POLAC INTERNATIONAL JOURNAL OF ECONOMIC AND MANAGEMENT SCIENCE (PIJEMS)
DEPARTMENT OF ECONOMICS AND MANAGEMENT SCIENCE
NIGERIA POLICE ACADEMY, WUDIL-KANO

LEADERSHIP STYLES AND HUMAN CAPITAL DEVELOPMENT IN ISLAMIC FINANCIAL INSTITUTIONS

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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 finding 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 DevelopmentPractice (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 concepts 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

1. Introduction

Islamic finance industry is significantly known globally as emerging industry with producers and consumers spread all around the world. This Islamic finance serves the consumers, with alternative financial products and services with the legitimacy of the facility that based on the Islamic/Shariah laws. Extending beyond the Muslims, Islamic finance also has the potential to exploit and market to various segments of customers who seek for service quality, convenience as well as efficient transactions (Jinjiri Ringim, 2014). Hence, this has encouraged more acceptance by the users worldwide and also the development of Non-interest banking products in both the Muslim and non-Muslim dominance countries. Najaf and Najaf (2016) thus highlighted that the global assets of Islamic finance will continuously be developing from 2.3 to 2.8 trillion in the year 2020 onwards, thus presents a huge potential for the Islamic financial provider to prosper in Brunei. The Islamic finance industry has contributed for more than 15% of total domestic banking assets to the country and thus positioning Brunei amongst the nine top countries worldwide in the industry (Oxford Business Group, 2016, Kasim, 2016). Brunei has an excellent opportunity to be an Islamic finance hub in the South East Asia (Idris, 2016; Hayat, 2016). The reasons was substantially due to the continuous progression of Islamic Finance industry in the past few years and added by its remarkable achievements in Islamic banking and Takaful Sectors (Hayat, 2016).

To facilitate the targets of Brunei monetary broadening by utilizing its abilities in Islamic knowledge in the Asian Region, the issue on competency, moral mentality, examination, and advancements must be sought towards the improvement of Human capital (Jinjiri Ringim, 2014). The contemporary HCD stressed more on the competency advancement of human capital i.e., information and abilities. Muslim researchers argued that more prominent consideration must be centered around creating the competency of human capital as well as on their good/ethical values (Jinjiri Ringim, 2014). Past studies on strategic HCD has been sought by the association to upgrade the profitability and efficiencies of human capital in order to convey more noteworthy incentive for the association (Jinjiri Ringim, 2014). Armstrong's (2006) explained that, HCD requires a successful initiative for presenting, coordinating and controlling people and groups as opposed to utilizing the most widely recognized HCD practices. Management scholars claimed that people-oriented leadership style is specifically identified as a key element of success for service organization (Douglas & Fredendall, 2004). Both Transformational and Servant Leadership are the people's oriented style which looks into similar goal of developing the employees (Jinjiri Ringim, 2014). As such, it's reasonable to assume that the leader's leadership style could be effective in influencing and developing both the employees' competency and moral values.

However, there are scanty of literature from the previous studies that had explored the relationship and effect of both transformational and servant leadership on organizational change management with divergent findings that leadership style is either positively or negatively related to HCD (Lowder, 2009). Empirical studies that have been conducted on HCD are from the conventional perspective that focused on the development of knowledge and skills through education and training (Shafii, 2013; Obeidat, 2016). Whereas, the relationship between leadership style and HCD in terms of management and supervision; competency and moral development have not been explicitly been explained. Hence, there is a need to understand the impact of leadership style (Transformational and Servant leadership) on HCD, particularly of Brunei Islamic Financial Institutions as there are limited studies on leadership styles and HCD in Islamic Financial Institution to the knowledge of the researcher. Therefore the broad objective of this study is to determine the impact of leadership style (Transformational and Servant) on the human capital development (Management and supervision guidance, competency and moral development) in Islamic financial institutions.Also, to test the main and specific hypothesis of the study developed based on the review of the literature of previous studies on leadership style and human capital development.

2. Review of Related Literature

2.1 Human Capital Development Construct.

As the Organizational achievement essentially lays on the nature of the human capital thus, human capital improvement has now become an outstanding worldwide issue in information economy (Jinjiri Ringim, 2014). HCD is a "process of helping the employees to become belter at their tasks, knowledge, experiences, and lives"(Wan, 2007). Armstrong (2006) argued that HCD as "processes that direct and guides individuals and teams so that they are equipped with the requisite skills knowledge, competence needed to undertake organizational tasks". The Islamic Financial Institutions have been concentrating on seeking to improve the human capital's profitability that drives higher worth (Garavan, 1999). Gupta (2001) argued that in the authoritative setting, HCD go about as a procedure by which the workers of an association are bolstered in a nonstop and arranged manner to get basic abilities, create general capacities or inward capability of people, to improve the prosperity, fulfilment, and confidence of representatives that support participative hierarchical culture (Jinjiri Ringim, 2014).

Muslim researchers like Bakir, Sofian, Hussin, and Olhman (2015) additionally support this on their explanation that the act of human capital improvement ought to be founded on all-encompassing advancement of change. Moreover, as Islamic laws call for welfare and collectivism, hence developing the human capital should always focus on social welfare and pursue a more collective development (Abdullah, 2012). In any case, researchers stressed that as opposed to building up the information and aptitudes; the behavioural development of human capital ought to likewise be organized which incorporate morale and spiritual development (Jinjiri Ringim, 2014). Along these lines, for this examination, it is required to acquire experiences of the significance of both supplies of human capital - competency and moral. Competence is referred to as an implicit knowledge, skills, and abilities which embodied in the individuals or employees towards the development of intellectual capital (Jinjiri Ringim, 2014).

2.1.1 Management Supervision & guidance

Management supervision and guidance variable was examined in the context of Lowder's comparative view of both leadership styles (Lowder, 2009), several predictions are proposed: Both Transformational and Servant leadership style develop strong interpersonal relationships; are open and accountable to followers; envision the future, clarify goals, and facilitates a shared vision; encourage and affirm followers and take initiative; collaborate with followers, value follower's differences, and share power with followers and release control to followers. The past study revealed that transformational leadership gained a low score for individualized consideration on spending time coaching and seeking different perspectives when solving problems hence, the author suggested that those traits are not the main behaviour of transformational leaders when compared to other perceived behaviours (Nguyen, 2009). Also, Yammarino and Dubinsky (1992) pointed that, a major determinant of an employee's attitude is his/her perception on the guidance and supervision provided by their immediate supervisor i.e. through coaching and mentoring.

2.1.2 Competency & Moral Development

Transformational and servant leadership are perceived to be a people-oriented style which looks into similar goals of developing the employees (Zacharatos, Barling & Kelloway, 2000; Stone, Russell & Patterson, 2004). When the construct of competency and moral development is examined through Lowder's view on similarities of both transformational and servant leadership style (Lowder, 2009), several predictions are proposed: Both leaders provide opportunities for followers' learning and growth; serve followers needs; model appropriate behaviour, and maintain personal integrity and trust. Hence, with the similarities of characteristics possessed by transformational and servant leaders as per Lowder (2009), it could be said that both leaders are keen to develop people in both their competencies and behaviour (moral) development. Nevertheless, though both leaderships are similar in that they are people-oriented leadership styles (Stone, Russell & Patterson, 2004). Some scholars argued on the distinctions between transformational and servant leaders (Stephens et al., 1995). Parolini (2007) has conducted the first empirical research study to provide a comparison between transformational and servant leadership styles in terms of five distinctions: the leader's aim/focus, moral, motive and mission, development process, and the way leader will influence the follower. The author also stressed that the five discriminant items can have a major impact on organizations or team's decision making in terms of the need for leadership (Parolini, 2007). Hence, all those different factors may also guide the leaders in deciding or strategizing for the HCD practices and thus may lead to different outcomes and impacts on the development of human capital.

2.2 Leadership style

The style of leadership is also considered to be very crucial in achieving organizational goals, learning, and performance (Zacharatos, Barling & Kello, 2000). The extensive work undertaken on leadership styles, further research is required to clarify the causes and effects of leadership styles, as well as how the styles are distinct from and/or related to one another (Smith, Montagno, & Kuzmenko, 2004). The research was necessary in order to understand why it was one style might be preferred over others. Notwithstanding these conclusions, the weight of research evidence may indicate that certain styles of leadership can have strong effects on a range of outcomes such as on productivity and innovation (Smith, Montagno, & Kuzmenko, 2004). Lowder (2009) argued that there is a similarity between transformational and servant leadership as per the Smith et al.'s framework of individualized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Smith, Montagno, & Kuzmenko, 2004). Previous literature has clearly argued that leader with individually considerate behaviour provide the employees with support such as through coaching and mentoring, thus encourages employees towards learning and development and provide a new learning opportunity (Chang & Lee, 2007). Also, assumptions have been made about the distinctive impacts of transformational versus servant leader that lack empirical investigation or reinforcement. Thus, the need for this empirical research study is evident. Hence, the study hypothesized that “Leadership style (Transformational and Servant) has a positive significant impact on the human capital development (Management and supervision guidance, competency and moral development) in Islamic financial institutions”.

2.2.1 Transformational Leadership style

Transformational leadership was described as a process by which "leaders and followers raise one and another to a higher level of morality and motivation" (Burns, 1978). Transformational leaders are characterized and guided through idealized influence, inspirational intellectual stimulation and individualized consideration (Bass, Avolio, Jung, & Berson, 2003; Smith, Montagno & Kuzmenko, 2004; Ahanger, 2009). Transformational leaders tend to supports employees with a vision, cultivate a series of hope, and encourage them to continuously think innovatively (Ali, Syed & Arshad, 2012). Birasnav, Rangnekar, and Dalpati, (2010) have also conducted an analysis to study the interrelationship between transformational leadership, knowledge management, and employee-perceived human capital creation or benefits. In order to achieve sustained competitive advantage through developing human capital, the authors focus on transformational leaders, since these leaders are highly capable of stimulating their followers’ creativity. By pursuing a systematic literature review of theoretical and empirical research, Birasnav, Rangnekar, and Dalpati (2010) support that transformational leaders can potentially affect their employees’ perceptions of human capital benefits and thus act as the originator of human capital creation. They also have the greatest potential to enhance this creationby involving them in the knowledge management process, establishing an organizational culture, and encouraging communication among the employees. This model suggests that human resource managers should provide training to managers with regard to developing transformational leadership behavior since this behavior contributes to human capital creation by which organization could achieve competitive advantage (Birasnav, Rangnekar and Dalpati 2010). This study hypothesized that:

H_{A1}: Transformational leadership style has a significant positive impact on HCD Practices

H_{A2}: Transformational leadership style has a significant positive impact on Management Supervision & guidance practices of HCD

H_{A3}: Transformational leadership style has a significant positive impact on Competency & Moral Development practices of HCD

2.2.2 Servant Leadership style

Greenleaf and Spears (2002) broadly defined that servant leadership is where the leader has the desire to motivate, guide, offer hope, and provide a caring experience by establishing a quality relationship with the followers and subordinates. There are two main constructs of servant leadership which involve: concern for subordinates and ethical behavior. Servant leaders are dedicated toward the growth and welfare of people (Greenleaf & Spears, 2002). Parolini (2007) has conducted the first empirical research study to investigate the differences between transformational and servant leadership styles, in terms of five distinctions: the leader’s aim/focus, moral, motive and mission, development approach, and the way leader will influence the follower. The findings of the study stressed that five discriminant items can have a major impact on organizations or team’s decision making in terms of the need for leadership (Parolini (2007). Hence, all those differing factors may also guide the leaders in deciding or strategizing for the HCD practices and thus may lead to different outcomes and impacts on the development of not just the followers but the human capital itself. However, there seem to have a lack in Parolini’s study notably on her ‘moral’ and ‘mission’ distinction, such that, despite looking into the moral and/or ethical values of the leaders, the author seems to provide a similar response on this distinction with the ‘focus’ distinction. Barbuto and Wheeler (2006) argued that servant leaders are characterized and guided with altruistic, emotional healing, wisdom, persuasive mapping and finally, organizational stewardship. Page and Wong (2000) claimed that servant leaders act as serving others by working towards their development and well-being in order to meet goals for the common good. Servant leadership has the potential to improve an organization's productivity and financial performance (Andersen, 2009). Thus, few empirical types of research are being conducted with regards to looking into the comparative practice of both leadership styles in HCD perspective, and some researchers are focusing on one style of leadership. Therefore, the following hypothesis was formulated:

H_{A4}: Servant leadership style has a significant positive impact on HCD Practices
H_{A5}: Servant leadership style has a significant positive impact on Management Supervision & guidance practices of HCD
H_{A6}: Servant leadership style has a significant positive impact on Competency & Moral Development practices of HCD

2.3 Conceptual Framework and Underpinning Theory of the Study

From the review of related literature above revealed that both transformational and servant leadership may influence his/her supervision and guidance practices towards developing their employees' competencies and moral behaviour. But then, the differing impact of those leadership styles and the leader's determination in developing competency and moral of the human capital are still uncertain. Hence this has put an interest to the researcher towards examining the correlation of both leadership style, HCD practice of supervising and guiding by the leader and the development of two stock of human capital: competency and moral development. A conceptual model framework was developed by combing the framework of Ali, Syed, and Arshad, (2012) and Birasnav, Rangnekar and Dalpati, (2010) to demonstrate the relationship between leadership style and human capital development variables as shown in Figure 1.0. The variables of this study include leadership style as the independent variable – transformational and servant leadership, HCD practice, management supervision and guidance and competency and moral development as the dependent variables.

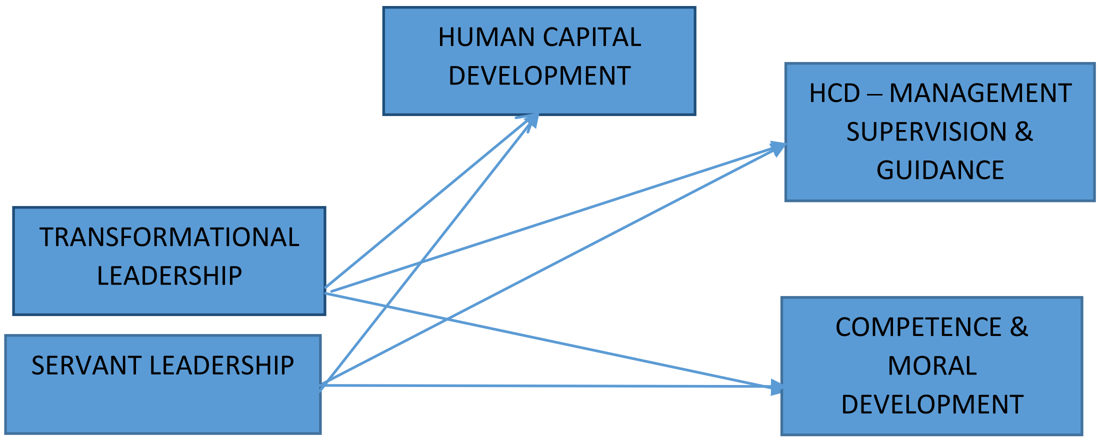

Figure 1: Proposed Framework of Study

The research model was adapted from previous studies on leadership style embraced by the transformational and Servant leadership style. It is a combination of the study framework on Impact of Transformational and Servant Leadership on Organizational Performance (Ali, Syed & Arshad, 2012) and research model on Transformational leadership and human capital benefits: the role of knowledge management (Birasnav, Rangnekar & Dalpati, 2010). This study made some in-depth study on the previous research frameworks by determining the level of the impact of Transformational and Servant leadership style on the human capital development. In addition, this study tested the level of positive significant impact of transformational and servant leadership style on the individual dimensions of the human capital development practices in the Islamic Financial Institutions in Brunei Darussalam. The dimensions are Management and supervisory guidance; Competency and moral development. The main hypotheses are:

H_{A1}: Transformational leadership style has a significant positive impact on HCD Practices
H_{A4}: Servant leadership style has a significant positive impact on HCD Practices

While the specific/ancillary hypothesis developed based on the review of the literature on previous studies findings on leadership style and human capital development are:

H_{A2}: Transformational leadership style has a significant positive impact on Management Supervision & guidance practices of HCD
H_{A3}: Transformational leadership style has a significant positive impact on Competency & Moral Development practices of HCD

H_{A5}: Servant leadership style has a significant positive impact on Management Supervision & guidance practices of HCD

H_{A6}: Servant leadership style has a significant positive impact on Competency & Moral Development practices of HCD

The research framework is the basic foundation upon which other research structures extend the frontier of knowledge (Jinjiri Ringim, 2014). Therefore the research model of this study presented in Figure 1.0 was underpinned by Relationship theories, also known as transformational theories. The theory focuses on the connections formed between leaders and followers. Transformational and Servant leaders motivate and inspire people by helping group members, see the importance and higher good of the task. These leaders are focused on the performance of group members, but also want each person to fulfill his or her potential.

3. Methodology

A quantitative research approach utilizing exploratory and cross-sectional structure was utilized in this examination to comprehend the effect of Leadership style practice in Brunei Islamic financial institutions. The choice to choose the exploration structure relies upon the comprehension and clearness of the examination issue. In 340 cases, the examination is required to comprehend the issues before building up any model (Jinjiri Ringim, 2014), Descriptive research was conducted when there are some **understanding of the nature of the problem; such research study is used to provide a more** specific description of the problem (Jinjiri Ringim, 2014). The research setting **was a cross-sectional study d design.** It **involves gathering the data only at one point in** time to meet the objectives (Jinjiri Ringim, 2014). A self-regulated online survey was utilized as the main source of data collection strategy to reach the respondents who are mostly Managers and heads of offices Units / who bend educated enough about the organization, and execution of the Islamic money related Institutions in Brunei Darussalam (Jinjiri Ringim, 2014). For this investigation, probability testing was utilized, every unit of the populace has an equivalent possibility of being chosen in the study. A comprehensive population frame of 900 employees from different Islamic **finance companies in Brunei, and the sample size was calculated to be** 269 **(Krcjcie**& Morgan, 1970). The steps follow to choose the sample of 269 representatives from the populace included utilizing PC based arbitrary numbers created in a Microsoft Excel program for use of the numerical equation {= rand ( )}. The second step followed the selection the samples that are qualified from the category of senior management, executives, managers and heads of department (Jinjiri Ringim, 2014).

The study utilised the adapted questionnaire from past investigations with scale size of five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) is adopted in order to collect response on the four (4) items for transformational leadership scale and 5 items for servant leadership scale adopted from Parolini (2007); 13 items for practice of management supervision and guidance scale adopted (Wan, 2007). Finally 12 items for the perceived delivery of competency and moral development (Parolini, 2 0 0 7). The PLS path modelling was considered an appropriate technique of data analysis for some reasons: First, the PLS path modelling considered being suitable data analysis technique in this study, because, it can simultaneously assess the measurement model, which describes the link between theory (latent constructs) and data (corresponding indicators) as well as relationships among constructs, also called the structural models (Hair, Huh, Ringle & Sarstedt, 2017). Second, the goal of the present study is to predict the effect of leadership style on the human capital development of Islamic Financial Institutions in Brunei Darussalam. Hence, the present study is causal-predictive where a complex model with many variables, indicators, and relations tested using path modeling approach Hair, Hult, *et al.*, 2007). Previous studies have recommended the use of PLS path modeling when the goal of the research is to predict the dependent variable.

4. Results, Discussions of Findings and Hypothesis Testing

4.1 Measurement Model Results

A reflective measurement model of Partial Least Squares Structural Equation Modelling (PLS-SEM) is conducted in order to test the proposed framework and hypothesis. Previous researchers stated that for a reflective measurement, the measurement model comprising both the reliability and validity of the variables are crucial before examining the structural model (Hair et al., 2013; Petter et al., 2007). Hence, the assessment for measurement model is shown in Table 1.

Table 1: Measurement Model Results

	AVE	Composite Reliability	R Square	Cronbach's Alpha	Communality
COMPETENCY DEV	0.745177	0.945987	0.435536	0.931509	0.745177
HCDP	0.737222	0.972925	0.557061	0.968661	0.737222
MORAL DEV	0.841877	0.963724	0.497888	0.952446	0.841877
SLEADER	0.6966	0.919355		0.889709	0.6966
TRLEADER	0.695882	0.901268		0.853464	0.695882

For the composite reliability, such values are shown in Table 1 to be 0.9 and above for all variables which are greater than the recommended value of 0.7 (Hair et al., 2007; Bagozzi & Yi, 1991), this means that a high level of internal consistency reliability have been demonstrated for all the reflective latent variables. Hence this suggests that the measurement scales are internally reliable with this sample. For the convergent validity, the AVE for each construct is 0.6966 and above, hence higher than the required value of 0.5 (50%) (Fornell &Larcker, 1981). This indicates that each construct has the capability to explain more than half of the variance to its measuring items on average, thus convergent validity is confirmed.

Table 2: *Discriminant validity through correlation analysis*

	AVE	**C&M**	**COMPETENCY DEV**	**HCDP**	**MORAL DEV**	**SLEADER**	**TRLEADER**
competency DEV	0.745177	0.76018**	**0.86323**				
HCDP	0.737222	0.56494**	0.465727**	**0.85861**			
MORAL DEV	0.841877	0.977437**	0.88565**	0.579653**	**0.91754**		
SLEADER	0.6966	0.676523**	0.618711**	0.710268**	0.687398**	**0.83462**	
TRLEADER	0.695882	0.651947**	0.617784**	0.686711**	0.623545**	0.75522**	**0.83420**
Note: **. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).							

Afterward, the discriminant validity through correlation analysis is further pursued in order to determine the relationships between leadership style and human capital development. Both the AVE numbers and latent variable correlation are being assessed as per the Fornell-Lacker Criterion Analysis. Fornell-Larcker approach involves comparing the square root of AVEs with the correlations between constructs extracted (Hair, et al., 2007). The result in Table 2 demonstrated that adequate discriminant validity is achieved because the square root of AVEs washigher than the correlations between constructs in the corresponding rows and columns.

4.2 Structural Model and Hypothesis testing Results

The PLS - SEM path Modeling estimation for the conceptual framework (Figure 1) is shown in Figure 2 below. There are two sub-models in a structural equation model; the inner model specifies the relationships between the independent and dependent latent variables, whereas the outer model specifies the relationships between the latent variables and their observed indicators (Wong, 2013).

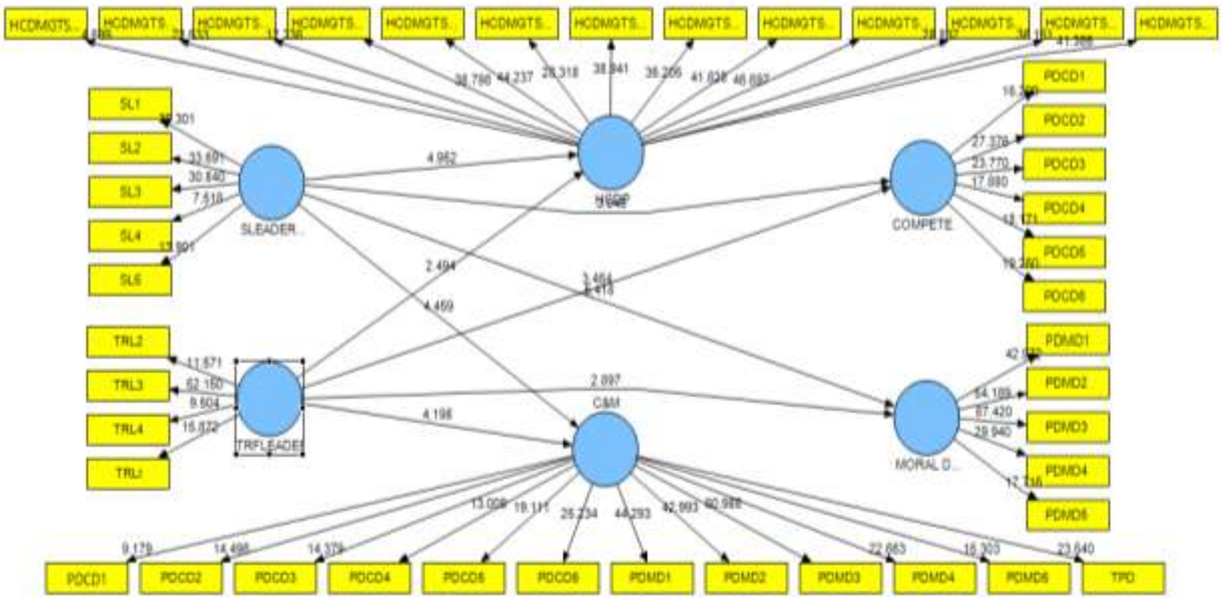

Figure 2: Path Linear Square path Modeling estimation

Table 3 Structural Relations & Path Significance of Basic Model

Path Relations	Original Sample (O) β	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T-Statistics (|O/STERR|)	PVALUE	Significant / Not Significant
SLEADER -> COMPETENCY DEV	0.354127	0.344982	0.116261	0.116261	**3.045965**	0.000153	**Significant**
SLEADER -> HCDP	0.446068	0.443473	0.090069	0.090069	**4.952498**	0.000001	**Significant**
SLEADER -> MORAL DEV	0.50387	0.495261	0.093003	0.093003	**5.417779**	0.000001	**Significant**
TRLEADER -> COMPETENCY DEV	0.35034	0.362604	0.101125	0.101125	**3.464433**	0.000412	**Significant**
TRLEADER -> HCDP	0.349831	0.358981	0.140281	0.140281	**2.493783**	0.007256	**Significant**
TRLEADER -> MORAL DEV	0.243012	0.249274	0.083884	0.083884	**2.897017**	0.002377	**Significant**

4.3 Discussion of Findings and Hypothesis Testing

Despite the numbers on arrows in the PLS path Modeling simulation, the path coefficient for outer model could also be done by used for analyzing the T-statistic in the "Outer Loadings (Means, STDEV, T-Values)". The T-statistics are used to check or test for structural path significance of both the inner and outer model by using a procedure called bootstrapping. In this procedure, a large number of subsamples are taken from the original sample with replacement to give bootstrap standard errors, which in turn gives approximate T-values for significance testing of the structural path. The Bootstrap result approximates the normality of data (Wong, 2013). Provided in Table 4-2 is the "Outer Loadings" (Mean, STDEV, T-Values) for this study.

In this reflective measurement scale, the causality direction is going from the latent variable to the indicators (items). Two types of number are also presented. Firstly, there are numbers in the circle which shows how much the variance of the latent variable is being explained by the other latent variables. Secondly, there are numbers on the arrow which also called as path coefficients. These numbers explain how strong the effect of one variable is on another variable. The weight of different path coefficients enables the researcher to rank their relative statistical importance. However, it is important to note that, the relative statistical importance of a variable is not the same as its strategic operational importance (Wong, 2013).

From the Figure 2-0 and Table 4-2, it is revealed that the Path Coefficients (numbers on arrows) value for all variables is ranging from 2.49 to 5.42, which greater than 1.96. This means that all path coefficients in the inner model are statistically significant. As the outer model loadings are positively significant, this could be said that the there is a positive relationship between leadership style and human capital development. The critical t-value is 1.65 for a significance level of 10%, and 2.58 for a significance level of 1% (all two-tailed). Thus, with a significance level of 5%, on the two-tailed t-test, the path coefficient will be significant if the T-statistics is larger than 1.96. Hence, the results of the findings were used to test the hypothesis testing on the impact of leadership styles on human capital development.

The finding with respect to the hypothesis testing revealed that all hypothesis (H_{A1}& H_{A4}) are all accepted thus shows a significant relationship between the independent and dependent variables as mentioned in the review of related literature. **$H_{A1:}$ Transformational leadership style has a significant positive impact on HCD Practices; $H_{A4:}$ Servant leadership style has a significant positive impact on HCD Practices.** The major research findings display that there is a positive relationship between leadership styles and human capital development in relevance to the HCD practices and the development the human capital assets. This is evident from the PLS analysis above which indicates the T-Statistics of 4.952 for servant leadership and 2.494 for transformational leadership towards their relationships with the HCD practice of management supervision and guidance. Hence, this suggests that both transformational and servant leadership has similar characteristics of individualized consideration, the servant leadership has the highest support towards supervising and guiding practices when compared to the transformational leadership style. Similarly, this present result is in line with the finding of Nguyen (2009) which reveals that coaching was not the main behavior of transformational leadership.

In addition, the outcome of the study demonstrated that all hypothesis (H_{A2} H_{A3} H_{A5} H_{A6}) are all accepted. This shows both transformational and servant leadership style have a significant positive impact on the development of competency and also moral values of the employees. The findings agreed with many previous researchers who found that both transformational and servant leadership had a significant positive contribution towards learning and growth (John, Barbuto &Gottfreson, 2016; Smith et al., 2004). The present findings of the study also provide an adequate support for this proposition in the context of competency development. Independently, in the case of competency development, the statistical result shows that transformational leadership acquires 3.464, while for servant leadership is 3.046. Whereas for moral development, the statistical result presents that the servant and transformational leadership accounted a T-statistics value of 5.418 and 2.897 respectively. The gap of T-statistics value suggests that, for moral development, servant leadership style could give more impact than transformational style. With this insights, it can be said that the servant leadership has the greatest positive impact on moral development, whereas the transformational leadership has the more impact on competency development. This result is in line towards supporting Parolini (2007) suggestion in which a spiritual culture can be nurtured through the adoption of servant leadership, whereas a dynamic innovative culture can be nurtured via the transformational leadership.

Nevertheless, towards supporting the Islamic Human Capital Development, a positively strong impact on developing both competency and moral values seen to be crucial. However, previous studies have not considered the comparative analysis of both styles on their relation with human capital development specifically in the Islamic context. Hence, with respect to the Islamic development of human capital, the rank of impact on both transformational and servant leadership is also being analyzed towards competency as well as the moral development of employees. The result shows that there is also a statistically positive correlation between leadership styles and both competency and moral development. The evidence is provided from the greater than 1.96 value of path coefficients for both transformational and servant leadership towards competency and moral development.

Interestingly, the PLS results specify the T-Statistics of 4.459 for servant leadership and 4.198 for transformational leadership towards their relationships with developing both competency and moral values of the employees. Thus, it can be concluded that servant leadership has the strongest positive impact on the development of both competency and moral values as compared to transformational leadership. With this, another fascinating insight came to exist on the distinctiveness of both leadership styles and suggest to support for providing an empirical evidence that servant leadership has more impact than transformational leadership in Islamic profit-oriented organizations specifically in the aspect of both competency and moral development (Ali et al. 2011).

From the descriptive statistics of this present study, it poses that transformational leadership behavior is dominant in Brunei Islamic financial institutions, in which their main priority is for the best deliverables and commitment towards the organizational goals. As Islamic financial institutions are service-oriented organizations, this supports the previous study of Ali et al. (2011) whereby transformational leadership is appropriate to be utilized by the leaders in the banking sector. However, in the context of an Islamic-oriented service organization like the Islamic financial institutions, the beneficial impact of servant leadership seems to be promising.

4.3.1 Managerial implications

The outcome of the research demonstrated the importance of front office employee as valuable asset to organization. The Supervisors displayed the leadership style of transforming the employees to valuable human capital for the maximum advantage of the organization (Abdullah, 2012). The good leader must be a good listener, caring with positive attitude, character and possess charisma. He should also, act as a mentor to his subordinate and competent to walk the talk in the real corporate world (Abdullah, 2012).

Even though competency development has a greater impact through transformational leadership, the findings of this study support that servant leadership could be adapted to contribute a more effective development for human capital following the Islamic perspective. This is also in conjunction with the views of current researchers like Andre and Lantu (2014) who argued the adoption of servant leadership and human capital development to be considered by developing a spiritual-generative culture and empowerment. The servant leadership style can act as the originator for developing both moral values as well as competency through learning by experience (Preko, 2014).

Furthermore, considering the various impacts of leadership, pursing on leadership development could provide benefits to the organization (Wan, 2007). As such, since servant leadership behaviour contributes to the development of ‘hard' and ‘soft' human assets which could be a competitive advantage for firm, it is suggested that managers and direct supervisors should be developed as a servant leader (McGill et al., 1992). The equal prioritization of both human assets – competency and moral values, in return, this is hoped to provide intangible assets that are crucial not just for the individuals, but also towards the growth of financial as well as non-financial performance for today's service organizations (Marimuthu et al., 2009). The impact of leadership also depends on the management, such that despite the influence of the leadership style from a direct supervisor, the influence from the upper-level management or head of the department might also affect the overall process on human capital development (Jinjiri Ringim, 2014).

4.3.2 Limitations

The findings reported herein should be interpreted in light to compromise between numerous limitations. Despite the constraints of time and cost, other limitations also need to be acknowledged. From the methodological perspective, the Brunei Islamic financial institutions were chosen as the target population in order to gain perception and insights to support the research objectives. However, due to the sensitivity nature towards assessing leader’s leadership and also the narrow scope towards small Islamic financial institutions for the research, constraint arise in concern to acquiring more respondents' participation from the respective populations. Hence, with the small sample and context, this research may be generalized to only financial service sector despite the contemporary or Islamic nature of the business. However, it may not be applied widely to all corporate sectors such as to the small enterprise, non-profit organization and also to the public sector.

Another key limitation lies upon the adoption of cross-sectional approach, such that it is possible that at certain conditions, leadership and their impact towards HCD practices might have emerged with some kind of time lag. Moreover, with the quantitative research techniques, this study was unable to observe the interaction between managers or supervisors with the employees and gain additional explanation on employee's perception.

4.3.3 Recommendations for future research

Future examination should profoundly look into various territories or divisions in order to increase extra experiences on how these ideas apply to another specific situation. Moreover, further extension of this exploration to another sector, divisions or countries would fundamentally contribute in helping the appropriation of initiative and Islamic human capital turn of events. Besides that, the use of longitudinal and perception a methodology may demonstrate to give increasingly intensive proof and restricting the danger of potential is on representative's observation. Besides, the utilization of blended technique or joining of both subjective and quantitative methods will possibly promote understandings into the effect of administration styles,

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