IMPACT OF LEADERSHIP STYLES ON HUMAN CAPITAL DEVELOPMENT IN ISLAMIC FINANCIAL INSTITUTIONS BRUNEI DARUSSALAM

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Abstract

The broad objective of this study is to determine the impact of leadership style (both Transformational and Servant Leadership) on human capital development in Islamic financial institution in Brunei Darussalam. Human capital development was operationalised in terms of competency and moral development while leadership style was defined in terms of Transformational and Servant leadership style. The study employed cross sectional survey and descriptive design by administering structured questionnaire to a sample size of 269 respondents selected from the population of Islamic financial Institutions in Brunei using simple random probability sampling techniques. The questionnaire was administered via on-line internet service delivery.
The completed questionnaire responses collected was processed using SPSS and Partial Leased Square Structural Equation Modelling (PLS-SEM). Frequencies and descriptive analysis was conducted to ascertain the level of leadership style (Transformational and Servant) and Human capital development (Competency and moral development). Correlation analysis was done to determine the relationships between leadership style and Human capital development. Multiple regression analysis was done to test the hypothesis and determine to what extend does leadership style impact on Human capital development (Competency and moral development) in Brunei Islamic financial institutions. All the hypotheses tested were positively significant, thus providing an overall findings that there is a positive correlation and significant impact on leadership styles on human capital development in Brunei Islamic financial institutions. Remarkably, servant leadership has achieved the strongest impact on the Human Capital Development Practice (Management Supervision and guidance, Competency and Moral Development). Hence, this study provides the light to expose on the potential benefits of adopting the servant leadership towards supporting the Islamic Human Capital Development. Hence, recommendations were provided for Islamic financial institutions to support these concept by providing training, leadership development and better exposure/experience in nurturing the servant leadership behaviour. Furthermore, the Human Capital development and Managerial commitments are also vital to ensure an effective alignment of both servant leadership and Human Capital Development practice in the organisation.

Keywords: Servant Leadership, Transformational Leadership, Islamic Human Capital Development, Competency and moral development

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