

A link of Intellectual capital performance with Corporate Financial Performance: Comparative Study on Islamic Banks in Bangladesh

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ABSTRACT

The main purpose of the study is to explore significance relationship between investment in human resources and corporate financial performance. The study has used primary and secondary data. The primary data have been collected through structural questionnaire which is prepared in the light of objectives. The secondary data are collected only relevant to study such as net income, number of employees working in the organizations, total investment in human resources, and per capita income etc for exploring the relationship between investment in human resources and corporate financial performance during the period of 2011- 2014. This study revealed that human resources have made substantial contribution in achieving financial goal of Islamic Banks in Bangladesh. The result of the study also indicates that the human resources of Islamic Banks in Bangladesh have also contributed enough in developing the Islamic Banks in Bangladesh. The study seems to carry an enormous academic value since a few studies have been undertaken in this area. It may be helpful to the owners of Islamic Banks, Academic researchers and national policy makers who have been making Endeavour to the development of Islamic Banks as well as Bangladesh Economy as a whole.

Key Words: Human Resource investment, financial performance, Islamic Banks.

1. Introduction

Human capital is an essential element in any organization. Corporate Efficiency, productivity and financial performance depend upon on the human capital. The organization must hire the

right persons who can translate the organizational opportunities into productivity that would influence the corporate financial performance. Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich and Lake 1991). Indeed, developing a talented workforce is essential to sustainable competitive advantage (Kundu and Vora 2004). Human resource measurement is about valuing the contribution people make to the success of an organization, and the term 'human capital' describes the contribution made by human skills and knowledge to the production of goods and services (Becker, 1993). Moore (2007) suggests that the value of human capital should be more fully considered when making decisions about the acquisition and disposal of people. But the monetary value assumption of accounting does not allow reporting value of organization employees in organization's financial report because value of human capital is difficult to measure in monetary value. Human capital explains how to deal with it to increase its efficiency and its impact on performance. The cost to companies resulting from the investment in fixed assets, research and development expenses, training and rehabilitation of human resources and the amount of the efficiency of the size of investment in these resources, which is reflected in the financial performance and intellectual capital can be including the elements of structural, human and the physical capital (Andreessen, 2004). Physical capital (capital employed) can be defined as total capital, which is used to finance fixed assets for companies and this includes equity capital for shareholders plus loan capital based on long-term liabilities, but structural capital, reflect the company's ability to support human resources through infrastructure and databases that help human resources to perform its functions efficiently and effectively such as buildings, hardware, software of information system (Lev, 2001). But the human capital is expressed as all the skills, experience and qualifications of personnel and that can be offered to companies also includes human resource capacity to solve problems that relate to the company in an optimal way which requires the continuous development of human and adopt ways to keep him and persuade him to job description for the job loyalty of employees, where if verify job loyalty for workers in their companies, it may reflect in an advanced stage concept of creativity administrative and financial (Firer & Williams, 2003). Previous Studies show that investment in human resources improves a company's performance, but this investment requires time and cost (Gong et al, 2009). On the other hand, operations of human capital increase productivity in several ways: First, performance improvement due to better

managerial decisions, which is an exclusive capital for a company. Second, Increment of innovation by increment of quality and training the personnel in R&D department (Ballot et al, 2001; Dimov & Shepherd, 2005). However, studies show that payments to human resource are important in two reasons: First, it comprises an important part of company's payments (Widener, 2009). Second, these payments are part of bonus of human forces that motivate them (Milkovich & Newman, 2002; Balkcom et al, 1997; Vancil, 1979). Therefore, it is expected that these payments improve performance in organizations. Literature in this area is scanty in numbers and partial in content. Existing literatures indicate that a few partial studies have been conducted, but exploring the relationship between Investment in Human Resources and corporate financial performance in Islamic Banks of Bangladesh are not studied comprehensively as a whole. It is necessary to conduct a study to examine the relationship between investment in human capital and financial performance of Islamic Banks in Bangladesh because human resource in Islamic Banks serve a number of worthy economic functions that are largely unique from other business organization.

2.0 Literature Review

Some studies have dealt with the concept of intellectual capital (IC), or one of its components with the corporate financial performance and market value or share price and the following is a review of some of the studies:

Alshubiri (2012) analyzed the relationship between human capital investment and corporate financial performance of an 11 Industrial sectors listed in Amman stock exchange from 2005 to 2011 where he used various financial performance indicators like ,EPS,ROE, DPS, and he concluded that there were a high degree positive relationship between Human capital investment and corporate financial performance. The study recommends industrial companies should strengthen and stimulate the concept of human capital and need for developing administrative innovation program.

Zohreh et al. (2011), conducted an empirical study of relationship among human capital value and profitability and market value in a sample of 60 companies from 8 industries which are listed in Tehran stock exchange from 2005 to 2009, they used multivariate regression model and panel

least square method. The result showed that there is a significant relationship between Human capital values and market value but no significant relation with profitability.

Obara, et al.(2013) , analysis the human capital investment and corporate profitability, where they concluded that, their study revealed that the positive and significant relationship between the variables and they suggested to the company to increase their disclosure level regarding Human capital information in their financial statement.

Gen and Saleh (2008) carried research into intellectual capital and company's performance in Malaysia. They drew on correlation and regression. The results showed that companies continued to rely much on their physical capital, and that the efficacy of intellectual capital is still the main effective variable in the profitability of a firm whereas human resource is of great importance in the improvement and increase in its productivity .Finally, the results showed that the value of intellectual capital could account for the profitability and productivity of a firm but it couldn't explain the market value.

Ifurueze,et al. (2014) analyzed the relationship between the impact of aggregated cost of Human resources and profitability they used regression model and concluded that there is a positive relationship between the variables and also states that changes in profitability can be explained when the expenditure on human resource are segregated into revenue expenditure and capital expenditure. The study recommends amongst other, that BETA NIG PLC should imbibe the culture of capitalizing and reporting all investment on human resource that improve the quality and productivity.

Sajedeh Hasannez hadneisi, Saeed Mazraeh (2013) studied regarding the relationship between intellectual capital and profitability in Tehran stock exchange, the findings of the research showed that there is a positive significant relationship between the intellectual property and the equity. The results also suggest a positive, significant relationship between the intellectual capital and the rate of asset yield.

Firer and Williams (2003) analysis the IC where the results of the study indicated a statistically significant effect between IC and financial performance, which is associated with the following financial ratios: return on assets, return on equity and the market value of the book.

Bozbura (2004) suggests that the HC skills and expertise possessed by the company and which can be used in solving administrative problems in addition to the risks associated with it.

Wang and Chang (2005) suggest there a statistically significant effect of the elements of IC and financial performance so that was the human capital to the greatest impact of other elements.

Salman et al. (2012) presents a statistically significant relationship between the elements of the components of IC and the performance of companies where the relationship was strong element of HC more of them than the other variables of the components of IC.

3. Objectives of the study:

The main objective of the study is to explore the relationship between Investment in Human Resource and Financial Performance of Islamic banks in Bangladesh. The specific objectives of the study are as follows:

- To make an overview of sample Islamic Banks in Bangladesh
- To highlight the human resource structure of Islamic banks in Bangladesh
- To examine the relationship between investment in human resource and financial performance of Islamic banks in Bangladesh.
- To identify the problems involved in human resource management that hinders the financial performance of Islamic banks
- To suggest some measures to overcome the problems.

4 . Methodology of the study

Sources of Data:

The study used both primary data and secondary data for consideration. Primary data collected through opinion survey to evaluate whether there is a relationship between Human Resource Investment and Corporate Financial Performance. The secondary data collected from various Islamic Banks website.

Primary Data:

Primary data have been collected through questionnaire survey among the Assistant Vice President, Manager, AGM, and Senior Executive Officers of various Islamic Banks.

Preparation of Questionnaire:

The questionnaire has been prepared based on the relevant literature of the study. Some expert opinion has been taken in preparing the questionnaire.

Methods of Data Collection:

Both primary and secondary data have been used in this study. Data for the study were collected through structured questionnaire from the respondents of the selected Islamic banks. Data has been collected through direct interview method. So there is very low percentage of failure in collecting data. Secondary data have been collected from the annual report of the Islamic bank published on their website.

Sample Size: There are 8 Islamic banks operating in Bangladesh. Among those, I took 7 Islamic banks in my consideration.

Sample Selection: The sample of this study is the Islamic banks of Bangladesh. Among the 8 Islamic in Bangladesh the following 7 companies have been selected for the study.

1. Shahjalal Islami Bank Ltd.
2. Islami Bank Bangladesh Ltd.
3. First Security Islami Bank Ltd.
4. Al-Arafah Islami Bank Ltd.
5. ICB Islamic Bank Ltd.
6. Social Islami Bank Ltd.
7. EXIM Bank Ltd.

5. Overview of sample Islamic Banks

Islami Bank Bangladesh Limited (IBBL)

IBBL was established as a Public limited Banking Company in Bangladesh on the 13th March 1983 as the first interest free Shari'a based Scheduled Commercial Bank in the South East Asia. It started operation on 30th March, 1983. The bank conducts its business by 294 branches, 14 zonal offices and the head office. The bank conducts its business on the shari'a principles of Mudaraba, Musharaka, Bia-Murabaha, Bia-Muajjal, and Hire Purchase under Shirkatul Melk, Bia-Salam, and Bia-as-Sarf etc. There is a Shari'a supervisory committee in the bank who ensures that the activities of the bank are being conducted on the principle of Islam. 12 member Shari'a supervisory committee consists of prominent Shari's scholars, reputed Bankers, renowned lawyers and eminent Economists. The bank is managed by 18 members Board of

Directors elected by the shareholders. It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000.00 Million (\$ 250.47 Million) and Paid-up Capital is Tk. 1699.91 Million (\$ 156.66 Million) having 60,857 shareholders as on 31st December 2014. The bank's subsidiaries are Islami Bank Securities Limited and Islami Bank Capital Management Limited.

Al-Arafah Islami Bank Limited (AIBL)

Al-Arafah Islami Bank Limited was incorporated in Bangladesh on June 18, 1995 and started operation from September 27, 1995. The bank is having an Authorized capital of Tk. 15,000 million and paid up capital of Tk. 9469.58 Million at the end of December 31st, 2014. The shares of the bank hold by 52,007 shareholders. The Bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal and Hire Purchase transactions approved by Bangladesh Bank. The Bank provides a comprehensive range of financial services including commercial banking, consumer banking, trade finance and other related custody and clearing services to the customers following the provisions of Bank Companies Act, 1991, Bangladesh Bank's directives and the principles of Islamic Shariah. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the precepts of Islam. The Shariah Supervisory Committee of 7 members consists of prominent Ulema, reputed Bankers, renowned Lawyers and eminent Economists. The bank is managed by 21-member Board of Directors. Al-Arafah Islami Bank Ltd. Opened 119 as 31st December, 2014 branches all within the country. Al-Arafah Islami Bank Ltd. Owned 60.125 % shares of AIBL Capital Market Services Ltd. a subsidiary company of Al-Arafah Islami Bank Limited. AIBL Capital Market Services Ltd. incorporated in Bangladesh on 20 September 2010 as a Public Limited Company. AIBL Capital Management Ltd. Is another subsidiary company of Al-Arafah Islami Bank Limited .The Company has been incorporated in 2012 under the company's act 1994 as a private limited company by shares.

Shahjalal Islami Bank Limited (SHJIBL)

The Shahjalal Islami Bank Limited was established as a Public Limited Company (Banking Company) as on the 1st day of April 2001 under the Companies Act 1994 as interest free Islamic Shariah based commercial bank and commenced its operation on the 10th day of May 2001 with

the permission of Bangladesh Bank. The authorized capital of the bank is Tk. 6,000.00 million and paid-up capital is Tk. Tk. 73868.81million and 82713 shareholders. Presently the Bank is operating its business through head office having 93 branches, 06 (six) SME centers, 40(forty) ATM booths and 2145 employees all over Bangladesh as on 31st December, 2014. It has 23–member Board of Directors and a 9-member Shari`ah council consists of Shari`ah scholars, lawyers and expert in the finance and economic fields who has been maintaining the Shari`ah of the activities of the bank. The Bank has also a subsidiary company named ‘Shahjalal Islami Bank Securities Limited’ and an Off-shore Banking Unit. Shahjalal Islami Bank Limited holds 89.49% shares of Shahjalal Islami Bank Securities Limited. The Bank is listed with both the Stock Exchanges of the country, i.e. Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

Social Islami Bank Limited (SIBL)

The Social Islami Bank Ltd. (SIBL), a second-generation bank, operating since 22 November, 1995 based on Shariah Principles, has now 100 branches all over the country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, Social Islami Bank Ltd. The authorized share capital of the bank is Taka 10,000.00 million at the end of December 2014, the Paid-up capital of the bank stood at Taka 7314.16 million. The bank is managed by an 18-member Board of Directors and the bank has also a 9- member Shari`ah Council consisting of Fiquah, Islamic Economist and lawyer. The Council gives decision on Islamic issues which are generally followed in the bank. By December 2014 Social Islami Bank has Number of shareholder is 72952

EXIM Bank of Bangladesh Limited (EXIM)

Export Import Bank of Bangladesh Limited was established in the year 1999. This Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. The authorized capital of the bank is Tk. 20000.00 million and paid-up capital is 11566.35 Million on 31st December, 2014. EXIM bank has 24-member Board of Directors and an 11-member Shari`ah supervisory committee headed by the Khatib of National Mosque-Baitul Mukarram supervising and maintaining the Shari`ah compliance of the bank.

First Security Islami Bank Limited (FSIBL)

First Security Islami Bank Limited (FSIBL) was incorporated in Bangladesh on 29 August 1999 as a banking company under Companies Act 1994 to carry on banking business. It obtained permission from Bangladesh Bank on 22 September 1999 to commence its business. The Bank went for public issue on 20 July 2008 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The authorized of the bank at the end of 31st December, 2014 are Tk. 100000 million and the paid up capital is Tk. 41143.87 million. FSIBL has 15-member Board of Directors and a 5-member Shari`ah council consists of Shari`ah scholars, lawyers and expert in the finance and economic fields who has been maintaining the Shari`ah of the activities of the bank. All kinds of commercial banking services are provided by the Bank to the customers following the principles of Islamic Shari`ah, the provisions of the Bank Company Act 1991 and Bangladesh Bank's directives. The Bank converted its banking operation into Islamic Banking based on Islamic Shari`ah from traditional banking operation on 01 January 2009 after obtaining approval from honorable High Court, Ministry of Finance and Bangladesh Bank. First Security Islami Bank Ltd. holds 51% shares of First Security Islami Capital & Investment Ltd.

ICB Islamic bank ltd

The Bank has been incorporated on April, 1987 as a public limited company under the Companies Act, 1913 to undertake and carry out all kinds of banking, financial and business activities, transactions and operations in strict compliance with the principles of Islamic Law (Shariah) relating to business activities in particular avoiding usury in credit and sales transactions and any practice which amounts to usury. Certificate for commencement of business has been issued to the bank on April, 30, 1987. The Bank has been authorized by the Bangladesh Bank to carry on the banking business in Bangladesh with effect from May 4, 1987. However, actual banking operations commenced on May 20, 1987. It had authorized capital of 150000 million, paid up capital of 664.70 million, 19916 shareholders at the end of December 31, 2014.

5. Analysis

5.1 Human Resource Investment

The table contains the information about the Islamic Banks investment in the considered years.

Islamic Banks now a day's investing a high amount in Human Resource for better financial performance in their organization.

Table 4.1.1: Human Resource Investment (million taka)

Name of Banks	2011	2012	2013	2014	Total	Mean	Rank
SJIBL	1739.18	1464.39	1071.59	878.62	5153.78	1288.44	4
IBBL	8284.32	7707.15	6140.8	4800.62	26932.89	6733.223	1
FSIBL	1440	1241.09	898.01	622.47	4201	1050.25	6
AIBL	2049.77	1643.76	1390.87	919.37	5994.77	1498.693	3
ICB	249.02	275.71	289.81	278.05	1092.59	273.1475	7
SIBL	1692.1	1534.04	1102.96	972.3	5301.4	1325.35	5
EXIM	1884.51	1540.49	1420.57	1930.6	4845.57	1775.19	2

From the table it can be understood that Islamic Bank Bangladesh limited (IBBL) invested highest amount for their Human resources comparative to other Islamic Banks. It is also observed that EXIM Bank, Al- Arafah Islamic Bank, Shahjalal Islami Bank, Social Islami Bank chronologically hold their position in terms of investment on Human Resources.

5.2 Return on Human Capital on sample banks

The study made an attempt to measure the profitability of each unit of expenditure for human resources. This measures the investment in human resource of sample banks that increases the profitability of the firm or not. The human resources are fundamental capital for the services.

Table 5.2: Return on Human Capital of sample banks

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.36	1.61	0.89	0.43	4.29	1.07	4
Islami Bank Bangladesh ltd	1.01	0.90	0.64	0.48	3.03	0.76	5
First Security Islami Bank ltd	0.93	0.85	0.62	0.45	2.85	0.71	6

Al-Arafah Islami Bank ltd	2.42	1.40	1.39	1.13	6.34	1.59	1
ICB Islamic Bank ltd	(6.46)	(3.66)	(2.47)	(1.15)	(13.74)	(3.44)	7
Social Islamic Bank ltd	1.39	1.31	0.80	1.13	4.63	1.16	3
EXIM Bank ltd	1.41	1.40	1.02	1.09	4.93	1.23	2

The higher return on human capital investment denotes the management efficient of human capital. It can be observed that the Islamic banks have invested huge money for their human resources. The study was made an attempt to examine the net income of each unit of investment for human capital. Al-Arafah Islami Bank has achieved the highest return on human capital investment which is ranked as one. EXIM bank has achieved 2nd highest return on human capital investment. Social Islami bank has done better for achieving the return on human capital investment which is ranked as third position. Shahjalal Islami Bank has achieved the 4th highest return on human capital investment. Though Islami Bank Bangladesh ltd has the highest net income among the Islamic banks in Bangladesh but it has achieved 5th earning position on human capital investment. First Security Islami Bank ltd has made performance on earning of human capital investment which is ranked as sixth position in the sample banks. But ICB Islamic bank has showed poor performance on earning of human capital investment because its net income was highly negative. Finally we can conclude that Al-Arafah Islamic Bank and EXIM Bank have efficient management to utilize their manpower in Productive purpose.

5.3 per Capita Income of Human Capital Investment

The study investigates the mean income of the employees in a company. The per capita income is measured total income divided by the employee structure of the banks. Per capita income is often used to measure the wealth of the employees.

Table 5.3: Per Capita Income of Human Capital Investment (million taka)

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.47	1.88	1.10	0.36	4.81	1.2	4
Islami Bank Bangladesh Ltd	0.9	1.00	0.88	0.79	3.57	0.89	5
First Security Islami Bank Ltd	0.91	0.72	0.65	0.56	2.84	0.71	6
Al-Arafah Islami Bank Ltd	2.18	1.87	1.83	1.69	7.57	1.89	1
ICB Islamic Bank Ltd	(2.61)	(1.53)	(1.03)	(0.46)	(5.63)	(1.41)	7
Social Islamic Bank Ltd	0.92	1.1	1.12	1.72	4.86	1.22	3
EXIM Bank Ltd	2.02	1.93	1.46		5.41	1.8	2

The study made an attempt to examine the net worth of per employee in banking sector. From above information, it shows the per capita income on human resource investment. Al-Arafah Islami Bank Ltd has the highest return from employees and average per capita income is 1.89 million taka. EXIM Bank Ltd has achieved the 2nd highest position and there average per capita income is 1.8 million taka. Social Islami Bank Ltd and Shahjalal Islami Bank Ltd have earned 3rd and 4th position and their average per capita income is 1.22 and 1.2 million taka respectively. Though Islami Bank Bangladesh Ltd has the highest employee structure but their average per capita income is 0.89 million taka and they achieved the 5th position. First Security Islami Bank Ltd is in the 6th position and their average net worth of per employee is 0.71 million taka. Finally as ICB Islamic Bank Ltd has the lowest employee structure and there were no scenery of profit in their financial statements during 2011 to 2014, so their average per capita income is (1.41) million taka.

5.4 Per Capita Operating Income of Human Capital Investment

The study investigates the mean operating income of the employees in a company. The per capita operating income is measured net operating income divided by the employee structure of the banks.

Table 5.4: Per Capita Operating Income of Human Capital Investment

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.85	2.36	1.24	1.08	6.53	1.63	4
Islami Bank Bangladesh ltd	1.11	0.30	1.13	1.16	3.7	0.93	6
First Security Islami Bank ltd	1.18	0.93	0.86	0.83	3.8	0.95	5
Al-Arafah Islami Bank ltd	2.02	2.09	1.77	2.15	8.03	2.01	1
ICB Islamic Bank ltd	0.04	0.09	(0.40)	(0.35)	(0.62)	(0.16)	7
Social Islamic Bank ltd	1.95	2.07	1.61	2.06	7.69	1.92	2
EXIM Bank ltd	2.29	2.79	2.21		7.29	1.82	3

From above information it is observed that in case of per- capita operating income on human resource investment ,Al-Arafah Islami Bank Ltd achieved the highest return from employees and average per capita operating income is 2.01 million taka. Social Islami bank Ltd has achieved the 2nd highest position and their average per capita operating income is 1.92 million taka. EXIM Bank Ltd and Shahjalal Islami Bank Ltd have earned 3rd and 4th position and their average per capita income is 1.82 and 1.63 million taka respectively. First Security Islami Bank Ltd is in the 5th position and their average net worth of per employee is 0.95 million taka. Though Islami Bank Bangladesh Ltd has a large number of net operating income and employees but their average per capita income is 0.93 million taka and they achieved the 6th position. Finally ICB Islamic bank Ltd are in unsound financial position from 2011-2014 and they are in the 7th position by earning average per capita operating income amounting to (0.16) million taka.

5.5 Human Resource Structure of Sample banks

Lado and Wilson (1994) define a human resource system “. . . as a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources.” The study investigates the human capital structure of sample banks. This measure is taken to examine the employees’ turnover and growth of manpower in the sample banks.

Table 4.5: Human Resource Structure with growth rate of sample Islamic banks

BANKS	2011	2012	2013	2014	Mean	Rank
SJIBL	1624	1881	2173	2145	1955.75	4
Growth Rate	Base	15.83%	15.52%	(1.29%)	10.02%	3
IBBL	11500	12068	12520	13249	12334.25	1
Growth Rate	Base	4.94%	3.75%	5.82%	4.84%	5

FSIBL	1342	2090	2367	2673	2118	3
Growth Rate	Base	55.74%	13.25%	12.93%	27.31%	1
AIBL	1807	2110	2387	2649	2238.25	2
Growth Rate	Base	16.77%	13.13%	10.98%	13.63%	2
ICB	686	688	656	617	661.75	7
Growth Rate	Base	0.29%	(4.65%)	(5.95%)	(3.44%)	7
SIBL	1695	1750	1802	1923	1792.5	6
Growth Rate	Base	3.24%	2.97%	6.71%	4.31%	6
EXIM	1724	1909	2229	2020	1970.5	5
Growth Rate	Base	10.73%	16.76%	(.093)%	9.13%	4

The study made an attempt to examine the human resource structure and manpower turnover of the sample banks. IBBL has the highest number of employees in the sample banks (12343.25) and manpower turnover is (4.84%). AIBL has the 2nd highest number of employees (2238.25) and manpower turnover is higher. The study also finds that FSIBL has 3rd highest number of employees but it has the highest employee's growth rate which is (27.31%). SJIBL has also 4th highest number of employees (1955.75) and growth rate of is stable. EXIM bank has the 5th highest number of employees (1954) and growth rate is much higher than others (13.75%). SIBL

has 6th highest number of employees and growth rate is also stable. ICB Islamic bank has 7th highest of number of employees (661.75) and lowest growth rate is (-3.44%).

5.6 Per Capita Investment on Human Resource and Return on Assets (ROA)

Human resource is the most precious asset and delicate factor of production. Each organization manages its activities with the support of human resource which includes top level managers, mid-level, supervisors and other employees. The overall performance of any organization depends upon the extent to which human resource is effectively utilized. Stressing the importance of people in organization, Khera (1999) opined that today when most business houses are passionate with Total Quality Management (TQM) in order to stay ahead of competition, very few organizations realize that their most precious assets are their employees. The study investigates the investment in human resources that increases in return on total assets or not.

Table 5.6: Per capita investment on Human Resource and Return on Assets (ROA)

Years	2011		2012		2013		2014		Mean	
Sample	PCI	ROA	PCI	ROA	PCI	ROA	PCI	ROA	PCI	ROA
SJIBL	0.81	0.59%	0.67	1.02%	0.57	1.44%	0.54	1.26%	0.65	1.08%
IBBL	0.63	0.61%	0.62	0.90%	0.51	1.27%	0.42	1.35%	0.55	1.03%
FSIBL	0.54	0.35%	0.52	0.53%	0.43	0.59%	0.46	0.64%	0.49	0.52%
AIBL	0.77	1.1%	0.69	1.31%	0.66	1.3%	0.5	2.06%	0.66	1.44%

ICB	0.4	(2.04 %)	0.42	(4.76 %)	0.42	(7.02 %)	0.41	(9.79 %)	0.41	(5.9%)
SIBL	0.88	1.24%	0.85	0.96%	0.63	0.8%	0.57	0.75%	0.73	0.94%
EXIM	0.85	1.06%	0.81	1.45%	0.82	1.65 %			0.83	1.39%

The table indicates the relationship between investment in human capital and return on total assets. The total investment in human capital of SJIBL 0.65 and return on total assets 1.08 were average value from 2011 to 2014. Total average investment in human capital of IBBL 0.55 and return on Assets 1.03% were from 2011 to 2014. The average investment in human capital and return on total asset of FSIBL were 0.49 and 0.52% from 2011 to 2014. The average investment in human capital of AIBL is 0.66 and return on assets of this company is 0.144%. The average investment in human capital and return on asset of ICB Islamic bank ltd are 0.41 and (5.9%). The average investment in human capital and return on assets of SIBL and EXIM bank ltd are (0.73, 0.94%) and (0.83 and 1.39%) from 2011 to 2014 respectively.

6. Problems in human resources of Islamic Banks in Bangladesh

The primary data were analyzed to identify the problems in human capital of Islamic Banks of Bangladesh. Descriptive Statistics have been used to carry out the data analysis. However, the major findings of the study and their analyses have been summarized as below:

6.1 Demographic Profile of the Respondent

In the questionnaire, there was a section concerning respondents' profile to get a general idea about the respondents' age, education, designation, as various factors might also influence their perception. A profile of respondents' is presented in the following table.

Table 6.1: Demographic Information of the of the Respondent

N =25		Frequency	Percentage
Gender	Male	23	92%
	Female	2	8%
Age	Below -30	1	4%
	30-45	12	48%
	45-60	12	48%
Working Status	AVP & Manager	7	28%
	Senior Exec. Off.	17	68%
	Junior Officer	1	4%
Working experience	Below-05 years	04	16%
	Below-10 years	13	52%
	Above 10 years	08	32%
Education	Graduation		0%
	Post graduation	25	100%

Source: Field investigation

This table describes the characteristics of respondents who provided information regarding investment human capital and financial performance in Islamic Banks of Bangladesh. The purpose of the study depends on the ability of respondents how they are sincere, awareness, and academically sound in this regards. Table 1: indicates that 92 percent of the respondents' were male and 8 percent were female in the study. Out of the total respondents, 4 percent of the respondents' were between 25 and 30, 48 percent of respondents' were between 30 and 45 and 48 percent of respondents' were between 45 and 60 years range. 40 percent of respondents' were single. While married accounted for 60 percent. A large number of percentages (28%) were executive level followed, (68%) were top executive and junior officers were only 4 percent. The table also revealed that all of the employees are highly educated.

6.2 Problems in Human Resource Management and financial performance of Islamic banks

The financial performance of any company is the function of sound human resource management in those companies. The productivity of business enterprise depends upon the efficient use of

human resources. The study made an attempt to investigate the problems in human resource management of Islamic banks that hinders financial performance of Islamic banks in Bangladesh. The study has traced out a number of problems from the survey of questionnaire which are found as follows:

Table 6.2 : Problems in Human Resource Management of Islamic banks

Code of HRM ↓	1	2	3	4	5	Total	Mean	Rank
	Weight →							
	5	4	3	2	1			
Employees absenteeism				15	10	40	1.6	7
Inadequate training facilities	1		2	15	7	48	1.92	4
Lack of Motivational tools	1	1	3	13	7	51	2.04	3
Low morale of employees	1		4	10	10	47	1.88	5
Managerial inefficiency			4	15	6	48	1.92	4
Lack of proficiency in technology		4		15	6	52	2.08	2
Lack of proper planning & implementation		5	3	12	5	53	2.12	1
Inadequate welfare facilities		2	3	11	9	48	1.92	4
Absence of performance appraisal system		2	3	10	10	47	1.88	5
Lack of friendly working environment		1	2	10	12	42	1.68	6

Unfavorable attitude of employees toward company		1		19	5	47	1.68	6
Total						523	100%	

Source: Field Survey.

This table indicates the current human resources' response that hinders the financial performance of Islamic banks in Bangladesh. Human resource in Islamic banks was not found at all satisfactory level due to the mentioned reasons. The study experienced that the human resources were highly dissatisfied in the Islamic banks because of lack of proper planning and implementation which were ranked as 01. The study also identified the lack of proficiency in technology that made slowdown workability and enhanced the cost structure of the Islamic banks which was ranked as 02. The Islamic banks were facing the problems of lacking of motivational tools which was ranked as problem no 03. The study also identified another important problem that the Islamic banks have less managerial inefficiency and inadequate welfare facilities system that impede workforce in the mind of employees which were ranked as 04. The better employees were not motivated to show their performance in the jobs. Also lack of performance appraisal system and low morality of employees were noticed in Islamic banks and those were ranked in 05. Negative attitude of employees towards company was noticed because of raising intense competition in the market which was identified problem as 06. Employees' absenteeism reached in considerable worthy which were ranked as number of 07.

6.3 Human resources of Islamic banks Perception about the Company

In today's dynamic and ever changing environment the job satisfaction has emerged as the important aspect for motivating employees towards the organizational goals and objectives.

This issue has also been identified as one of the most important issues in any organization especially, in Islamic banks.

Table 6.3 : Perception of human resources (Analysis of Job satisfaction)

Code of Employees Perception → Weight	1	2	3	4	5	Total	Mean	Rank
	5	4	3	2	1			
Providing better working condition with good company policy	7	16	2			105	4.2	5
Payment & job security	5	15	4		1	98	3.92	7
Adequacy for fringe benefits	3	12	4	6		87	3.48	11
Providing housing and accommodation	8	11	2	3	1	96	3.84	8
Provision for safety measure	6	15	2	2		100	4	6
Compensation for any accidents	4	9	8	1	3	85	3.4	12
Providing medical facility	8	12	3	1	1	100	4	6
Proving training & development facilities	9	14	2			107	4.28	3
Proving welfare facilities	4	12	5	3	1	90	3.6	10
Providing transport facilities	4	11	7	3		91	3.64	9
Allowing sick and maternity leave	15	9	1			114	4.56	1
Establishing promotion policy based on	9	13	2	1		105	4.2	5

performance								
Providing retirement benefits	10	12	2	1		106	4.24	4
Providing incentive bonus	12	12	1			111	4.44	2
Total						1366	100%	

Source: Field Survey.

The organizational commitment, workability, sincerity and honesty depend on human resources. These factors are related to job satisfaction and perception of employees about their companies. The maximum employees opined that the banking sectors are allowing sick and maternity leave which is ranked as 01. Most of employees opined that they are given better incentive bonus which is ranked as 02. A significant number of respondents opined that the Islamic banks are providing good training and development facilities which is ranked 03. Retirement benefits are also given to employees which are ranked as 04. Establishing promotion policy based on performance is also maintained in Islamic banks and it was ranked as 05. Medical facilities and provision for safety measure are also rendered to employees which are ranked as 06. A good number of respondents opined that sample companies having good payment job security which is ranked as no 07. A number of employees expressed that housing facilities should be increased which was ranked as 08. A good number of Islamic banks are not giving much transport facilities, welfare facilities, arrangement of employees' recreation, child care facilities etc which were ranked as 09, 10, and 11 respectively. Most of the employees expressed that compensation for any accident is not given which was ranked as 12. The absence of mentioned facilities increases job dissatisfaction for their employees.

Table 6.4 : Perception of human resources (Analysis of Additional Job satisfaction)

Particulars	Agree	Neutral	Disagree	Total	Mean
Getting casual leave	24		1	75	3
Customer's feedback	24		1	75	3
Remuneration satisfaction	20	3	2	68	2.72

The table describes the additional satisfaction of employees in sample Islamic banks. The study shows that employees are satisfied by getting casual leave and customer's feedback. But their remuneration against their workload is not satisfied by all employees.

7. Summary of Findings

The followings are the summary of the findings from the analysis of the study:

- Al-Arafah Islami Bank Ltd has the highest Return on Human Capital. The next on the ranks are EXIM Bank Ltd, Social Islami Bank Ltd, Shahjalal Islami Bank Ltd. From the analysis we find that Return on Human Capital is highly related with investment in Human Resource. The higher Human Resource Investment on a particular bank, the higher it's Return on Human Capital. Though Islami Bank Ltd has a huge investment on their Human Resource but also has a high Human Resource structure. ICB Islamic Bank Ltd is in the last position.
- Al- Arafah Islami Bank Ltd has the highest Per Capita Income. That means it has the highest Per Average Income. EXIM Bank Ltd, Social Islami Bank Ltd and Shahjalal Islami Bank Ltd are the next in the rank of Per Capita Income.
- Al- Arafah Islami Bank Ltd has the highest Per Capita Operating Income. It indicates it has the highest Per Average operating Income. Social Islami Bank Ltd, EXIM Bank Ltd and Shahjalal Islami Bank Ltd are the next in the rank of Per Capita operating Income.
- We see that Islami Bank Ltd has the highest Human Resource Structure follows by AIBL, FSIBL, SJIBL, EXIM BANK LTD, SIBL. We can see that in case of Return on Human Capital, Per Capita Income, and Per Capita Operating Income they are in the reverse order. Which only indicate that they don't have the right person in right place which is lacking of investment in HR because of that they have low Return on Human Capital, Per Capita Income, Per Capita Operating Income.
- From overall analysis, it can be said that Islamic banks of Bangladesh don't seem to be facing any major or real threats or problem according to the respondents response collected by questionnaire.
- It has been noticed that most of the respondents are getting their sick and maternity leave, incentive bonus, better training facilities etc. Some respondents argued that company's

welfare facilities, compensation for any accidents; additional fringe benefits are not enough as they needed.

8. Recommendation of the Study

Human Resource has the potentiality to increase corporate financial performance significantly. It is only possible if there is a increase in investment in Human Resource which will ensure that the right person are in the right place. Some Islamic banks are efficiently and effectively investing in Human Resource which is reflecting in their corporate financial performance. But some banks have low investment and Human Resource but have a good number of HR structure. These banks are not doing well in corporate financial performance.

There have not been any major problems in Islamic banking sectors, but Investment in some factors can be improved significantly. Investment in those factors will enhance the financial performance of the Islamic Banks operating in Bangladesh. The study provides concrete suggestions based on findings of the study that Islamic banks should recruit free and fair selection, efficient and qualified professional people. Islamic banks also have to render fringe benefits, compensation for any accident, welfare facilities, transport facilities and their remuneration etc.

9. Conclusion of the Study

Human resource has made significant contribution to the development of Islamic Banks in Bangladesh. The main objective of the study is to investigate the relationship between human capital and financial performance of Islamic Banks. The study identifies some variables of human capital to measure the financial performance including return on human capital, per capita income and per capita operating income. Islamic Banks of Bangladesh should invest more on hiring educated and professional people to enhance the corporate financial performance. From the study it can be observed that Investment in Human Resource enhances the Corporate Financial Performance.

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