

[DOI: 10.20472/IAC.2016.023.015](https://doi.org/10.20472/IAC.2016.023.015)

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## **CHALLENGES OF HUMAN CAPITAL DEVELOPMENT IN ISLAMIC ADMINISTRATION INSTITUTES IN MALAYSIA (IAM)**

### **Abstract:**

Human capital development is crucial in ensuring organizational excellence. Excellent organizations usually focus on the quality of their human capital. Excellent human capital management can be developed by learning, training, work experiences, human resource management and quality of service offered. Today, to ensure success of human capital, there are many challenges faced by an organization. The aim of this study is to explore human capital development in Islamic Administration Institutes in Malaysia (IAM). This study is important to identify challenges involved in human capital development program in IAM. The Malaysian Government is implementing public administration reformation agenda in the IAM which is an essential component of public administration involved in the renewal process. One of the reformations that can be made possible is by executing an effective human capital program. This paper is a qualitative study in which content analysis is used to analyze the content of previous literature, documents and reports related to topics being studied. The results show that human capital development in the IAM is actively implemented. IAM also faced a number of challenges in implementing the human capital development program. Preliminary findings from Department of Islamic Development Malaysia (JAKIM) case studies found a number of challenges in developing the human capital. Some of the factors are financial, individual attitudes, lack of support on new ideas and environmental.

### **Keywords:**

Human capital development, status, challenges, Islamic Administration Institutes, transformation.

## Introduction

Human capital is an important aspect in development of a country and production of excellent human capital will create a well-established country at international level. The West has set forth a widely used development scale and index to be used as benchmark for economic progress and efficacy of a country. For example, the evaluation of World Economic Forum on Human Capital on energy sources has put forth the assessment scale based on the level of health, quality of primary and higher education as well as the On The Job Training (OTJ) (The Global Competitiveness Report 2011-2012, 2011, p. 69). The Global Competitiveness Report (2011, p. 444) issued by the World Economic Forum has rated Malaysia in the 14th position in terms of quality educational system in Malaysia compared with other countries in the world. This comparison shows progress and development achieved by the country under review from a qualitative standpoint. Malaysia is no exception in making human capital development as a strategy for developing the country at a global level. This is evidence from the amount of RM45.1 billion allocated under the Ninth Malaysia Plan (9MP) and RM92 billion in the Tenth Malaysia Plan (10MP) to implement various human resource development programs in many educational and training programs. Based on core policies set out by the government, the development of human capital require individuals who are knowledgeable, confident, possess good values and high moral, ethical, courteous, innovative, creative, patriotic, competitive and winning personality that could determine future direction of the country. The aim of this study is to explore human capital development in Islamic Administration Institutes in Malaysia (IAM). This study is also significant in order to identify challenges involved in human capital development program in IAM.

## Literature

Human capital theory states that both firms and workers weigh the costs and benefits of investing in training (Becker 1964). Since training participation lowers current productivity and increases productivity after training, the working time during which workers can benefit from higher future earnings is important to be considered in their decision to invest. Human capital theory (Becker, 1964) assumes that individuals invest in themselves to increase their future earnings. The earlier they make educational investments, the longer they will gain benefits from those investments, therefore it is more profitable to acquire skills early in one's life.

## Literature Review

### Type of Human Capital

Education and knowledge (Kraaijenbrink, 2011 and Sylvain, 2014), training, experience and job skills (Mardani 2009), human resource management (Christopher et al. 2012), service (Poonam et al. 2014) and health (Zulkifly and Isaac, 2009).

### Challenges of Development Human Capital

Among the challenges of human capital development are elder workers (Anselmo, 2015; Pitt et al, 2012; Vasconcelos, 2012; Ng & Feldman, 2010), organization environmental factors (Zietsma & Lawrence, 2010 and Brief et al., 2013) and human resource management (Dessler, 2000; Fox et al., 1999; Ichniowski et al., 1997 and Delery & Doty, 1996).

## Findings

### Status of Islamic Administration Institutes in Malaysia (IAM).

Institutions that involve in managing Islamic administration are made up of two levels, they are agencies that are regulated by federal level and state government level. Islamic administrative institutions managed by the federal government are the Department of Islamic Development Malaysia (JAKIM), Department of Syariah Judiciary Malaysia (JKSM), Federal Territory Islamic Religious Department (JAWI), Federal Territory Mufti Department, Department of Awqaf, Zakat and Hajj (JAWHAR), Federal Territory Islamic Council (MAIWP), Institute of Islamic Understanding Malaysia (IKIM), Tabung Haji (TH), Malaysian Islamic Economic Development Foundation (YaPEIM), Islamic Dakwah Foundation Malaysia (YADIM), Department of Awqaf Malaysia and International Zakat Organization (IZO). While the administrative institutions at the state level is States Islamic Council (MAIN), Department of States Mufti and Department of States Islamic Council (JAIN).

### Transformation of Islamic Administration Institutes in Malaysia (IAM).

#### i. Department of Islamic Development Malaysia

Islamic administrative institutions regulated by the federal government of Malaysia was represented by the Department of Islamic Development Malaysia (JAKIM). The department was established to formulate policies and coordinate the development and advancement of Islamic affairs in Malaysia including coordinating the activities of halal certification in the country. The history of JAKIM establishment began with National

Council for Islamic Religious Affairs Malaysia (MKI) in 1968 which was agreed upon by the Conference of Rulers. In 1974, the Secretariat of MKI was upgraded to Division of Religion at the Prime Minister Department and was named the Islamic Affairs Division (BAHEIS). In line with the development of the country and current needs of the Muslim community, BAHEIS has been restructured and transformed. On 2 October 1996, the Cabinet has agreed with the recommendation that BAHEIS from Prime Minister Department to be upgraded as a department effective on 1 January, 1997 under the name of Department of Islamic Development Malaysia (JAKIM) (JAKIM web site. 2015). JAKIM was put under transformation process beginning 1968 when a secretariat of MKI unit was established based in Dewan Tunku Abdul Rahman, Jalan Ampang, Kuala Lumpur. In 1974, the MKI secretariat was then become Religious Division of the Prime Minister Department based at the Pusat Islam (Islamic Center). This division has grown and changed its name to Islamic Affairs Division (BAHIES), Prime Minister Department on 21 May 1985. BAHIES during that time operated at Complex of Malaysian Islamic Center, Jalan Perdana, Kuala Lumpur. The development of the country and the needs of the Muslim community in Malaysia keeps increasing and BAHIES has been restructured and empowered with the upgrade of JAKIM on 1 January 1997. JAKIM plays a key role in driving the transformation and management of Islamic affairs in the country. JAKIM which also serves as the secretariat of MKI performs its three main functions, namely drafting and standardization of Islamic legislation, coordination of administration and coordination, and development of Islamic education (Paimuzi, 2009).

**ii. Department of Syariah Judiciary Malaysia (JKSM) dan Department of Awqaf, Zakat and Hajj (JAWHAR)**

The transformation that also took place in JKSM and JAWHAR institutions was initially under JAKIM. The Syariah Judiciary Department Malaysia (JKSM) was established in mid-1998 and inaugurated on 15 December 1998. The main objective of JKSM is to establish Islamic law that is standardized and acceptable Syariah Court administration throughout the country. The department is responsible in producing Syariah judges and Shari'a officials who are professional, competent and efficient in the field of judiciary and shari'e advocacy. The JKSM vision is to be a competent central authority to standardize the Islamic legal system to uphold justice (Paimuzi. 2009). Meanwhile JAWHAR was also announced on its establishment on 27 March 2004 by Dato' Seri Abdullah Ahmad Badawi, Prime Minister of Malaysia. The main objective of JAWHAR is to ensure planning, coordination and implementation of policies and also development of institution for endowments, zakat, mal and hajj in every national development plan remains relevant and is effectively monitored for the benefit of the ummah (Paimuzi. 2009. p. 4). Among the transformation program implemented at JAWHAR is to implement MS 1900 Sharia-

Based Quality Management System. The system prioritize customer satisfaction, by placing the Sharia elements as it basic needs.

### **iii. Melaka Zakat Centre (PZM)**

Transformation in Malaysian Islamic administration also takes place in Melaka Zakat Centre (PZM). Before the PZM establishment, all of the zakat affairs were controlled by Board of Awqaf, Zakat and Treasury under the Melaka Islamic Religious Council (Maim) based on Enactment of Islamic Law Administration (Melaka State) 1959. The enactment was created to replace the conventional method that entrusted religious teachers for zakat collection. MAIM with its strong commitment has incorporated PZM as a corporate body on 22 September 2001. On 3 September 2004, PZM has obtained its ISO 9000 certification and the certification remains until now. PZM has introduced the implementation of Islamic Quality Management System of Malaysia (SPKI) MS 1900 since October 24, 2008 (PZM website, 2015). Additionally, the 5S management system was also implemented in PZM for the smoothness of transformation process.

## **Challenges of Human Capital Development in Islamic Administration Institutes in Malaysia (IAM)**

### **i. Legislative**

Malaysia has adopted the federal government system in which there is a clear distribution of authority between the federal and state governments. Sultan or King in the states have their jurisdiction on Islam as a religion. Meaning that religious institutions at the state level is actually under the control of the King or Sultan. It is necessary to ensure that the reformation agenda at the central level should also have its continuity at the state level. Malaysian governance system that separates the jurisdiction between federal and state governments to some extent has affected the effectiveness of the program held at IAM at the state level. The issue has also indirectly affected the effectiveness of human capital development program being implemented.

### **ii. Lack of training**

Skinner (1999), Sly et al., (1998) and Friedrich et al., (1998) found that efficiency and flexibility play an important role in the organization to achieve its objectives. Comments on the management of Islamic institutions in Malaysia about incompetence, sluggishness, and delays in service delivery by IAM are often revealed by the mainstream media (Rumaizuddin et al., 2011). Since the establishment of the Malaysian Islamic Training Institute (ILIM), more training for civil servants were held in the IAM.

Nevertheless, the AIM is still in need for many more and variety of training for the development of innovation and creativity of their officers and staff.

### **iii. Lack of skills**

The officers and staff in the IAM mostly come with religious educational background. Only few of them possess the knowledge and skills in the management and administration field. The shortage of such skills to some extent has affected the effectiveness of human capital development programs because those who lack sufficient knowledge are in need of more opportunities and time for their training, thus will increase the training cost at the IAM (Mahmood, 2012).

### **iv. Culture of Humanitarian Organisations**

According to Christopher (2011), the culture of humanitarian organizations is based on principles and values of human capital that exists within the organization. The culture is capable in bringing various changes in the organization. Factor such as education level of human capital is among the factors that should be prioritized by the organization. So is the case within the IAM organization. Some of the measures taken by the IAM in generating highly educated human capital is to provide opportunities to its human capital for them to further their studies at a higher level such as master and phd education level. It is important to ensure that investment in the human capital are beneficial to the organization in return to achieve its goal (Augusto et al, 2014).

### **v. Intellectual capital**

Peter and Leona (2015) through their research found that intellectual capital do affect the public sector, particularly in presenting new innovation in the services offered. In the public sector, innovation usually involves new technology, delivery systems and new systems to achieve the objectives of the organization (Edvinsson et al. 2004). To ensure that innovation is on the run, human capital in the organization should be provided with training, working skills and motivation.

## **Preliminary findings from organisation case study at Department of Islamic Development Malaysia**

Preliminary findings show that factors such as financial, individual attitudes, lack of support on new ideas and environmental are the identified impediments in developing the human capital of Islamic institutions in Malaysia. From all the factors listed, financial

found to be the major factor in developing human capital of Islamic institutions in Malaysia. Nevertheless, some of the interviewees view that financial factor is not a major problem since government usually spent millions in amount for training and education every year. For example, from 2008 to 2012 the government spent a total of RM47,057 million in federal government development expenditure for training and education purposes. This indicates that a large number of expenses are involved to mobilize human resources thus generating more trained and qualified human capital (Ministry of Finance. 2015).

Individual attitude of the human capital is also considered as one of the challenges in developing human capital. Self-attitude in any case will affect the organization. In an interview conducted, most interviewees stated that most employees show their very best behaviour during the organization preliminary hiring process. But once they are appointed to the service, their attitude will gradually change such as coming late to the office, absence at work, disobedience to rules and regulations and losing interest at work once being transferred to another unit or department that they felt incompatible.

As for lack of support within the organization, this factor usually involves between superiors and subordinates and fellow employees in the organization. In the interview conducted, few interviewees view that everytime there is a new idea on innovation proposed by the staff and young officers, very often the authorities do not accept their fresh ideas. This results in employee getting demotivated and the goal of the organization will not be achieved. Similarly, some interviewees consider that the lack of support among colleagues will result to problem in communication, team work and the list goes on. Such problems will further inhibit any future plannings within the organization.

Similarly, environmental factors such as public negative perception on the Islamic institutions. However, environmental factor such as views presented by certain groups on Islamic institutions, according to interviewee, bring many positive aspects to the human capital of the organization. This is because they will be working hard to counter all the negative views and achieve the objectives of their organization.

## **Conclusion**

Human capital development in Islamic administrative institutions in Malaysia play an important role to ensure that their objectives are fully achieved. Human capital development such as education, training, work experience and human resource management should be in line with the government's agenda. Majority of Malaysian population are Muslims but the management of Islamic institutions are often put into negative perceptions. Transformation efforts on their administration aspect are expected to increase the effectiveness of IAM management and further improved their image to the public. No doubt that human capital development in the IAM do face some challenges.

Nevertheless, these challenges should be taken positively since the government also play their part in the development of human capital, particularly in providing the IAM workforce an opportunity for higher education, establishment of various Islamic training centers and appointment of qualified individuals to fill the posts in this institution.

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