



DEVELOPING HUMAN CAPITAL IN ISLAMIC FINANCE: THE IMPORTANCE OF SPIRITUALITY IN HUMAN RESOURCE DEVELOPMENT

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Abstract:

Purpose: *This paper explores the important of spirituality in human resource development especially in developing human capital of Islamic financial services Industry.*

Method: *It is qualitative study which based its methodology merely on literature studies.*

Finding: *This study found spirituality have important role in human resource development. Enhancing employees' spirituality may benefit Islamic financial services institutions (IFSIs) both from personal and organizational perspectives.*

Implication: *It is one of the first studies in contemporary Islamic management studies that analyze the important of spiritual element in human resource development specifically related to Islamic financial services industry. It is hope that this study may enhance further study thus the market player will be easier to implement the concept of spirituality in their human resource development program to promote greater and better Islamic financial services industry.*

Keywords : Develop, Human, Islam, Finance.

INTRODUCTION

The 10 Years Framework and Strategies for Islamic Financial Services Industries Development issued by the Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI) and Islamic Financial Services Board noted the importance of human capital in Islamic financial service industry. This opinion is true with regard to human is one of the important element in Islamic economic. Regardless how much fund that a company has, how advance technology that they have, the company would never achieve their objectives if the company does not have adequate human capital with excellence human resource development in place.

The above condition similarly applies to the Islamic financial industry. Even though the industry have superior development with 30-50% global annual growth, the Islamic financial industry still struggles to catch similar market size as the conventional financial services industry have; despite the industry has huge potential market and various modes of financial services in place. Many parties blame lack of human capital who knows and fully understand the concept of Islamic finance as the reason of failure of Islamic financial services industry to have expected market size. This reasons is true since the concept of modern Islamic finance is relatively new and it just widely developed since the beginning of 70s decades.

To support the ambition of Islamic financial industry to become one of the mainstream players in global financial system, Islamic financial services institutions (IFSIs) should put more attention to develop enormous numbers of human capital who able to handle the operation of Islamic financial industry and promote the industry to new market which perhaps are not touch by the market player yet. The IFSIs can

provide training to existing employees or sponsor universities to provide Islamic financial courses so that the awareness on the presence of Islamic financial industry will reach the community faster.

However, developing human capital especially through company's human resource development division is not merely by giving product knowledge and other intellectual materials. It should be more and beyond that. It is a common issue that communities have a thought that there is no difference between Islamic finance and conventional finance. This thought could be understandable because many reports in newspapers and common discussions told that when people who are not fully understand or never know in detail the concept of Islamic finance went to Islamic banks many customer services of the bank said "if you open the saving account, you will receive such interest". It could be understandable too that the customer services said that not because they do not know the concept of Islamic finance but it is simply because so many people ask them about how much they will get if they save their money in Islamic banks. The customer services just want to save their time by using the common terms that easier to be understood. Nevertheless, this kind of action is one simple way that ruins the image of Islamic finance. In addition, although it is never been highlighted in journal or academic article, many cases can be found where the staffs of IFSIs apply for conventional loan or have account in conventional financial services. This action will also bring negative image to the industry since people will ask the consistency of IFSIs' staffs in believing the concept of Islamic finance.

Based on this reason, it is important for Islamic financial industry to look out and develop spiritual capital of their employees. The spirituality of the IFSIs' staffs is one of the important factors in achieving the objectives of the IFSIs. Having high spirituality will be able to strengthen the spirit of IFSIs' staffs and supports their daily activities and also strengthening their belief and build them become more consistent in developing and promoting Islamic financial services industry.

Despite in Islam spirituality is an important concept and most of Muslims have understand it well, the issue of spirituality in management is rarely discussed by temporary Islamic management scholars in academic articles and in the journal. Interestingly, many western scholars have studied the concept of spirituality in management especially since the end of last century. Therefore, this study tries to fill the gap in Islamic management studies by exploring the issues of spirituality especially by focusing it in Islamic financial business area.

There are three objectives of this study. First, it aims to explore the concept of spirituality from western and Islamic perspectives. Second, it is purposely to explore the role spirituality in human resource development. Lastly it aims to explore how managing employees' spirituality benefit IFSIs. This paper explains the study as follow: The second part of the paper discusses the academic literature on the concept of spirituality. The third part of the paper discusses role of spirituality in human resource development. The fourth part explains the benefit received by the employees and the IFSIs if they developed spiritual capital of their employees. The last part of the paper is conclusion.

2. CONCEPT OF SPIRITUALITY

Through out the decade up to today, academicians and practitioners were trying to conceptualized and defined spirituality using different constructs. For examples: Emmons (2000) defined spirituality as the personal expression of ultimate concern that which involves ultimate and personal truth. Vail (1996) defined spirituality as the feeling individuals have about fundamental meaning of who they are, what they are doing, and the contributions they are making. Another simple and generally acceptable definition of spirituality was provided by Eckersley (2000), "spirituality is a deeply intuitive sense of relatedness or interconnectedness to the world and the universe in which we live".

Most of people defined spirituality includes a descriptor of transcendence, divinity and ultimacy. Some people treat spirituality as a behavior (the personal expression), others as an objective reality (that which involves ultimate and personal truth), others specifically describe it as a subjective experience. In some definition described as a search (emerging from moments in which individual questions the meaning of personal existence), while in others it is an animating force or capacity (Giacalone & Jurkiewicz, 2002). Although definitions of spirituality vary, they have in common that they are concern with the process of

finding meaning and purpose in our life as well as living out one's set of deeply personal belief (Neck & Milliman, 1994).

Several definitions of spirituality mention above may be categorized as the spiritual well being dimension. It is defined as the affirmation of life in a relationship with God, self, community and environment that nurture and celebrate wholeness. The component of the spiritual well being include having a quality life in which people life up to the limit and found the meaning of their life people feel happy and peaceful in their life they have something else beyond the worldly life satisfaction. Other component of spiritual well being is that having a purposeful life in which individuals know why they life in the world. They have spirit that motivates them to fulfill the life purpose. The other component is having ultimate values and belief that will guide people in whatever they are doing and another component of spiritual well being is that feeling of connectedness and being part of the universe. In which people fill connected to other creatures in the world. This brings feeling of joyful and completeness as one individual.

Other category of spirituality is spirituality at the workplace. Spirituality at the workplace also has become emerging issues and interesting topic in business and organization setting (Cavanaugh 1999; Sass, 2000). Milleman (2003) mentioned that something spiritual is creeping into the workplace, and it seems to be gearing up to be more than a trend. The reason behind this is business changes as source of turmoil, which in turn spurs individuals to seek spiritual solutions (Mitroff & Denton 2000). Another reason is that profound changes in values globally in which people are tend to find more meaningful life trough spiritual growth that implemented in all aspect of their life including workplace.

Workplace spirituality involves the effort to find one's ultimate purpose in life, to develop a strong connection to coworkers and other people associated with work, and to have consistency (or alignment) between one's core beliefs and the values of their organization (Mitroff & Denton 1999). Accordingly, workplace spirituality can be defined as the recognition that employees have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community” (Ashmos & Duchon, 2000). In addition, Ashmos and Duchon (2000) operationalized spirituality in the context of workplace as having three components: an inner life; meaningful work; and community/connectedness.

Milliman , Czaplewski & Fergusson (2003) used the three constructs of spirituality at the workplace (meaningful work, sense of community and alignment with organizational values) which include three levels of analysis: individual level, group level and organization level.

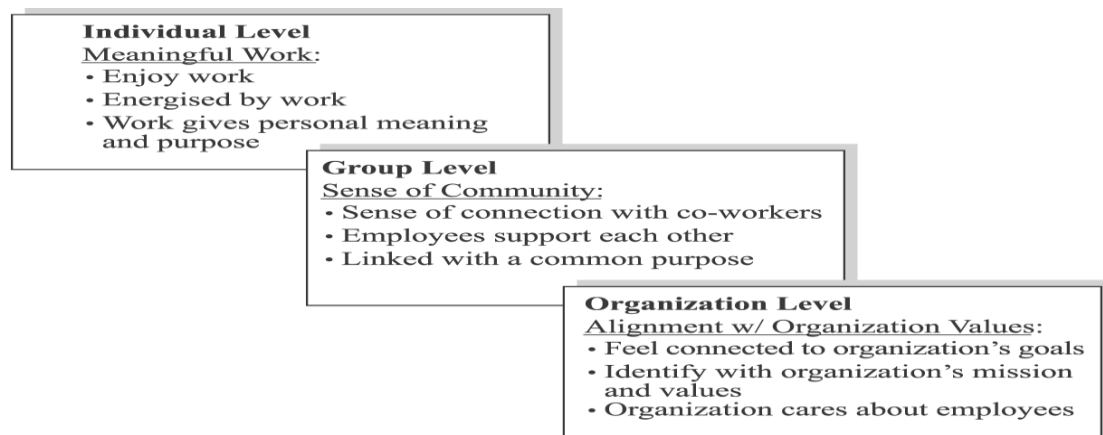


Figure 2.1: Milliman , Czaplewski and Fergusson (2003) conceptualization of spirituality at the workplace
 Another definition of workplace spirituality was provided by Giacalone & Jurkiewicz, 2000: workplace spirituality is a framework of organizational values evidenced in the culture that promotes employees experience of transcendence through the work process, facilitating their sense of being connected to others in a way that provides feelings of completeness and joy.

Based on literature spirituality at the workplace has at least three major dimensions. The first is transcendence of self, a connection to something greater than oneself. As such, spirituality represents expansions of one's boundaries to encompass, for example, other people, causes, nature, or belief in a higher power. The second dimension is holism and harmony. Holism is integration of the various aspect of oneself

(e.g., identities, beliefs, traits) into a roughly coherent and consistent self, whereas harmony is the sense that the integration of the various aspects is synergistic and informs one's behavior. The desire for holism and harmony is one reason why many people are unwilling to separate spirituality with the workplace. The third dimension of spirituality at work is growth, a sense of self development or self actualization, a realization of one's aspirations and potentials (Pratt and Ashforth, 2002).

Spirituality at the workplace also can be categorized into several dimensions based on what people value at work. The first dimension is many people seek competence and mastery in their work through the ability to realized full potential as a person this is what we called self actualization at the workplace. Second dimension is that employees want to find a meaning and purpose in their work they want to do work that has some social meaning or social values. The third dimension is that people want to feel part of a larger community or being interconnected. People value their affiliation at work. The fourth dimension is that people want to work in integrated fashion in which there is no inconsistent between personal and professional values.

In summary spirituality at the work place having several components including meaningful work, connectedness with people at the workplace, consistency between personal and professional values, and quality of work in which employees will do the best at work for the sake of fulfilling the need for spiritual growth.

From Islamic perspective, spirituality defined similarly with *ruhaniyah*. It is defined as the consciousness relationship with Allah. In Islam, life with highly spiritual condition is mean life with high iman (*jawu iman*). This feeling will lead individual to obey all shariah and do a good deeds and avoid bad deeds. Spirituality is very important in human life, because without it people will feel empty, lack of meaningful life and ambiguous purpose of life. High spiritual person will always have double motive in every deeds, worldly motive and hereafter motive. These two motives will give value added in everything that Muslim does.

3. ROLE OF SPIRITUALITY IN HUMAN RESOURCE DEVELOPMENT

As mentioned in previous part spirituality, especially spirituality at the workplace has gaining acceptance in the business and organization research because this concept belief to give positive contributions to the organizations and business. Many researches have been conducted and shows that spirituality at the workplace have association with many work related attitudes thus it may enhance job performance and business profit (Milliman et al, 2003).

Some studies that have searched the benefit of spirituality is follow: Milliman et al. (2003) examined the relationship of spirituality at the workplace with five prevalent job attitudes variables including organizational commitment, individual intention to quit, intrinsic job satisfaction, job involvement and organization based self esteemed. Result in this study indicated spirituality at the workplace significantly correlated with the five work related attitudes. In addition, this research stated that enhancing spirituality at the workplace will enhance employee positive attitude at work and it lead to better performance at work. In prior research Neck and Milliman (1994) argued that spirituality can positively affect employee and organizational performance. Neck et al (2002) stated that organizations that encourage spirituality to their employees may experience enhanced organizational performance. Furthermore, Mitroff and Denton (1999) reveals that organizations that encourage spirituality experiences more profits and success.

According to Thompson (2000) as stated in Giacalone and Jurkiewics (2003), a Harvard Business School examined 10 US companies with strong corporate (spirited workplace) and 10 with weak corporate culture, drawn from a list of 207 leading corporations. In eleven-year period, the researcher found a dramatic correlation between the strength of an organizational corporate culture and the performance. In addition, researchers in this study also discovered that more spirited companies outperformed the others by 400 to 500 percent in terms of profitability.

Jin Lee, Sirgy, Effraty, and Siegel (2003) conducted a study on the quality of work life, spiritual wellbeing, and job satisfaction as well as overall wellbeing. Results indicated there is a positive relationship between job satisfaction and spirituality.

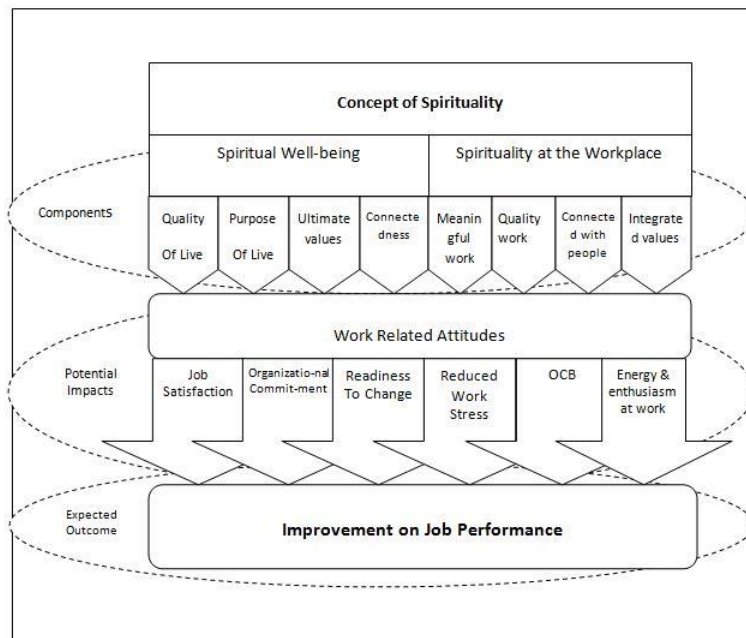
Neck (1994) stated that organizations which offer spirituality oriented work goals provide opportunities for employees to experience a higher sense of service and greater personal growth and development, it significantly increase employee energy and enthusiasm as well as job satisfaction.

Other than job satisfaction and organizational commitment, literature also indicated many others work variables that impacted by implications of spirituality at the workplace. Neck and Milliman (1994) believe spirituality can enhance intuitive abilities, increase motivation, enhance team work and facilitate a more powerful vision. Trotts (1996) found correlation between spiritual well being with employee perceived personal competence, affiliation, autonomy and self actualization. In addition, Chandler and Holden (1992) conclude in their study that spirituality at the workplace can impact long term behavior change at the workplace. Diana and Wan Rafaei (2006) found that spirituality at the workplace correlated with organizational citizenship behavior in which the employees are willing to give more to the company that they are working more than what is expected. Various scholars have relate spirituality at work with other human resource variables including empowerment, leadership and management learning (Dehler and Welsh, 2002). For example managers who implemented spirituality at the workplace are more successful in implementing organizational change (Hoffman 2002). With regard to leadership aspect, leaders who develop spiritually rich workplace will concurrently developing organizational climates and cultures whereby workers feel involved, connected, and important (Moxley, 2000). Study done by Lee, Sirgy, Efraty and Siegel 2002 spirituality at the workplace also can reduce workplace stress.

Based on the literature above, spirituality provides benefit to the human resource development in term of positive job related attitude. However, there are some tangible outcomes from human resource perspective that can be resulted by the improvement of spirituality. Spirituality able to develop a more symbiotic person, job fit, increase productivity, reduce turn over and enhance recruiting and retention success (Giacalone & Jurkiewicz 2002).

All benefits above only can be produced if the company able to develop and provides the components of spiritual well being and spirituality at the workplace as shown in **Table 1**. Company should prepare the environment and work culture and conduct intervention which able to assist the employee to find ultimate value of their life, feel connected with God and people, know purpose of their life, have good quality of live, have meaningful work, have quality work and integrated values. From Islamic point of view, the company should able to assist its employees to have deep meaning in their live, assist them to know the meaning of become the servant of Allah, know that Allah create human with a reason of worshipping Him, know that all we do in the world is counted by Him, and know that everything we do in the world is for Him and it will benefit us in the here after. To achieve these purposes, company shall assist its employees to find their own way to have good relationship with Allah (*Hablumminallah*) so that the objective of the concept of spiritual well being can be achieved. In addition, the company should also develop mechanism for its employees to have good relationship with other people within and with organization (*Hablumminannas*), thus the employees will be able to implement the concept of spirituality at the workplace.

Table 1. Role of Spirituality in Human Resource Development



4. BENEFITS AND METHODS OF IMPLEMENTATION OF SPIRITUALITY CONCEPT IN IFSIs

IFSIs can adapt the concept of spirituality as one of the materials and target of improvement in developing their human capital. Specific to IIFS, the implementation of concept of spirituality especially from Islamic perspective will bring positive personal and organizational impact to the employees and IFSIs. At least there are three positive impact of the spiritual development to the employees of IFSIs. First, by recognized the purpose of their live, understands who created them and for what Allah created them, know everything that they do will be counted in the hereafter; the employees of IFSIs will based their job only because of Allah. Therefore, the employees will do their best in their job because they only seek the bounty from Allah. As the result, this feeling will increase the employees' performance and their job's quality. Second, as the employees have good *iman* they will follow all commands and prohibitions from Allah including move away from *riba*. The employees of IFSIs will be consistent with the company missions to serve *riba*-free financial services and consistently promote such services to the market. They will put the promotion as a part of preach or *dakwah* activity to the community so the Muslim communities will know that they already have their own financial services which is tailored to fulfill their religious requirements. Third, the employees will consistently improve their knowledge since Islam recognized knowledge as one of the most important factors in human life. Thus, the employees of IFSI will continuously improve their capability and capacity not only as requirements of their job or their career, but also because improving knowledge is the commands of their religion. The need toward knowledge improvement is also important factor in Islamic finance. As the Islamic finance is relatively new industry, there are rapid changes and developments that the IFSIs' employees must know so that they can give exact and detail information to the clients and reduced misunderstanding of the communities toward Islamic financial services industry.

In the organizational level, improving spiritual capital of the employees will also benefits IFSIs at least in three ways. First, employees with good spirituality will have good relationship with others including at the workplaces. This condition will lead to enhance good environment at work and also enhance good teamwork among the IFSIs' staffs. Second, employees with high spirituality level will easily adapted to organizational changes and also be more patience to face challenges. This condition is important for the IFSIs due to Islamic financial services industry is a new industry and still has to coupe with many changes and challenges. Third, as the employees with good spirituality put their work as worship or *ibadah* and considering the fact that they have good relationship with human (*hablumminannas*) it will enhance the quality of their services to the customers and of course it will increase customer satisfactions. Toward the end, all these things will improve the performance of the IFSIs, give higher profit to shareholders, and bring greater benefit to the stakeholders.

From the Industrial and Organizational Psychology perspectives, there are several strategies that can be implemented by the IFSIs to assist their employees to have high spirituality level. Among the strategies are: first IFSIs shall establish system and mechanism that always remind the employees on the basic concept of spirituality and maintain their spirituality level. Such systems have been implemented in some IFSIs in several countries like in Indonesia. In that country there are Islamic banks, Takaful companies and Islamic Microfinance Institutions (IMFIs) that require their employees to have daily or weekly meetings which are specially purposes for reciting *Qur'an*, congregational prayer, share religious and spiritual experiences and knowledge as well as invites *Ulama* from outside the companies to give Islamic lecturing to the employees. Second, the IFSIs may provide bigger interventions activities such send the staffs to spiritual training. In Indonesia there some training that exclusively purposes to improve the level of spirituality of the participants. One of the biggest training called as Emotional Spiritual Questions (ESQ) which has been conducted across Indonesia and several neighbors like Malaysia, Singapore, and Brunei. Based on their internal researches and testimony from their clients, many of their clients experienced improvement in term of job quality, satisfaction, as well as improvement in term of profitability. Last but not least, IFSIs may create spiritual work culture such as requires the employees to have habit such as saying *salam* to each other, interact in good manner, implement *bismillah* principle in which every Muslim should start every work with belief that every things is because of Allah and thus Allah will always help, regardless what are the results. The spiritual work culture also can be develop trough vision and mission of the IFSIs and also by stated the point to enhance spirituality clearly in detail in code of conducts and policies of the company.

5. CONCLUSION

The study shows that spirituality may have important role in human resource development. Spirituality can enhance job satisfaction, organizational commitment, organizational citizenship behavior, reduced work stress and enhance optimist and synergy which in the end able to improve job performance. Improving spirituality level of IFSIs' employees will benefit the institutions both from personal and organizational sides. Some strategies that can be done by the IFSIs in developing spiritual capital of their employees are by developing structures and mechanism in place that can develop, enhance and maintain spirituality level of their employees, provide interventions by sending their employees to spirituality training, and create work culture that may provide suitable environment to develop and maintain spiritual capital of the employees. In the end, considering all benefits resulted from improving spirituality of IFSI's human capital, this study suggest the IFSIs to consider spirituality as one additional elements in human resource development program in Islamic financial service industry.

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