

Human Capital Development for Takaful Sector Performance in Malaysia: Mediating Role of Social Capital

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Abstract

A tremendous growth has been witnessed by the Islamic Finance industry worldwide over the last decade, however, Takaful sector still requires attention for increasing its market share and for strengthening its position in the industry over its conventional counterparts. The human capital pool quality is crucial for Takaful sector performance. This study investigates the human capital role in the organizational performance of the Takaful sector of Malaysia through the mediating role of social capital under the theoretical foundation of resource-based theory and equity theory. The primary data is collected through a structured questionnaire from the 350 employees working in the Takaful sector in Malaysia using a judgement sampling technique. Structural Equation Modelling (SEM) is applied using Smart PLS software. The study finds that human capital factors has a statistically significant impact on the Takaful companies' performance. Furthermore, the study confirms that social capital as a mediator only mediates the relationship between skills and knowledge and Takaful companies' performance. The proposed framework provides a major contribution towards present practices and challenges in the human and social capital field which leads to the Takaful companies' performance in Malaysia. This study is helpful to policy maker, practitioner and researcher as it will be useful for revamping human capital development strategies in promoting the market.

Keywords: Human Capital, Social Capital, Performance, Takaful, Malaysia

Introduction

Over the years, Takaful sector has achieved significant penetration in the domestic market, with Takaful now accounting for a substantial portion of Muslim country's insurance sector (Nurgraheni & Muhammad, 2020). Globally, the Takaful industry continues to expand, with over 350 Takaful operators present across more than 45 countries, particularly in the Middle East, Southeast Asia, and Africa (Abdur Rehman et al., 2021). Malaysia is one of the leading hubs for Takaful, with more than 15 Takaful operators, alongside numerous conventional insurers offering Takaful windows (Jusoh, 2023). The country's Takaful operators have been successful in

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introducing innovative products that cater to both retail consumers and corporate entities, contributing to the growth of the financial services sector (Husin, 2019).

The Takaful sector in Malaysia offers both family (life) and general (non-life) Takaful services, catering to a wide range of customer needs (Ishak, 2020). Takaful sector adheres to strict Shari'ah principles while promoting ethical risk management governed by the Islamic Financial Services Act (IFSA) and overseen by Bank Negara Malaysia (Ayedh et al., 2021). The presence of strong regulatory frameworks and dedicated institutions such as the INCEIF and the International Islamic Liquidity Management Corporation (IILM) further strengthens Malaysia's position as a pioneer in this field (Azme, Zorollah & Khairuddin, 2019).

Takaful has been able to attract a significant portion of the population that may otherwise be excluded from the insurance market for religious reasons by providing Shari'ah-compliant alternatives to conventional insurance (Mansor et al., 2015). The focus of the industry on mutual risk-sharing and openness resonates well with the socio-economic values of the majority Muslim population of Malaysia. Moreover, the Takaful sector contributes to national economy goals at a macro level by contributing to financial sector diversification, generating competition, and encouraging foreign investment (Hassan et al., 2018). The sector promotes societal welfare through the delivery of products that provide protection against the uncertainties of life, thereby promoting economic stability (Alhammedi, 2023).

Despite this fact, the Takaful sector has been facing strategic challenges of human capital development (HCD). HCD is a cornerstone for the sustainable growth of the Takaful sector in Malaysia (Natt, Alhabshi & Zainal, 2009). As the sector becomes more complex and competitive, the demand for skilled professionals with expertise in Islamic and conventional insurance continues to rise (poon et al., 2017). HCD must not only be knowledgeable in underwriting and risk management in the Takaful sector but also possess a deep understanding of Shari'ah compliance, product innovation, and regulatory requirements (Mihardjo et al., 2020). Initiatives such as specialized academic programs, certification courses, skills-based methods and professional development opportunities are vital in ensuring that the Takaful sector has a talent pool capable of driving innovation, improving operational efficiency, and maintaining high standards of Shari'ah governance (Khan, Alheety & Bardai, 2020).

The role of HCD in the Takaful industry has been widely studied, both globally and within Malaysia (say Hamid et al., 2010; Husin, 2019; Mihardjo et al., 2020; Mao et al., 2022). Djafri et al. (2018) highlights the importance of a well-trained workforce in driving the success of Islamic financial institutions, including Takaful. Mao et al. (2022) study emphasize the need for continuous professional training and the integration of Islamic jurisprudence with conventional insurance practices. In

Malaysia, Husin (2019) research shows that the lack of skilled professionals remains a challenge for the industry, despite the presence of educational institutions that offer programs in Islamic finance. Literature further suggests that enhancing collaboration between academia and the Takaful sector can help bridge the skills gap by aligning educational curriculums with industry needs (Ansari, 2022). Shahimi, Alma'amun and Rosman (2015) suggests that upskilling and reskilling initiatives are crucial for maintaining the country's competitive edge in the global Takaful market.

According to Rindermann (2018), a country could achieve greater economic development if the country has more intellectual the human capital. These findings were consistent to the earlier work of Becker (1964) who also emphasis HCD as one of the vital factors in an economic growth. Hamed et al. (2024) argued that skills and knowledge play a vital role in HCD. It is because when organizations visit higher institutions for recruiting graduating participants, they fail to determine the essential skills in the participants, hence fail to recruit talent pool. Hence, it is very important to have capable human capital for the operational effectiveness of Takaful sector. Therefore, this study aims to investigate the influence of HCD on the organizational performance of Takaful sector in Malaysia.

Problem Statement

The Takaful sector in Malaysia, while experiencing steady growth and establishing itself as a major player in the global Islamic financial market, faces significant challenges related to HCD (Husin, 2019). Despite the industry's expansion, there is a growing concern about the shortage of skilled professionals who possess the necessary expertise in Shari'ah-compliant practices. This gap in human capital is particularly evident in areas such as risk management, Shari'ah governance, product innovation, and operational efficiency (Husin, 2019; Hamed et al., 2024). As the Takaful sector evolves to meet the increasingly complex demands of the market, including technological advancements and regulatory changes, the need for a well-trained workforce becomes more critical. Therefore, this study seeks to determine the role of HCD in the Takaful sector and examines its influence on the organizational performance in Takaful companies in Malaysia.

Research Objectives

This study investigates the influence of HCD on the organizational performance of Takaful sector in Malaysia to counteract the upcoming new challenges. For this purpose, the following research objectives are developed:

1. To examine the relationship between human capital and performance of Takaful companies in Malaysia.

- a) To examine the impact of skills and knowledge on the performance of Takaful companies.
 - b) To examine the impact of career development on the performance of Takaful companies.
 - c) To examine the impact of training and development on the performance of Takaful companies.
2. To examine whether social capital mediates between human capital and performance of the Takaful companies in Malaysia.

Significance of the Study

This study holds significance and valuable insights for policymakers, Takaful operators, educational institutions, and regulatory bodies into the current human capital deficiencies within the Takaful industry and identify areas where targeted investment in education, HCD and training is needed. The study contributes to the creation of a robust pipeline of skilled professionals who can drive innovation and ensure compliance with Shari'ah principles, thereby promoting industry growth. Additionally, the study is relevant as it seeks to align Malaysia's Takaful sector with global best practices, helping it maintain its leadership position in the Islamic finance world. The insights gained can guide strategic HCD initiatives and policy reforms, ultimately enhancing the industry's resilience and competitiveness in the face of new technological, regulatory, and market challenges.

Review of Literature

The human resource discipline coins the term 'human capital' as the collection of employee's knowledge, skills, competencies, and expertise held by them in the workplace (Mackey & Barney, 2019). Human capital has become increasingly crucial for business operations in a knowledge-based economy (Clarke & Gholamshahi, 2018). Becker (1964) categorize human capital as general or specific. Kinsler and Pavan (2015) define general human capital as generic employee's knowledge and skills which are not linked to a particular task. However, specific human capital is specialized education, knowledge, or job expertise relevant to the performance of a specific task.

One of the prominent features of HCD is training and development, however the HCD trainings success is greatly dependent on the proper training need assessments and budget allocation (Abdelhafiz, 2001). HCD trainings considered to be basic need for the contribution of Islamic finance (Bakir et al., 2015). Knowledge and skills are also vital tools for progressiveness of the Islamic finance industry (Poon et al., 2020). Since financial institutions operate in a competitive environment building a good relationship with customers is imperative (Claycomb & Martin, 2001). Ismail

et al. (2019) explore the influence of human capital to the growth of Takaful in Malaysia. They stress the importance of professional training and skills development for Takaful agents and employees, and how this contributes to improving service quality, ultimately leading to better performance of Takaful operators.

Moreover, Vermeulen and Crous (2000) suggested that human capital, motivation, and skills play a crucial role in the development of Islamic financial institutions. Wan Ibrahim and Ismail (2015) claimed that Shari'ah knowledge is the fundamental activities of Islamic financial institutions. According to Gordon (2006), there are many more ways to make better human assets which include education, trainings and skillful employees' activities. Jabnoun and Khalifah (2005) conducted an in-depth analysis of the development of Takaful within the broader Islamic finance sector, highlighting the key challenges it faces, particularly in comparison to conventional insurance. The paper identifies human capital development as a central concern, focusing on the need for trained professionals in Shari'ah compliance and Islamic finance to ensure the success of Takaful operations.

The Resource Based View (RBV) concept identify the significance of establishing the productive pool of human capital assets in a distinctive way to comprehend organization achievements (Madhani, 2010). RBV perspective is that organizations can attain competitive edge through exceptional resources that are not imitable easily (Lubis, 2022). A study by Hassan and Abbas (2015) examines how human capital can enhance the competitive advantage of Takaful operators in Pakistan. The study suggests that the knowledge of Takaful agents and employees are crucial for delivering high-quality products and maintaining competitiveness in the rapidly evolving financial market.

Ismail, Ahmad and Abdul Rasool (2024) focus on the importance of human capital development for the Islamic finance sector, specifically Takaful. The study identifies key challenges such as insufficient skilled talent and lack of specialized training programs. It calls for targeted human capital strategies, including certification and continuous professional development programs for the workforce in Takaful. Rynes, Bartunek and Daft (2001) investigated the causes of managerial knowledge among academia and practitioners and how these causes can be overcome by making different strategies. The study found that a very low transfer of research knowledge is just because of some barriers in creation, adoption and utilization by the practitioners. It also concludes that organizations can remove these barriers by increasing industrial orientation of academics. Dess and Picken (2000) highlighted that organizational values are derived from the combination of many assets like equipment, finance, property, and expertise. It is also considered that intangible assets such as brands, images, skills, and human capital are big assets of any organization that significantly affects the business performance (Cohen & Kaimenakis, 2007).

Mihardjo et al. (2020) discussed the human resource issue in the Takaful industry of Malaysia. The study talks about the scarcity of qualified professionals and how that hinders the growth scope of the industry. It further proposes the development of training programs and collaborations with educational institutions to develop a talent pipeline. Djafri et al. (2018) discuss how social capital plays a role in improving the performance of Takaful agents. Strong relationships and networks inside and outside organizations, for example, help agents sell products more effectively to the customers. This paper illustrates that it is in such contexts of social capital where the effectiveness of the benefits from the development of human capital may be mediated.

Sulaiman and Zainuddin (2020) examine the interrelation between HCD and organizational performance in Takaful corporations. Their findings reflect that human capital investment through training and career development for knowledge acquisition positively influences Takaful operators' performance and hence supports the notion of the importance of human capital strategies. Abdullah and Noor (2021) compare the human capital strategies between the Takaful and conventional insurance sectors. The results of their research are that Takaful companies lag in many structured training programs and career advancement opportunities. They call upon the Takaful industry to take the best practices of the conventional sector in the light of HCD and organizational growth.

Rahim and Ali (2022) fill in the gap in training the Takaful industry in Malaysia with the identification of gaps where Takaful employees and agents are in dire need of some missing skills. It also calls upon the study of gaps such as training programs, certification in Islamic finance, and partnerships with universities that should be reduced and would lead to raising a much more competent workforce. Similarly, Odhon'g and Omolo (2015) had shown that HR investments do positively correlate with the organizational productivity level as well as with firm performance. The success of Takaful industry emphasis is on knowledge and skills regarding Shari'ah compliance, as pointed out by Shafi and Husin (2019). The authors repeat that the consistent education and certification of the Takaful workforce with the principles of Islamic finance will continue to ensure adherence and the perpetuation of customer confidence in the sector.

Research Hypotheses

The study formulates and tests the following research hypothesis based on the above discussion:

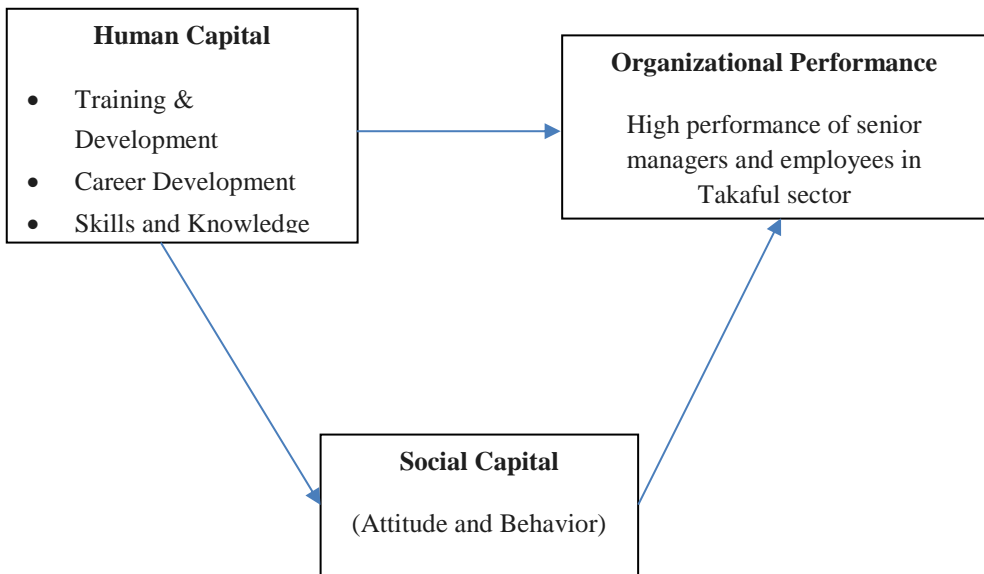
H1: Training and development have a direct impact on the performance of the Takaful operators.

H2: Career development has a direct significant impact on the performance of Takaful operators.

H3: Skills and Knowledge have a direct impact on the performance of Takaful operators.

H4: Social capital mediates the relationship between human capital and the performance of Takaful operators.

Figure 1: *Research Framework*



Source: Author

The Resource-Based View (RBV) justifies this study by emphasizing human and social capital as strategic resources that enhance organizational performance. Equity theory complements RBV by explaining how fair treatment, motivation, and resource distribution influence employee commitment and productivity, thereby strengthening Takaful sector performance in Malaysia.

Research Methodology

This study adopts a quantitative research design, utilizing a cross-sectional survey method to collect information from employees working in the Takaful industry in Malaysia. The quantitative approach is chosen to measure the relationship between HCD factors and the performance of Takaful operators. The mediating role of social

capital is also examined. The study employs a deductive research approach, beginning with the development of hypotheses based on established theories such as equity theory and resource-based theory.

The study targets the senior management within Malaysia’s Takaful sector. It is because these individuals play a pivotal role in shaping human resources practices, particularly those related to recruitment, training and development. As of 2024, Malaysia has 15 licensed Takaful operators, and employees working in Takaful companies is estimated at around 5,000 employees (Malaysian Takaful Association [MTA], 2024). Using the Krejcie and Morgan table for determining sample size, a minimum sample of 350 respondents is targeted to ensure adequate statistical power. For this study, a total of 400 questionnaires were distributed; 350 responses were deemed suitable for analysis, forming the effective sample size.

The study has employed purposive (or judgmental) sampling technique due to the specialized nature of the target population. This sampling approach allows the researcher to select participants based on their role and relevance to the study’s objectives (Rai & Thapa, 2015). The senior managers chosen for this study possess decision-making authority and expertise in the areas of training, development, and organizational improvement, making their responses particularly valuable for achieving the research objectives. The unit of analysis for this study is the individual employee working in the Takaful industry.

The primary data collection method for this study is a structured questionnaire which is divided into four sections. Section I is based on human capital construct, including questions on career development, training and development, and skills and knowledge. Section II is designed to evaluate social capital construct. Section III is focused on items that measure organizational performance, and section IV collects information on respondents’ demographics. The questionnaire primarily utilized closed-ended questions on a 5-point Likert. An overview of the constructs and references for each variable included in the study is presented in Table 1.

Table 1: Research Variables

Sr.	Constructs	Definition	References
1	Training and Development	This construct refers to organized efforts taken by organization to increase employees' skills, knowledge, and competencies, ensuring they perform effectively in their roles and prepare for future responsibilities.	Mirza and Riaz (2012); Khamis, Anwar and Handrianto (2022)

2	Career Development	It is the ongoing process of managing work, learning, and transitions to achieve personal and professional growth, aligning individual goals with organizational needs.	Mirza and Riaz (2012); Hosen et al. (2024)
3	Skills and Knowledge	Skills and knowledge encompass an employee's learned expertise and factual understanding, which are critical for effective job performance and decision-making in various tasks.	Hassan et al. (2018)
4	Social Capital	This construct is about networks, relationships, and social interactions that facilitate collective action within an organization, promoting knowledge sharing and collaboration.	Mirza and Riaz (2012); Kunhibava et al. (2024)
5	Organizational Performance	Organizational performance is the assessment of a company's efficiency, effectiveness, and ability to achieve its goals, often measured by productivity, profitability, and market position.	Khan et al. (2020)

Source: Author

Once data is collected, responses are edited, coded, and processed for statistical analysis. The study employs SPSS and Smart PLS for data analytical purpose. SEM regression technique was used to examine the relationships between the study's variables. Additionally, descriptive statistics along with validity and reliability analysis were conducted to ensure the consistency and validity of the data collected. The ethical protocols were adhered to throughout the research process.

A pilot survey is conducted with a small group of 30 respondents to test the reliability of the questionnaire. This pre-test helps to ensure that the questions are clear, understandable, and capable of measuring the intended constructs. Based on the pilot survey results, necessary modifications to the questionnaire were made to improve its clarity and reliability before the full-scale survey is launched.

Results and Findings

Descriptive Statistics

Table 2 provides the study variables descriptive statistics. Training and development (TD) have a mean score of 3.39. Career and development (CD) have a mean value of 3.43, skills and knowledge (SK) have a mean value of 3.44, social capital (SC) has a mean value of 3.49 whereas organizational performance (OP) has a mean value of 3.45. The standard deviations for all variables are relatively low, ranging from -3.0 to +3.0, indicating that responses are concentrated around the mean

with limited variability (Hopkin & Weeks, 1990). Additionally, the skewness variables are within range -3 to +3 and kurtosis values ranges from -10 to +10, indicates that variables are normally distributed.

Table 2: *Descriptive Statistics (n = 350)*

	Mean	Std. Dev.	Skewness	Kurtosis
Training and Development (TD)	3.398	.569	-.473	.389
Career Development (CD)	3.431	.560	-.618	.049
Skills and Development (SD)	3.440	.515	-.511	-.219
Social Capital (SC)	3.498	.487	-.344	.929
Organizational Performance (OP)	3.450	.525	-.278	.138

Source: Author

Reliability Analysis

Table 3 presents the reliability analysis results for the constructs used in the study. Reliability is assessed using three metrics: Cronbach's Alpha, rho_A, and Composite Reliability, which together provide a robust evaluation of the internal consistency of each construct. Cronbach's Alpha values indicate that most constructs meet or exceed the generally acceptable threshold of 0.70 (Nunnally & Bernstein, 1994), with Organizational Performance (0.810), Social Capital (0.744), Skills and Knowledge (0.720), and Career Development (0.704) displaying satisfactory reliability. Training and Development (TD), however, has a slightly lower Cronbach's Alpha at 0.600, suggesting moderate reliability, yet it remains within an acceptable range for exploratory studies (Hair et al., 2012). The rho_A and Composite Reliability values similarly support the consistency of these constructs. These findings validate that the constructs used are reliable, thus enabling confident interpretation of subsequent analyses.

Table 3: *Reliability Analysis (n = 350)*

	Cronbach's Alpha	rho_A	Composite Reliability
Organizational Performance (OP)	0.810	0.816	0.863
Career Development (CD)	0.704	0.705	0.806
Skills and Knowledge (SK)	0.720	0.723	0.826
Social Capital (SC)	0.744	0.785	0.832
Training & Development (TD)	0.600	0.601	0.789

Source: Author

Discriminate Validity

Discriminant validity was used by examining the correlation of the coefficient of each item within and among the constructs. The discriminant validity was measured by the Fornell and Larcker (1981) in which they revealed that the square root of the AVE variance extracted for a construct should be greater than the correlation of the subjected construct with any of the constructs in the model. Similarly, according to Venkatesh and Morris (2000), the square root of the average value for each construct should be higher than the value of correlations with another construct. Since AVE values are larger than 0.5 as depicted in Table 3, thereby is no issue of validity.

Table 4: *Discriminant Validity*

	OP	CD	SK	SC	TD	AVE
Organizational Performance (OP)	0.717					0.514
Career Development (CD)	0.174	0.714				0.510
Skills and Knowledge (SK)	0.433	0.317	0.737			0.543
Social Capital (SC)	0.370	0.340	0.481	0.714		0.510
Training & Development (TD)	0.320	0.405	0.410	0.341	0.745	0.555

Source: Author

Factor Loadings

Table 5 illustrates the factor loadings for the constructs examined in the study. Factor loadings are a key measure of the correlation between observed variables and their associated latent constructs, with values typically exceeding 0.70 indicating satisfactory loading (Hair et al., 2012). In this study, most items demonstrate strong loadings above 0.70, reflecting substantial construct validity. These results affirm that the measurement items are generally aligned with their respective constructs, supporting the structural integrity of the model (Tabachnick, Fidell & Ullman, 2013).

Table 5: *Factor Loadings*

	Organizational Performance (OP)	Career Development (CD)	Skills and Knowledge (SK)	Social Capital (SC)	Training & Development (TD)
SC1				0.739	
SC2				0.850	
SC3				0.724	
SC4				0.770	

SC5		0.403
CD1	0.709	
CD2	0.678	
CD3	0.721	
CD4	0.748	
OP2	0.653	
OP3	0.771	
OP4	0.796	
OP5	0.750	
OP6	0.684	
OP7	0.633	
SK2		0.730
SK3		0.781
SK4		0.755
SK5		0.679
TD1		0.733
TD3		0.767
TD4		0.735

Source: Author

Hypothesis Testing

The path coefficients are used to investigate the direct and indirect relationships between the variables. Table 6 shows the result of the direct hypothesis and mediation hypothesis testing. The results indicate that the relationship between Training and Development and Organizational Performance is positive but not statistically significant (coefficient = 0.154, $p = 0.095$). This finding is somewhat inconsistent with prior studies, which generally suggest that employee training and development directly enhances organizational performance by improving job skills and productivity (Abdelhafiz, 2001; Bakir et al. 2015). However, some literature notes that training's impact may vary depending on contextual factors, such as industry and specific performance metrics, which could explain the non-significance here in the Takaful sector (Aguinis & Kraiger, 2009).

Table 6: Path Coefficients

Hypothesis Test	Coefficient	Std. Dev.	T Statistics	P Values
CD -> OP	-0.046	0.091	0.508	0.612
CD -> SC	0.173	0.089	1.941	0.053
SK -> OP	0.292	0.086	3.402	0.001
SK -> SC	0.378	0.084	4.526	0.000
SC -> OP	0.193	0.097	1.982	0.048
TD -> OP	0.154	0.092	1.675	0.095
TD -> SC	0.116	0.082	1.405	0.161
CD -> SC -> OP	0.033	0.028	1.202	0.230
SK -> SC -> OP	0.073	0.041	1.760	0.079
TD -> SC -> OP	0.022	0.023	0.988	0.323

Source: Author

The influence of Career Development on Organizational Performance was negative and non-significant (coefficient = -0.046, $p = 0.612$), contradicting traditional views in HR literature. Past research frequently links career development positively with organizational outcomes, as it enhances employee commitment, reduces turnover, and increases job satisfaction (Abdullah & Noor, 2021; Weng & McElroy, 2012). This discrepancy might suggest that career development programs within Takaful operators are either not sufficiently aligned with performance outcomes or that other organizational factors moderate the relationship.

Skills and Knowledge significantly positively influence Organizational Performance (coefficient = 0.292, $p = 0.001$), in line with existing literature that emphasizes the crucial role of skilled employees in enhancing organizational capabilities and driving performance (Becker, 1964; Hassan & Abbas, 2015). Skills and Knowledge also significantly impact Social Capital (coefficient = 0.378, $p = 0.000$), supporting the argument that knowledgeable employees can foster stronger interpersonal networks and collaboration (Djafri et al., 2018).

Skills and Knowledge – Social Capital relationship has the value of path coefficients (0.378), indicating a positive association between both variables. Career Development – Social Capital relationship has the value of path coefficients (0.173) indicating a positive association between both variables. Training and Development – Social Capital relationship has the value of path coefficients (0.116) indicating a positive association between both variables. Thus, the study finds that there is a positive and significant influence of career development and skills and knowledge on the social capital at the 10% and 5% level of significance. This means that a 1 percent increase in the value of career development increases the social capital by 17.3 percent, while 1 percent increase in the value of skills and knowledge increases the

social capital by 37.8%. However, training and development are found to have a statistically insignificant influence on the social capital ($p = 0.161$).

Social Capital significantly influences Organizational Performance (coefficient = 0.193, $p = 0.048$), but its mediating role between human capital variables (Career Development, Skills and Knowledge, Training & Development) and Organizational Performance shows mixed results. For instance, Skills and Knowledge has a marginally significant indirect effect on Organizational Performance through Social Capital ($p = 0.079$), aligning with research by Adler and Kwon (2002), which suggests that Social Capital can bridge individual competencies and organizational outcomes. However, Career Development and Training & Development did not show significant indirect effects, suggesting Social Capital’s role as a mediator may vary across human capital constructs in this context.

R-Square (R^2) and Effect Size. In SmartPLS, R^2 and f^2 are essential indicators for evaluating the quality and explanatory power of a structural model. The R^2 value indicates the proportion of variance in the dependent or endogenous variable explained by its independent variables. Table 7 shows that social capital has a R^2 value of 0.280 whereas Takaful performance has a R^2 value of 0.239. It means that moderate variation in the exploratory variable is explained by the explanatory variables. The f^2 value (effect size), on the other hand, measures the individual contribution of each predictor to the R^2 value. An f^2 value of 0.15 highlights the relative importance of each predictor in influencing the outcome variable.

Table 7: VIF Analysis

Variable	R^2
Social Capital	0.280
Takaful Performance	0.239

Source: Author

Variance Inflation Factor

In statistics, Variance Inflation Factor (VIF) measures how much the variance of an estimated regression coefficient is increased due to multicollinearity among the independent variables in a multiple linear regression model. Table 8 indicates that all variables have VIF value less than 10, therefore suggesting no serious concern of multicollinearity.

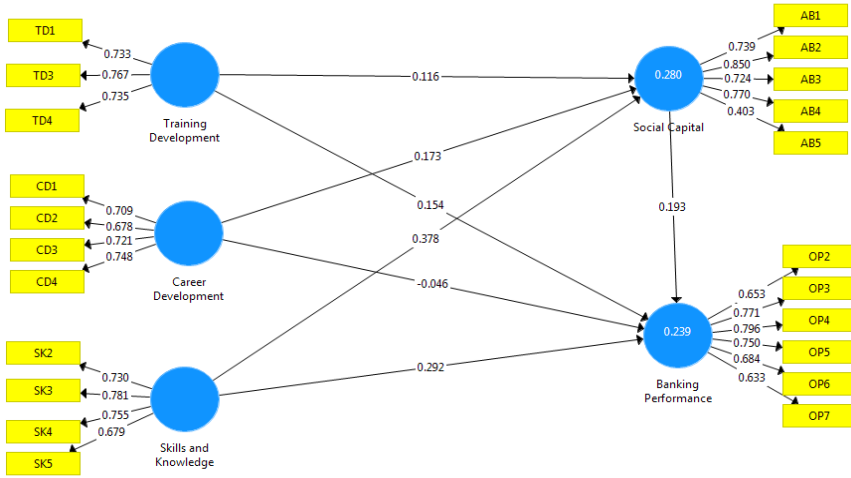
Table 8: VIF Analysis

Variable	VIF
Career Development (CD)	2.064

Skills and Knowledge (SK)	1.873
Social Capital (SC)	3.303
Training & Development (TD)	2.731

Source: Author

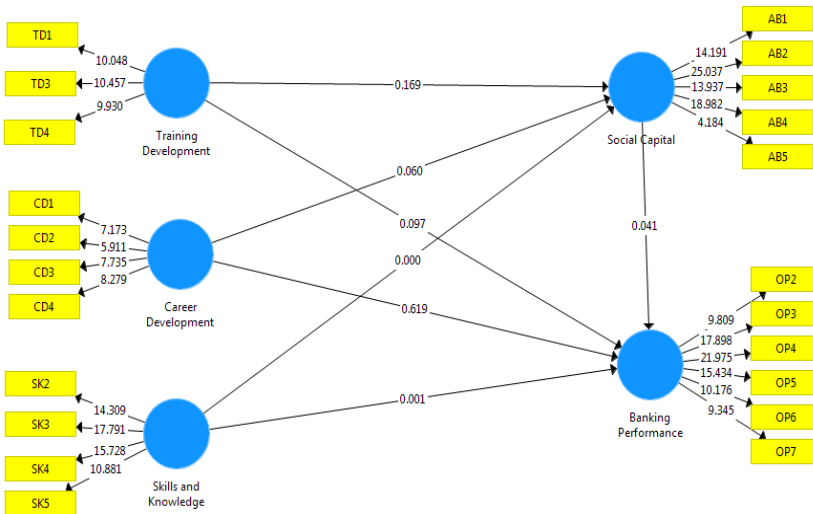
Figure 2: Measurement Model



Source:

Author

Figure 3: Structural Model



Source: Author

Conclusion and Implications

This research empirically analyzes the role of HCD on the organizational performance in the Takaful sector of Malaysia. The study findings show critical role that human capital plays in furthering the performance of Takaful companies in Malaysia, with a particular relevance of skills, knowledge, career development, and training. The study concludes that the performance of Takaful companies is directly impacted upon by HCD, primarily through an appropriately trained and skilled workforce.

The study reveals that while skills and knowledge significantly enhance organizational performance in Malaysian Takaful firms, the effects of training, career development, and social capital mediation are inconclusive. This suggests that human capital components may not equally drive performance. From the RBV perspective, strategic utilization of skills and knowledge is key, while Equity Theory highlights that perceived fairness and recognition influence how training and career growth translate into outcomes. The contextual factors such as organizational culture, managerial commitment, and the maturity of the Malaysian Takaful industry may explain these mixed results.

The mediating role of social capital further supports the fact that networking, relationships, and trust are of significance in the industry. The association among skills and knowledge and organizational performance is mediated by social capital, indicating that strong professional networks enhance the influence of human capital on company success. These findings suggest that investment in human and social capital is important for sustainable growth and competitiveness of Takaful in Malaysia.

Theoretically, this study contributes to the existing literature by adding human and social capital to the performance framework of Takaful companies as a basis for equity theory and resource-based theory. It provides new insights into how the development of human and social capital leads to enhanced organizational performance. Practically, findings give actionable insights for policymakers and Takaful operators in Malaysia. There is a need to focus on structured career development programs, continuous training, and knowledge enhancement to improve the skills of Takaful agents and employees. Besides this, the social capital developed through enhanced professional network and collaboration will further consolidate the human capital investment so that Takaful companies become more competitive compared with their conventional counterparts.

In terms of limitations, it is based on cross-section data, which might fail to capture the dynamic or evolving nature of human capital development in the Takaful industry. Future studies can be conducted as longitudinal studies to understand the changes in human capital over time. Additionally, the sample size can be expanded by incorporating more diverse Takaful operators. Other mediating factors, like technological innovation and organizational culture, could also be utilized to identify other means by which the performance of Takaful companies can be enhanced.

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