrieved March 23, 2016, from Islamic Economics Project: <https://islamicconomicsproject.wordpress.com/>

Table 6: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Advanced Training influences staff to meet profit target	108	3.850467	.9048544	.0870697
Emphasizing human resource training increases shareholders' value.	108	3.168224	1.2189008	.1172888
Advanced Training influences staff to meet deposit target	108	3.728972	1.1154823	.1073373
Periodic human resources training influences staff to achieve market share targets.	108	3.570093	1.1609869	.1117160
Staff orientation training helps us to perform higher.	108	3.990654	1.1800153	.1135470
Training program design impacts branch targets achievements.	107	3.707547	1.0899799	.1053723
The availability of modern and adequate training facilities influences staff to perform challenging tasks.	108	4.074766	1.0739127	.1033373
Exposure to technology helps staff in target marketing.	107	3.952830	.9455165	.0914065
Staff resistance to new methods restricts staff from rendering improved service to customers.	108	3.813084	1.0513084	.1011622
Soft Skills training improves the performance of the bank.	108	4.102804	1.0759441	.1035328

This table shows descriptive statistics about questions and variables.

Table 7: One-Sample Test

	Test Value = 4					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Advanced training influences staff to meet profit target	<i>-1.717</i>	<i>107</i>	<i>.089</i>	<i>-.1495327</i>	<i>-.322138</i>	<i>.023073</i>
Emphasizing human resource training increases shareholders' value.	<i>-7.092</i>	<i>107</i>	<i>.000</i>	<i>-.8317757</i>	<i>-1.064287</i>	<i>-.599264</i>
Advanced training influences staff to meet deposit target	<i>-2.525</i>	<i>107</i>	<i>.013</i>	<i>-.2710280</i>	<i>-.483812</i>	<i>-.058244</i>
Periodic human resources training influences staff to achieve market share targets.	<i>-3.848</i>	<i>107</i>	<i>.000</i>	<i>-.4299065</i>	<i>-.651371</i>	<i>-.208443</i>
Staff orientation training helps us to perform better.	<i>-.082</i>	<i>107</i>	<i>.935</i>	<i>-.0093458</i>	<i>-.234440</i>	<i>.215748</i>
Training program design impacts branch target achievements.	<i>-2.775</i>	<i>106</i>	<i>.007</i>	<i>-.2924528</i>	<i>-.501364</i>	<i>-.083542</i>
The availability of modern and adequate training facilities influences staff to perform challenging tasks.	<i>.724</i>	<i>107</i>	<i>.471</i>	<i>.0747664</i>	<i>-.130088</i>	<i>.279620</i>
Exposure to technology helps staff in target marketing.	<i>-.516</i>	<i>106</i>	<i>.607</i>	<i>-.0471698</i>	<i>-.228392</i>	<i>.134053</i>
Staff resistance to the new method restricts staff from rendering improved customer service.	<i>-1.848</i>	<i>107</i>	<i>.067</i>	<i>-.1869159</i>	<i>-.387458</i>	<i>.013626</i>
Soft Skills training improves the performance of the bank.	<i>.993</i>	<i>107</i>	<i>.323</i>	<i>.1028037</i>	<i>-.102438</i>	<i>.308045</i>

**Table 8:** Islamic Banking Staff Training and Performance Data, which was available in Annual reports

		Variables for performance Masermint /Performance of Islamic Banks (Dependent Variable)		Variables for Staff Training Masermint	
<u>Firm</u>	<u>Year</u>	Deposit (Million Rupees)	Net Spred (Million Rupees)	<b>Isl. banking Training Sessions</b>	<u>IBT Number of Employees Atanded</u>
Meezan Bank Ltd	2014	380422	13363	74	Not published
Meezan Bank Ltd	2013	289811	10645	114	4207
Meezan BankLtd	2012	230426	10452	109	3314
Meezan Bank Ltd	2011	170030	9366	100	2786
Meezan Bank Ltd	2010	131070	5684	85	2117
Meezan Bank Ltd	2009	100333	5132	72	2234
Meezan Bank Ltd	2008	70234	3715	60	1800
Meezan Bank Ltd	2007	54582	2122	33	Not published
Meezan Bank Ltd	2006	34449	1240	28	Not published
Meezan Bank Ltd	2005	22769	769	25	550
Meezan Bank Ltd	2004	13770	284	Not published	Not published
Meezan Bank Ltd	2003	7757	193	Not published	Not published
Meezan Bank Ltd	2002	5079	119		
BankIslami	2014	90331	3353	57	1300
BankIslami	2013	75226	2500	34	600
BankIslami	2012	64216	2485	22	400
BankIslami	2011	50569	2619	29	500
BankIslami	2010	38198	1750	27	530

BankIslami	2009	27987	955	29	762
BankIslami	2008	12478	735		
BankIslami	2007	9934	296		
BankIslami	2006	1778	81		
DIB Pakistan	2014	83844.395	4089.302		
DIB Pakistan	2013	67639.224	3113.888		
DIB Pakistan	2012	53110.048	2874.33		
DIB Pakistan	2011	38491.607	2236.79		
DIB Pakistan	2010	31414.908	1941.982		
DIB Pakistan	2009	27980.906	1841.202		
DIB Pakistan	2008	25458.91	1346.254		
DIB Pakistan	2007	16114.461	650.414		
Albarakh Pakistan	2014	80222.579	2169.724		
Albarakh Pakistan	2013	75647.097	1791.138		
Albarakh Pakistan	2012	63278.655	1545.891		
Albarakh Pakistan	2011	61559.026	1697.956		
Albarakh Pakistan	2010	49324.209	540.186		
EGIBL pak	2009	15081.242	679.338		
EGIBL pak	2008	10892.602	462.314		
EGIBL pak	2007	5452.909	248.129		

ALBARAKA ISLAMIC BANK	2009	22636.323	514.628		
ALBARAKA ISLAMIC BANK	2008	18336.159	431.172		
Burj bank	2013	42697.675	952.359		
Burj bank	2012	35922.038	1009.165		
Burj bank	2011	20341.241	952.414		
<b>Average</b>		<b>63416.16777</b>	<b>2533.641302</b>	<b>33.8</b>	<b>666</b>
Total			108946.576	169	3330
Count		43	43	16	13



## 19. Bibliography:

### Books and Book Chapters:

1. Al-Bayhaqi, Ahmad ibn Husayn. *Shuab al-Iman (The Branches of Faith)*. Edited by Abd al-Qadir al-Arnaout. Beirut: Dar al-Kutub al-Ilmiyya, 1990.
2. Ghazi, D. M. *Muhazrat e Maeeshat w Tijart*. Lahore: Al-Faisal Nashiran, 2010.
3. Imam Malik ibn Anas. *Al-Muwatta*. Book of Business Transactions (Kitab al-Buyu), Section: "What is Disliked in Business Transactions." Translated by Aisha Bewley. London: Diwan Press, 2019.

### Journal Articles:

1. Farooq, M. O. "Exploitation, Profit, and Riba-Interest Reductionism." *International Journal of Islamic and Middle Eastern Finance and Management* 5, no. 4 (2012): 292–320.
2. Ismail, A. G., and A. Tohirin. "Islamic Law and Finance." *Humanomics* 26, no. 3 (2010): 178–199.
3. Khan, R. A., F. A. Khan, and D. M. Khan. "Impact of Training and Development on Organizational Performance." *Global Journal of Management and Business Research* 11, no. 7 (2011): 62–68.
4. Mirza, A. A., and S. Riaz. "Training Needs Assessment in the Islamic Banking Sector." *Qualitative Research in Financial Market* 4, no. 2/3 (2012): 142–155.
5. Sairally, B. S. "Evaluating the Corporate Social Performance of Islamic Financial Institutions." *International Journal of Islamic and Middle Eastern Finance and Management* 6, no. 3 (2013): 238–260.

### Reports and Conference Papers:

1. Edbiz Consulting. *KAP Study (Knowledge, Attitude, and Practices of Islamic Banking in Pakistan)*. State Bank of Pakistan, DFID. Karachi: SBP BSC Printing Press, 2014.
2. International Finance Corporation (World Bank Group). *Islamic Banking Opportunities Across Small and Medium Enterprises (Pakistan)*. 2014. <http://www.ifc.org/wps/wcm/connect/e2241a804556c73a80728cc66d9c728b>.
3. YĒsir SaÑĒd DahlawĒ. "Tools for Comprehensively Qualifying the Employees of Islamic Financial Institutions, and the Role of SharĒÑah Boards and Relevant Institutions in SharĒÑah Training." Paper presented at the fifth conference of the SharĒÑah Boards of Islamic Financial Institutions, Bahrain, November 19–20, 2005.

### Web Resources:

1. Cooper, D. R., and A. John. *Theory and Applications of Economics*. 2012. Accessed December 11, 2016. <http://2012books.lardbucket.org/books/theory-and-applications-of-economics/s24-globalization-and-competitiven.html>.
2. OpenStax. "Macroeconomics." March 19, 2014. Accessed December 12, 2016. <http://cnx.org/content/col11626/latest/>.
3. State Bank of Pakistan. *Islamic Banking Bulletin*. September 2015 & March 2024. <http://www.sbp.org.pk/ibd/bulletin/2015/IBB-Sep-2015.pdf>.

### Newspaper Articles:

1. AHSON, S. "Gaping HR Gap in the Islamic Finance Industry." *Dawn: Business & Finance Weekly*, January 4, 2016.

### Qur'anic References:

1. *Surah Al-Baqarah* 2:275.
2. *Surah Al-Baqarah* 2:278–279.
3. *Surah Az-Zumar* 39:9.
4. *Surah Al-Ankabut* 29:69.
5. *Surah Al-Hashr* 59:7.