

TITLE PAGE

IMPACT OF INTELLECTUAL CAPITAL ON ORGANIZATIONAL PERFORMANCE OF ISLAMIC BANKS IN PAKISTAN



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This research project titled

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Islamic banks in Pakistan”**

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DECLARATION

I declare that no portion of the work referred to in this project work entitled” **impact of intellectual capital on organizational performance of Islamic banks in Pakistan**” submitted by me for the partial fulfillment of the requirement for the award of Master In Business Administration (MBA) has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning. Further, all the work in this dissertation is entirely my own, unless referenced in the text as a specific source and included in the bibliography.

Name: JUNAID ALLOUDEEN

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DEDICATION

I dedicate my research project to my beloved parents and my respected supervisor (Sir. Riffat Abbas Rizvi).

He supported me on every step of my project duration without whom it could not have been possible to complete this research project.

My supervisor makes me able to face different challenges and win those challenges.

In the last, special thanks to my respected supervisor he supported me in every situation during my project tenure.

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ABSTRACT

This study is made to examine the impact of intellectual capital on organizational performance in Islamic banking in Pakistan. This research is made the conceptual model for testing the association between intellectual capital and organizational performance. Data was gathered by the customers and employees of the Islamic banks of Islamabad and Rawalpindi. After gathered the data on this topic researcher conducted various analysis techniques to test the conceptual model and hypothesis on intellectual capital and organizational performance. Results of various analysis show that the intellectual capital is increases the organizational performance of Islamic banks in Pakistan. Results shows that there is a positive or significant relationship between intellectual capital and organizational performance of Islamic banks in Pakistan. The limitations of this study are that the sample size is apply only 2 cities of Pakistan. Researcher has limited resources to collect data on this topic. And researcher has less cost to build a high level research. This study is conducted only one country in Pakistan, foreign countries are ignores on this study. And the sample size is also small so it's can't be applied generally. This study gives some thoughts or recommendations to the future research is that this study is apply on the many countries, many fields, and on large sample as well. And the last one is that include more relevant variables on this topic.

Key Words: Intellectual capital, (Human capital, customer capital, structural capital) organizational performance.

CHAPTER NO 1

INTRODUCTION

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INTRODUCTION

1.1-Introduction:

In an emerging economy, intellectual capital is a very important key resource for the success of the organization. Banks are providing the facilities of financial transactions. Intellectual capital is defined by Roos as “all intangible resources are measured by the organization and that donate to the organization for the creation of value added features products and services. Many researchers such as (Bontis, Keow & Richardson, 2000; de Castro & Sáez, 2008, Bataineh & Al Zoabi, 2011, Ahmad Sharabati, Ibrahim Nour, & Sajid Shamari, 2013) had found out that intellectual capital is a very important component for building or improving the organizations performance. Intellectual capital is based resource of the organization that helps to create superior value. It can enhanced the profitability of the organization through creating superior value of the products and services. Islamic banking sector is well knowledge intensive sector they basically provides the services to the customer.

Islamic banking sector basically provides services to its customers. Islamic banks can enhance growth of the national economy of Pakistan. Growth should be increases through when the organization performance is increases that is possible through intellectual capital. In the modern technological and competitive environment has forced to organization to change the traditional organization into knowledge intensive organization. Knowledge intensive organization is exploit the organizational resources particularly intellectual capital for building the organizational performance. Islamic banks in Pakistan is a back bone for the economy of Pakistan. In the Islamic banking of Pakistan, intellectual capital provides positive success to the organization that can helps to provide positive contribution to the economy. In previous studies, researchers took only commercial banks rather than Islamic banks.

In this study, researcher finding that how can enhance the organizational performance of Islamic banks in Pakistan. No doubt many other resources is a great deals to improve the productivity of the firms. Many researchers such as (Salmador & Rodríguez, 2004; Díez, Ochoa, Prieto, & Santidrián, 2010; Bataineh & Al Zoabi, 2011) had found out that intellectual capital is an important assets for the achievement of the firm. Researchers argued that in knowledge based environment intellectual capital is the life blood of the organizations.

Intellectual capital also helps to the organization to improve performance, to increase sustainable profitability and to take competitive advantages in the market. Different researchers proposed that intellectual capital one of the key intangible assets indicator to build performance and to gain competitive advantage against the competitors. There is a great need in developing countries like in Pakistan to testing the concept of intellectual capital on organizational performance of Islamic banks in Pakistan. In the past economy, traditional resources such as land, labor and capital were considered is important assets for the organizations. But now a day's time is changed, every organization wants to take gain competitiveness in the market against its competitors. The fast expansion of science, technology forced them to the organizations to alter the concept of intellectual capital. These can helps to organizations to build its performance. The new economic system is full of knowledge, experiences, skill, well organizational structures that can helps to Islamic banking sector in Pakistan to build its organizational performance. And identify the relationship between intellectual capital and organizational performance of Islamic banks in Pakistan.

In the fast growing technological environment, there is great need to identify the relationship or impact of intellectual capital on the organizational performance in Islamic banking sector in Pakistan. Intellectual capital is based on intangible assets of the organizations that can enhance the performance of the organization. Due to changing the traditional economy into knowledge based economy in Pakistan most Islamic banks are focused on intangible assets or other resources like intellectual capital is success of the organization.

Intellectual capital is basically is an intangible assets that is managed and utilized to innovation of new features products and services, creativity of useful value for the organization, to take competitive edge in the market and to enhance the organizational performance of Islamic banks in Pakistan. Researchers basically introduced the term is that intellectual capital means more than just "intellect as pure intellect. Due to vital contribution of intellectual capital on the innovation of the services, improvement in profitability, enhance the growth of the country and enhance the organizational performance of the organization.

Many researchers are focused on to understand the intellectual capital dept. Intellectual capital is divided in different components such as human capital, customer capital and structural capital for understanding the concept of intellectual capital in dept. Intellectual capital model by

(McElroy, 2002) is based on human capital, customer capital and structural capital. In this study, researcher is used only three component of intellectual capital such as human capital, customer capital and structural capital.

Human capital as the economic value of the knowledge, skills and expertise enjoyed by workers in the organization. Human capital is the life blood of the organization. Human capital refers employees that have full of knowledge, skills, expertise about the works who works for the success of the organization. In short human capital includes all aspects related to the employees of the organization, such as skills, knowledge, experiences, expertise etc. Employees of the organizations must meets the above ingredients of human capital if these ingredients not meet in the employees, organizational performance should not be increases or improves. In human capital basically organizations needs a very talented peoples for fulfill the objectives of the organizations.

Customer capital refers to customer relationship with the organization, customer loyalty with the organization, customer satisfactions about the products and services of the organization. Customer capital is an important component of intellectual capital because the organization profitability and growth of organization is rely on customer capital.

Structural capital refers to organizational structure, its vision, mission, infrastructure, databases, policies, rules and regulations, procedures of the organization. (Phatak, 2003) described structural capital as capital involving all internal operations in the organization, including all components and capabilities possessed by the organization such as traditional material, software, and processes, and system information that contribute to the provision of adequate support to human capital. All components of intellectual capital play a vital role for the success of the organizations.

1.2-Back Ground:

The key objective of this research is that to examine the relationship between intellectual capitals and organizational performance in Islamic banks in Pakistan. It is necessary to study on this topic because last studies conducted on this topic is only pharmetical industries, manufacturing industries, and the important point is that in banking sector only conventional banking sector took in the previous studies. Last studies proposed that there is a significant relationship between intellectual capital and organizational performance of conventional banks. Intellectual capital helps to the organizations to create superior value, new features of products and services. Intellectual capital is very important factor for building the organizational performance.

Organizations can gain a competitive edge against its competitors and it can also help to the organizations to improve the performances. But problem is that last studies conducted on industrial company, conventional banking sector, manufacturing industries etc. In the conventional banking sector studies proposed that private sector banks gain more advantage through intellectual capital than other banking sectors. Previous studies proposed that the components of intellectual capital give different significances on the organizational performance. Human capital gives positive and useful significance on the organizational performance then other components like customer and structural capital. In industrial studies that customer capital gives lot of benefits to the organizations like huge profitability and growth of the organization. The deficiencies of last studies on this topic are that studies conducted only industrial sectors, manufacturing sectors and conventional banking sector. They cannot focus on Islamic banking sector. The importance of this study to examine the association between intellectual capital and organizational performance of Islamic banks in Pakistan.

This study can helps to the Islamic banking sector how they can improve our performances, how they can build competitive edge in the market, how they can improve his profitability, how they can create value able products and services for its customers etc. The purpose of this study to examine the significance of intellectual capital and organizational performance of Islamic banks in Pakistan.

1.3-Problem Statement:

The drive of this research is to examine the impact of intellectual capital on organizational performance of Islamic banks in Pakistan. Many studies had conducted on only conventional banking sector in this topic and only few studies conducted on this topic. So, it is necessary to test the model of intellectual capital and organizational performance of Islamic banks in Pakistan.

1.4-Objective of the study:

The objectives of this research are as follows:

- ✓ To examine the relationship between intellectual capital and organizational performance in Islamic banking sector in Pakistan.
- ✓ To examine the relationship between human capital and organizational performance in Islamic banking sector in Pakistan.
- ✓ To examine the relationship between customer capital and organizational performance in Islamic banking sector in Pakistan.
- ✓ To examine the relationship between structural capital and organizational performance in Islamic banking sector in Pakistan.
- ✓ To examines the impact of different variables such as knowledge, expertise, experiences, skills, organizational structures, policies, customer loyalty, customer relationships etc. on organizational performance of Islamic banks in Pakistan.
- ✓ To identify the important variables and suggest some measures to improve the performance of the organization in Islamic banking sector in Pakistan.

1.5-Significance of the study:

This research is basically conducted on the relationship between intellectual capital and organizational performance in Islamic banking sector in Pakistan. The significance of this study is that this study is contribute to Islamic banking sector in Pakistan to identity the intangible factors to explore the organizational performance or creates new features products and services for the organization.

The importance of this study organization of Islamic banking sector in Pakistan can improve his profitability or introduced some new broad features services for its customers. There is great need of this study in knowledge based economy because in emerging economy organizations rely on other resources such as land, labor and capital but due to fast technology Islamic banking sector in Pakistan needs to explore traditional resources into knowledgeable resources such as human capital, customer capital and structures capital.

Many researchers (De Castro & Sáez, 2008; Bataineh & Al Zoabi, 2011; Ahmad Sharabati, Ibrahim Nour, & Sajid Shamari, 2013) proposed that intellectual capital is an important asset for the success of the organizations. They argued that intellectual capital is an intangible asset of the organization that can helps to creates best new features products and services for organizations. The problem is that in this topic research is conducted only industrial sectors, and in conventional banking sectors not in Islamic banking sector in Pakistan.

For the society, this study is helps to provide well value added features services by the Islamic banking sector in Pakistan. So, that the importance of this study both for the society and organizations to build a profitability and organizational growths as well as organizational performance.

1.6-Research Questions:

The present study, therefore aims at investigating the following research questions:

- ✓ Do intellectual capital directly affect organizational performance? If so, how much variation in intellectual capital and organizational performance is explained by intellectual capital component?
- ✓ Do human capital affect organizational performance? If yes, how much change in organizational performance is explained by human capital?
- ✓ Do customer capital affect organizational performance? If yes, how much change in organizational performance is explained by customer capital?
- ✓ Do structural capital affect organizational performance? If yes, how much change in organizational performance is explained by structural capital?

1.7-Research Hypothesis:

H-1: There is a positive relationship between human capital and organizational performance in Islamic banking in Pakistan.

H-2: There is a positive relationship between customer capital and organizational performance in Islamic banking in Pakistan.

H-3: There is a positive relationship between structural capital and organizational performance in Islamic banking in Pakistan

1.8-Limitations of this study:

The limitations of this study are that researcher has limited resources to collect data on this topic. And researcher has less cost to build a high level research. This study is conducted only one country in Pakistan, foreign countries are ignores on this study. And the sample size is also small so it's can't be applied generally.

CHAPTER NO 2

LITERATURE REVIEW

CHAPTER NO 2:

LITERATURE REVIEW

2.1-Organizational Performance:

Organizational performance is key for every organization to show your value in the market. Every organizations wants to increases his organizational performance. But the questions is that how to increases or improve organizational performance? Organizational performance is the key to build competitive edge in the market against its competitors. Every type of organizations needs to improve organizational performance to build competitive edge or improve profitability etc. organizational performance can be increases through organizational resources.

There are many resources used by the organizations to build or increases the organizational performance. But in this study researcher took the concept of intellectual capital to increases the organizational performance. In the old days organizations rely on traditional resources like land, labor and capital. But in the fast growing technology forced to the organizations for used new intangibles resources to build organizational performance. Intellectual capital is an intangible asset of the organizations. That can helps to the organizations to build organizational performance. In the fast pace economy every economy wants to explore his variable that is benefit able for the economy.

Organizational performance one of the key factors that is build or increases the economy growth as well. Because when the organizational performance increases that is also build the economy or country growths. This study is basically conducted to find the impact of intellectual capital on organizational performance of Islamic banks in Pakistan. In this study is basically focused on emerging economy and the study took place in Pakistan. Because there is great need to examine the relationship between intellectual capital and organizational performance of Islamic banks in Pakistan.

Many researchers such as (Bontis, Keow & Richardson, 2000; de Castro & Sáez, 2008; Bataineh & Al Zoabi, 2011; Ahmad Sharabati, Ibrahim Nour & Sajid Shamari, 2013) suggested that intellectual capital one of the key factor that can helps organizations to create value able facilities. Banking sector is basically a well technological sector that are offers services oriented products and services to its customers.

Many researchers such as (Salmador & Rodríguez, 2004; Díez, Ochoa, Prieto, & Santidrián, 2010; Bataineh & Al Zoabi, 2011; Khalique, Shaari, & Isa, 2011) had found out that intellectual capital is one of the most major assets for the achievements of firms.

In emerging economy, banking sectors play a dynamic role for the development of the economy. Banks facilitate the financial transactions on different aspects. Islamic banking sector also play an important role to build growth of the economy. In a knowledge based economy organizational performance is the key for building the growth of the economy.

In a competitive environment every organizations wants to build a competitive advantage in the market. Islamic banking sector is basically a services oriented sector that means they provides well features services to its customer. So there is great need to develop the human capital features to build creative services to its customer that is helps to the organizations to improve or increases its performance.

If the banking sectors provide the well value added features services to its customers that can helps to the organizations in two ways. One of them is to build long term customer relationship or customer loyalty for the organization and that relationship helps to build organizational performance of Islamic banking sector. If organizational performance increases that can also increases economy growth of the country.

One component of intellectual capital is that human capital that can also help to the Islamic banking sector in Pakistan to improve the performance. If the management skills is well experience that is benefit able for the organizations because employees of the company is provide full efforts that can helps to increases organizational performances. Organizational performance is necessary for all types of the organizations to build competitive edge in the market.

2.2-Intellectual Capital:

Intellectual capital is one of the important factor that can create well value able products for the organizations. Intellectual capital is a base for creation of new products of the firms. Every organization used intellectual capital for the success of the organization. Many researchers such as (Bueno, Salmador, & Rodríguez, 2004; Díez, Ochoa, Prieto, & Santidrián, 2010; Bataineh & Al Zoabi, 2011) define is that intellectual capital is a part for creating the efficient value of the organizations. The concept of intellectual capital is that it is an intangible assets that is used by the organizations for the purpose of organizational performance. Peppard and Rylander (2001) they told intellectual capital provide a framework to the organizations, how they can integrate each components for the purpose of value creation. (Edvinsson and Malone, 1997) argued that IC is combination of knowledge, information and experience which are applied to create value for organization.

(Edvinsson and Malone 1997) is argued that Intellectual capital is knowledge, information, expertise, skills and experiences of the peoples which is used to generate the value of the organizations. Intellectual capital includes the management skills, knowledge and experience that can used to gain competitive advantage in the market. Many researchers believe that intellectual capital encourages the organizational performance in a good way. (Abdul Aziz, Shawqi and Nick, 2010) examines the relationship between intellectual capital and firm performance of the organizations. They concluded that IC has significant and positive impact on the organizational performance. Intellectual capital is the sum of knowledge, skills and experience of the company that gives a competitive edge in the market place.

(Huang and Hsueh, 2007) study on intellectual capital, he proposed that firms also used intellectual capital to the summary of all knowledge and capabilities of every employee that creates wealth for the enterprises. Intellectual capital is an important component between organization performance of the organizations and market value of the organizations. Intellectual capital is an important things to build a competitive edge in the market. Intellectual capital helps to the organizations to elaborate the strategic for the success of the organizations. In the last studies they told IC is the key resource to increases the organizational performance.

The main feature of intellectual capital, its provide guidelines to the organizations how to develop organizational capabilities. That will help to the firms to build firm performance. Intellectual capital is the key to find best and possible creative ways that can help to create a value of the firms. Intellectual capital is the non-physical sources that consist of employee's capabilities, experiences, skills, expertise and resources etc. That can help to operate a well management and create value able feature products and services for the organizations by (Lönnqvist & Kujansivu, 2004). In the last study by (Cabrita and Vaz, 2006) proposed that IC is an intangible assets that is used to build a sustainable competitive advantage of the organizations.

Intellectual capital is an intangible business factors that is a positive impact on the organizational performance. In Islamic banking in Pakistan, they need to develop well intangible assets to build performances and build a good image of the organization in the competitive environment. IC have an positive impact on Islamic banking performance in Pakistan and that can helps to build a successful organizations in the market. In emerging economy like in Pakistan Islamic banking sector is the most valuable sector of banking because they can provide a well value able features products to its customer. If they adopt intellectual capital factors that can help to build a good valuable and benefit able, or a well features products and services for its customer. If they provide well features services to its customer that can be benefit able for the organization because they can create a long term customer and organizational relationship that is most beneficial for the success of the organization. In the last decades researchers studies of well-developed counties like in Malaysian banking industries they can indicates is that if a firms feels they cannot operate or produce a value able products and profitability of the organization. An organization needs to develop or improve his non-physical assets or intangible assets for the success and improvement of the organization. In Pakistan Islamic banking sector is the most value able sector there is great needs to improve his profitability or productivity. Firms can adopt the concept of IC that can very benefit able for the organization. In a very fast pace technological development, there is greatest benefits to the organizations to reduces its costs of the products and increases his profitability margins. Intellectual capital one of key factor of the businesses that can helps to build a value able products and services, build competitive adage, increases profitability margins and increases or improves the organizational performances.

Many researchers (Díez, Ochoa, Prieto & Santidrián, 2010; Bataineh & Al Zoabi, 2011) proposed that there is positive association between intellectual capital and organizational performance in banking sector. They shows in study that the banks spend on higher expenditure on intellectual capital can create a more profitable and better performance of the organizations. Intellectual capital provides a platform to the banking organizations to build a strong image in the market. Or they believe is that intellectual capital can increases the profitability of banking sector organizations in a good way. It can also help to build a competitive advantage against the competitors. Intellectual capital basically divides in many components such as human capital, structural capital, customer capital, technological capital etc. But in this study, researcher is used only three components of intellectual capital is human capital, customer capital and structural capital. Each components of the intellectual capital played a vital role for the success of the organizations. Each components of the intellectual capital is providing a positive interaction on the organizational performance. Each component has a critical role for the success of the organizations. But in last few studies that some industries can be groom through only human capital except of other components. And some organizations believe that the combinations of two components which mean human capital and customer capital can build the organizational performance. And some organizations believe that customer capital and structural capital can build or improves the organizational performance. But each and every component of intellectual capital played a critical role for the success of the organizations. For identify the success by which components is more important. Researcher analyzes the each component one by one with the organizational performance in the Islamic banking sector in Pakistan. In the last few studies is conducted on banking sector like in Malaysian banking sector, Australian banking sector, Indian banking sector etc. They told that each component of the intellectual capital helps to the banking organization for builds the profitability and performance in the competitive environment. Only a few studies conducted on Islamic banking sector on this topic. So, that researcher is identifying the impact of intellectual capital on organizational performance of Islamic banks in Pakistan. It's because Intellectual capital played a vital role for the success of the organizations.

2.3-Intellectual Capital and Organizational Performance:

Intellectual capital is the key resource for building the organizational performance. This study is conducted to find the impact of intellectual capital on organizational performance of Islamic banks in Pakistan. In the last studies conducted on conventional banking sector on this topic. But only little study is conducted on Islamic banking sector. So, that researcher conducts the study on this topic. Intellectual capital has a critical role for increases the organizational performance. Banking sector basically services orientated organizations.

They provides best services to its customers as compared to its competitors. So that each banking organizations objective to build a competitive edge in the market that can helps to increases the organizational performance. Intellectual capital is an intangible assets that can helps to create value of the organizations. Basically intellectual capital is many components. These are human capital, customer capital and structural capital. Each component provides roots for the success of the organizations.

In Pakistani Islamic banks there is a great need for identify which component is the most benefit able for the organizations. Some have a positive impact on the organizational performance and some organizations have the combinations of two components provides the positive impact on the organizational performance. Intellectual capital one of the key resource to build the organization performance in the market. Every organizations want to build a good image in the eye of customers to take advantage against the competitors.

Some researchers told that only human capital indicates the positive interaction on organizational performance. Each component is very important for the success of the organizations. Some have positive impact and some have more strong positive impact on organizational performance. So, researcher analyze the each components of Intellectual capital on organizational performance of Islamic banks in Pakistan.

2.4-Human Capital and Organizational Performance:

Human capital played an important role for the success of organizational performance. Human capital is one of best factor that helps to the organizations to build its management performances. (Stewart, 1997) defines the concept of human capital is that human capital is an intangible asset of the organization. Human capital is the combinations of experiences, skills, expertise, technical management skills. Knowledge and abilities of the employee of the organizations that can help to create the value for the organizations.

Human capital is the central component of IC that comprises the knowledge, skills, abilities and experiences of the members of the organizations (Edvinsson and Malone, 1997; Roslender and Fincham, 2004). (Westhuizen, 2005) indicated to human capital as the human potential owned by the organization and used to find appropriate solutions to business problems. Each member of the organizations has a knowledge, skills, expertise and experiences that are the most valuable resources of the organizations. That sources helps to create sustainable competitive advantage against its competitors. In Islamic banking sector in Pakistan there is great need to test the human capital factor in the organization for testing the organizational performance. Organizational performance is helps to groom the economy in the world.

It provides the benefits to the organizations to build a unique or value able well featured products and services. Banking sectors are basically are services orientated sector. They provides well features services to its customer. Human capital is very benefit able for the Islamic banking sector in Pakistan because in emerging economy there is great need in the Islamic banking sector to builds its management skills, abilities etc. because management skill, knowledge, expertise and experiences provides a platform to build a value able products and services for its customers. Management provides the solutions of different problems occur in the organizations. Every organization wants to build a competitive edge and profitability of the organizations. That leads to increases the organizational performance. Islamic banking sector in Pakistan wants provides best services to its customers and these services solves the customer's problems. Islamic banks can builds the market share through management knowledge, experience, skills and talents of people within an organization. Human capital as the loop that links together the knowledge, abilities, skills, experiences and creations owned by the members of the organization. Human capital is the key resource for the organizations to build his performance in good way. That cans

helps to take competitive advantage against its competitors. If one individual in the organization has full of knowledge, skills, experiences etc. that can be motivated to the other member of the organization to provides full efforts in the organization. If an experience employee motivated and provides the knowledge or transfer his experiences to his junior management they can also very benefit able for the organizations because each employees provides a good jobs for the success of the organization. If the organization successfully manages the problems of customer they can easily build its profitability and organizational performance. If the employees of the organizations are work collectively they can create a well value able products and services for its customers. Every organizations needs a well professional managements because management skills and abilities are the key for the success of the organizational performance. If an organization have a lots of knowledgeable staff that is very benefit able for the organization. Because it provides the value to new well features products and services.

Human capital is the combinations of implicit and explicit knowledge of employees. In human capital includes employee's skills, proficiencies and capabilities in terms of arranging and applying knowledge and skills to perform certain activities. Human capital is also help to the organization for provides the skills to the new fresh employees. If an organization have lots of knowledgeable, skill able and experience able employees that can enhance the management training skills. And they build more knowledgeable employees for the success of the organizational performance. If organizations have lots of experience able employees they can develop a training program for fresh employees.

If organizations build well knowledgeable, skills, expert and experience employees that can create the most value able feature products and services. That is benefit able for the organization to improve performance and profitability of the organization. In future human capital provides the platform to the Islamic banking sector in Pakistan to build his performance or profitability. And that can helps to groom the organizations performance of Islamic banking sector in Pakistan. If the performance increases it provides the value for the economic development of Pakistan. So, that human capital is the most important factor of the businesses for the success of the organizational performance.

2.5-Customer Capital and Organizational Performance:

Customer capital is a very important factor of the businesses for the success of the organizational performance. Customer capital is the key for increasing or improving the firm's profitability. It is very necessary element of the organization. If an organization is good customer capital it can easily take competitive advantage against its competitors. In this study researcher choose the Islamic banking sector in Pakistan these are basically services oriented sector. They can provide services to its customer. Customer capital is basically a linkage with firms. That linkage is created through external elements such as regulars, suppliers and venders etc. In other words, rational capital is the support by the customers to the organization to create value with its external stakeholders.

Organization win lots of profits if they build well features products and services. Because customer wants a full of solutions on the given problems. If they organizations solved the problems and they provides good products and services that is benefit able for both customer and organizations. For customers, they enjoying the well features services and for the organizations they build a long term customer relationship with its customer. That is more benefit able for the success of the organizations. If an organization provides a well value able products and services to its customer that is benefited for the firms in the form of brand loyalty, customer satisfaction, long term customer relationship etc. (Sveiby, 1997) proposed that relational capital as "relationships with customers and suppliers".

Rational capital is the combination of intangible values that is built through relationships of the organization with its external environments such as clients, distributors, suppliers and investors etc. Rational capital is the trust asset of the organization. It's because of customer satisfaction, customer loyalty, brand awareness and business image etc. It includes the part of human and structural capital involved with a company's relations with stakeholders (Belkaoui, 2003).

In the last studies argued that some organizations are successful due to use the combinations of two components of intellectual capital. And some have successful due to only human capital. Each component played a vital role for the accomplishments of the organizations. Customer capital is the key for every type of organizations to build a good image in the market and improves the profitability of the organizations. In (Bourdieu and Wacquant, 1992) defined rational capital as a "sum of resources accumulated in the organization by a stable network of

intra organizational relationships”. (Naphat and Goshal, 1998) argued that organizations have a high rational capital that provides more gain of competitive advantage. Customer capital is the one of key resource for creating the useful value of an organization. Customer capital is the value of social influences based on confidence and individual systems between the members of the organization by (Cohen and Prusak, 2001). Rational capital is the components of relationships, attitudes and values that manage relationship among peoples and that relationship contribute to economic and social development for the economy (Yazdani and Yagoubi, 2011).

In Islamic banking sector in Pakistan they are basically a services oriented sector they needs to build a well value able relationships with its customers, stakeholders etc. These relationships build through when the Islamic banks provide well features products and services to its customer. That services helps to the organizations to build long term customer and organization relationships, brand loyalty, customer satisfactions etc.

If the relationships is builds that can helps to the organizations for improves or increases the organizational performance and. Profitability margin is also increases in a good way. Customer capital is a life blood of the organizations. Because customers are the main key for the success of the organizations. Every organization rely on customer problems or customer relationship. If one organization is very poor customer relationship, his performance level is also very weak.

Every organizations most of the amount spend on to build customer relationship for the purpose of success of the organizations. Every organizations wants to introduce well features products and services that can fit the customer satisfaction level and due to this satisfaction customer can show a huge level of loyalty for our brands. In Islamic banking in Pakistan there are great need to identify the impact of component of intellectual capital like customer capital on the organizational performance. So, customer capital played a vital role for the success of the organizational performance.

2.6-Structural Capital and Organizational Performance:

Structural capital is a very important component of the intellectual capital. That can play a vital role for the success of the organizational performance. Structural capital is the internal part of the organizations. Structural capitals refers are the databases, policies of the organizations, rules and regulations, operating rules and the procedures of different works. Structural capital provides the work map for human capital. Structural capital is basically the components of rules and regulations, policies, databases and organizations vision and mission statements. If the organizations are build a good rules and regulations that is benefit able for the human capital components. Because human capital is basically the role of the members or employees of the organizations.

If organizations provides a sufficient operating rules and regulation to his employees that can benefit able for the organizations to build his organizational performance. Policies are helps to the employees to works according to the organization missions. And databases are providing helps to work in efficient manners. Every components of structural capital provides the benefit to the human capital that is success for the organizational performance. (Phatak, 2003) argued that structural capital is the capital of all internal operations of the organizations that are includes capabilities possessed by the organization such as traditional materials, software's, procedures, policies and system information that contribute to the meaningful help to the human capital. Structural capital is the backbone for the success of the organizations. Because other components of intellectual capital cannot be run or operate in a good way without the support of structural capital.

(Mazlan, 2005) told that structural capital is the set of capabilities and organizational competencies that can provide the bases to the organization to carry out the best possible organizational structure, procedures, databases software's and information systems. The structural capital refers to the means and facilities owned by the organization to support personnel in carrying out their duties to the fullest and considered as the infrastructure enabling the human capital to work. According to (Edvinsson & Malone, 1998) structural capital includes traditional property such as buildings, machinery, software and processes, patents and trademarks, as well as the mental image of the organization, information systems and databases and its ability to raise the performance of the business.

Structural capital comprises is that enabling structures that allow the organizations to provides the working roots to the intellectual capital by (Nik Maheeran, 2009). Structural capital is the structures of the organizations build the image of the organizations because organizational structures provide the roots to the intellectual capital components to build a well value able products and services for organizations. When the organizations provides the well supportive procedures, rule and regulation, databases software's etc. it is very benefit able for the employees and organizations. Because employees use the procedures and rules and they provide best efforts for the success of the organizational performance. When employees works good and they introduces a well value able features products and services that can benefit able for the originations. One of them is to build a strong customer relationship with the organizations and to increases the profitability margins of the organizations.

In Islamic banking sector in Pakistan structural capital is a very important capital for the success of organizational performance. Because it provides the root map to the other two components of intellectual capital. Islamic banking in Pakistan can be use human capital successfully if the structural capital is adopted successfully. Because structural capital provides the roots to human capital how they can work for the organization? When the structure capital is good introduce by the Islamic banks that is very benefit able for the Islamic banking sector in Pakistan. Because they can helps to organization to build a well value able products and services for its customers. If Islamic banks in Pakistan meets the customer satisfaction that can build the organizational performance of Islamic banking sector in Pakistan. And also build the profitability margin of Islamic banking sector in Pakistan. If organizational performance is successfully increases that can contribute to increase the value of the economy. Structural capital is the life blood for the success of the organizations. Without the support of structural capital organizations cannot launce a value able products and cannot increases its organizational performance. Because structural capital is the bases of other two components of intellectual capital. Without structural capital organizations cannot be use human capital and customer capital successfully. So, structural capital is a very important component of intellectual capital for the success of organizational performance.

2.7-SUPPORTIVE THEORIES

2.7.1-Equity theory:

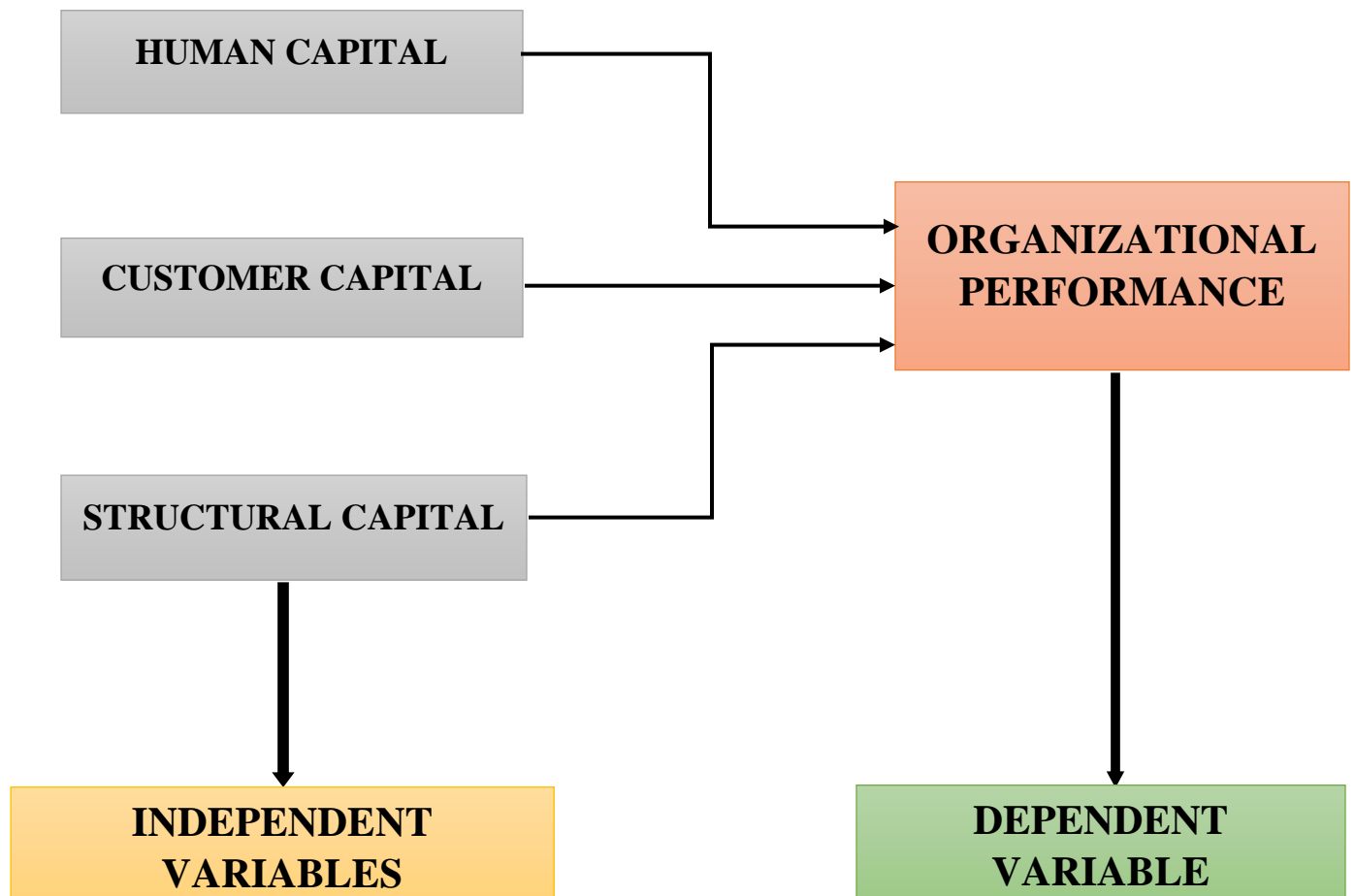
Equity Theory shows employees of the organization fairness in his work in the social relationship. An employee of the company identifies the input or output with the other employees for identifying the organization treated all employees equally or not. In every organizations, employees identifies the input or output ratio and it compares with the other employees of the company. Equity Theory means that if an employee's thinks there is an inequality between two individuals, the person is probably to be upset because the ratio between the input and the output are not equal. So, that this theory is supported in the context of intellectual capital and organizational performance in Islamic banking in Pakistan. Because intellectual capital can provide a base to the success of the organization. In intellectual capital there are three main components such as human capital, customer capital and structural capital. This theory is applied in the context of human capital because human capital is the employee's capabilities, skills and expertise that can helps to make the feature able products and services. But this products and services can be building when the organization treat equally all employees of the firm. If organization treats equally all employees the productivity of the organization can be increases. If employee of the organization feels inequality with other employees. So, that employee cannot give full expertise to the organization. And productivity or profitability cannot increases. If an organizations are not treated equally all employees that impact is negative on the organizational performance. Because employees not give full efforts, skills, expertise, experience and knowledge for the creation of value able services that have and negative impact on organization performance. It is necessary for the organizations, they treat equally for all employees of the organizations. When employees of the organizations feels that organizations treat equally all types of employees they can put extra efforts on your works that is more benefit able for the organizations. Every organization wants to launch a well value added feature able products and services for its customer that can build a good image in the market and also build the market share and profitability margin of the organization. That is possible only when organization treats equally all type of employees. So, that equity theory applied in intellectual capital and organizational performance.

2.7.2-System Theory:

A system theory is an entity that there are two elements such as internal and external and these elements helps to identify the input and output of the company. A system theory is a theoretical perspective that analyzes the phenomenon of internal and external elements. A system theory focus is on the interaction and on the relationship between input and output parts in order to understand an entity functions, structures and outcomes. A system theory is focus on interactions. Basically in the entity there are core tenet systems such as open, closed and isolated system. In open system, organizations energy, peoples knowledge and information shares with the external environment. In close system there is no exchange of elements. Open system is the relationships between the organizations and the environment in which they are involved. Open system focused on organization abilities to adapt the changes in environmental conditions. So, that this theory is applied on intellectual capital and organizational performance in Islamic banking in Pakistan. Because Islamic banks can enhance the productivity and profitability through interactions of the customers. They can build products and services according to the environmental conditions or problems faces by the customers. They can put full energy, skills and expertise for making the well feature able products and services. Due to this reason they can build good relationships with its customer because they share information about his employee's energy, skills, expertise in the form of well featured products and services to its customers. Every organization wants to explore his products and services in market as compared to his competitors. Every organization capture the customer problems and makes the products according to the solution of that problems. If the employees of the organization put his employee's energy, skills, knowledge, expertise in the creation of the products and services that can be benefit able for the organizations to build his customer capital. It can enhance the customer loyalty and customer satisfaction about the products and services of the organization. Every organization share the internal skills in the form of good valuable products and services to the external mean customers. Organizations can enhance the productivity and profitability through shares the knowledge to the external that can capture the satisfaction of the customer. And it can enhance the organizational performance. So, that this theory is applied in the context of intellectual capital and organizational performance of Islamic banks in Pakistan.

2.8-THEORITICAL FRAMEWORK

MODEL:



CHAPTER NO 3

RESEARCH METHODOLOGY

CHAPTER NO 3:

RESEARCH METHODOLOGY

3.1-Introduction:

This chapter telling about the methodology adopted and various procedure applied at different stages of the research process. This study is used survey method to test the conceptual model developed and the above proposed hypotheses. This chapter also test the moderating effects of top management and leadership transformation on the relationship between intellectual capital and organizational performance. This chapter includes the following: research approach, population, sampling, demographics, instruments, data collection procedure, and data screening and data analysis techniques.

3.2-Approach:

In this study researcher is used quantitative research approach to collect the data. That means researcher is used questionnaire approach to collect the data about this topic. Each participants gives suitable answers according to his and her satisfaction about intellectual capital and organizational performance. It is a less expensive way of collecting the data and the response rate is very high as compared to the other research approaches. It is an easy way for collecting a large data in a very short time period.

3.3-Population:

In this study the target population is the students of Comsats institute of information technology Islamabad, various customers of Islamic banks and employees of different Islamic banks in Pakistan like Meezan banks, Bank Al-Falah, Dubai Islamic bank etc. Each populations that are selected on this research is given suitable answers that is very helpful for this study for analyzing the data. Researcher is asked few general questions on intellectual capital and organizational performance in Islamic banking in Pakistan to the respondents. In this study, both male and female are randomly selected for this research. They gives a very suitable answers about his and her satisfaction about the Islamic banking sector and these answers helps to researcher for analyzing the data.

3.4-Sample:

This study is conducted in only one country in Pakistan. The citizens of Islamabad and Rawalpindi randomly selected on this study. The sample is divided in two categories one is customers of Islamic banks in Pakistan and other is employees of the Islamic banks in Pakistan. The sample size of this study is appropriate participant of Islamabad and Rawalpindi city. In appropriate participants both male and female are mixed. And there is no age limit on different participants. In these participants all target populations are included.

3.5-Demographics:

In this study, different demographic variables are included to develop a profile of respondents. Sample of demographic variables are included: gender (1=Male, 2=Female), age (1= 20-24, 2=25-29, 3=30-39, 4=40-49, 5=50-59 and 6=60 and above), occupations like student, customers, bankers, banker posts etc.

3.6-Instrument:

Researcher are develop questionnaires of two main variables for analyzing the relationship of intellectual capital and organizational performance. The first page tells about the objectives and goals of the research questionnaire. There are three sections of questionnaire, the first section tells to respondents for giving information about yourself and second and last section contains the questionnaire of intellectual capital and organizational performance. Pilot study has been conducted in order to check the item reliability. All reliability values are greater than the cut-off point given by (sekran, 2006). In this study, researcher took appropriate sample to do pilot testing. Once all reliabilities values are checked then these questionnaire is ready to apply on large samples. Researcher is measuring the variables through developing the questionnaire on intellectual capital and organizational performance.

3.6.1-Intellectual Capital:

In this study, researcher is used the questionnaire of Dr, Botnis and Stanley Richardson (1998) to collect the data on intellectual capital. Questionnaire of intellectual capital contains 27 questions. Each questions used a (7 Likert scale) strongly disagree, slightly disagree, disagree, neutral, agree, slightly agree and strongly agree for responding the questionnaire feedback.

3.6.2-Organizational Performance:

In this study, researcher is used the questionnaire of M.Salim & sulaiman (2011) used to collect the data on organizational performance. Questionnaire of organizational performance contains 19 questions. Each question used a (7 Likert scale) strongly disagree, slightly disagree, disagree, neutral, agree, slightly agree and strongly agree for responding the questionnaire feedback.

3.7-Data collection procedure:

The data collection procedure is used in this study is the survey approach that means used the questionnaire approach to collect the data on two main variables. Researcher contacted personally each participants and gives brief explanation about the study and its objectives. Firstly, researcher is design the population of this study, in this study the citizens of Islamabad and Rawalpindi are randomly selected. In this population both male and female are included. The age limit of population 1= (20-24 years) 2= (25-29 years) 3= (30-39 years) 4= (40-49 years) 5= (50-59 years) and above. In this population researcher is taken customers and employees of Islamic banks in Pakistan. After that researcher is organize the appropriate sample of the population.

The sample size is divided on the citizens of Islamabad and Rawalpindi through customers of Islamic banks and employees of Islamic banks. After that researcher design the questionnaire of two main variables. The first page tells about the objectives and goals of the research questionnaire. And after that researcher is design three sections of questionnaire.

The first sections tell to respondents to give information about yourself. And the second section tells about the questionnaire of intellectual capital and last section tells that the questionnaire of organizational performance. The questionnaire of intellectual capital contains 27 questions and questionnaire of organizational performance contains 19 questions. Each questionnaires used (7 Likert scale) 1- strongly disagree to 7-strogly agree for responding the feedback about the two main variables according to his and her satisfaction.

3.8-Data screening:

Before the data is used in the analysis, the data is screened for missing values, outliers, normality, and multi-collinearity. There are three options dealing with missing data: list-wise deletion, pair-wise deletion and imputation by (Tabachnick & Fidell, 2001). In the past study, missing value imputed to avoid an irrelevant sample size or loss of meaningful data. In every data there are few missing values ranging between (1-2 missing values) for most of the data. Data screening is helps to the researcher in the analysis of the data. If the data is missing values that gives incorrect results. So, that before testing the data into analysis data screening is must for finding the missing values.

3.9-Data analysis techniques:

In this study researcher is used different data analysis techniques. After gathering the data about on intellectual capital and organizational performance. Researcher is used different data analysis techniques to test the relationships of two main variables. Researcher is used the SPSS software to test the reliability of the data. Researcher took further analysis names inferential analysis such as correlation analysis to find whether both variables are correlated or not. Researcher took regression analysis to finding of R square value, T value, F value and Bo and Bi value. Researcher took descriptive analysis to find the reliability of the data, mean, standard error, standard deviation, maximum and minimum of data.

CHAPTER NO 4

RESULTS AND DISCUSSIONS

CHAPTER NO 4:

RESULTS AND DISCUSSIONS

4.1-Introduction:

The objective of this study is to examine the relationship between intellectual capital and organizational performance of Islamic banks in Pakistan. Due to this reason, results are discussed in this chapter in detail starting to end. This chapter shown the results of respondent profile, descriptive analysis such as reliability of the data, mean, standard deviation, standard error and minimum and maximum of the data and in inferential analysis such as correlation and regression of the data. And conducted a detail discussion on this results.

4.2-Demographics:

Demographics is used to take detail about the respondents. The sample of demographic profile is develop in the research questionnaire. By the demographics sample, researcher took the gender, age and occupation of the respondents. In this study the gender is took by researcher through (1=Male, 2=Female), age is taken through 1= (20-24 years) 2= (25-29 years) 3= (30-39 years) 4= (40-49 years) 5= (50-59 years) and above and occupation is simply written by the respondents in the form of customers, employees of the Islamic banks.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	90	79.6	79.6	79.6
	2	23	20.4	20.4	100.0
	Total	113	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	24	21.2	21.2	21.2
	2	53	46.9	46.9	68.1
	3	31	27.4	27.4	95.6
	4	3	2.7	2.7	98.2
	5	2	1.8	1.8	100.0
Total		113	100.0	100.0	

In this study, respondents of male is (79.6%) and respondents of female is (20%). The respondents age is in (20-24) is (21.2%), age is in (25-29) is (46.9%), age is in (30-39) is (27.4%), age is in (40-49) is (3%) and age is in (50-59) is (2%). And the occupations are different such as customers, employees of the Islamic banks.

4.3-Descriptive analysis:

In descriptive analysis include the reliability of the data, mean, standard deviation, standard error and minimum and maximum of the data. Frequencies, maximum and minimum, means, standard deviation and variance are used to show the main characteristics of the sample. Mean gives the information that in which direction average responses lies. Standard deviation telling about the variations in the answers.

4.3.1-Reliability analysis:

Reliability Statistics	
Cronbach's Alpha	N of Items
.833	19

Reliability Statistics	
Cronbach's Alpha	N of Items
.754	27

After collecting the data and screening the data researcher took analysis of the data to find the data is accurate or not. Researcher analyze the data through SPSS software that gives information about the data where data is valid or not. Reliability is constructed through Cronbach's alpha (α). A low alpha score indicated that some item in the questionnaire are not valid that result gives that identifying the poor performance item and that is discarded from the list of items. (Nunnally and Bernstein, 1994) had proposed that a reliability of 0.5 – 0.6 for basic research and (Gerbing, Anderson, Greene & Carmines, 1988) had suggested an alpha value of 0.70 and above said that data is reliable. In this analysis the reliability value of intellectual capital is ($\alpha = 0.754$) that means the data of intellectual capital is reliable and valid. And the reliability of organizational performance is ($\alpha = 0.833$) that mean the data of intellectual capital is reliable and that data can be applied on the large sample as well.

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Intellectual capital	107	1.74	4.70	317.74	2.9695	.36685	.135
Organizational Performance	109	1.95	5.47	336.16	3.0840	.46857	.220
Valid N (list wise)	113						

After finding the reliability researcher compute the variables of both variables such as intellectual capital and organizational performance. Researcher compute the variables for finding the minimum and maximum value of intellectual capital and organizational performance, mean and standard deviation of the data. The minimum value of intellectual capital is 1.74 and maximum value is 4.70. The minimum value of organizational performance is 1.95 and maximum value is 5.47. The mean and S.D of the intellectual capital is (M=2.96, SD=0.366) indicate that on average customers and employees are agree that organizational performance of Islamic banks is increases through intellectual capital. The mean and standard deviation of organizational performance is (M=3.08 and SD=0.468). The results of the data are give information to the researcher is that the data of intellectual capital and organizational performance is valid or reliable.

4.4-Inferential analysis:

In inferential analysis included correlation and regression analysis. Correlation analysis means that recognized the relationship or association between variables. It measure the variation between main variables. Regression analysis include to finding R square value, adjusted R square, T value, F value and Bo and Bi value.

4.4.1-Correlation Analysis:

Correlation analysis conducted to identifying the relationship between two variables. It identifies the where the value of two different variables are correlated or not. Correlation is identified through small r means (r). The value of correlation is rely on 0 to 1. If the value is positive that means perfectly strong relationship between two variables. If the value is 0 that means there is no correlation or relationship between two variables. And if the value is negative that means perfectly negative or weak relationship between two variables. The significance value of correlation is 1 if the value is near on 1 it is indicate that the data is significant or the data is accurate or valid.

Correlations			
		Intellectual capital	Organizational Performance
Intellectual capital	Pearson Correlation	1	.593**
Organizational performance	Pearson Correlation	.593**	1

In this study the correlation value is ($r=0.593$) that means there is positive relationship between intellectual capital and organizational performance in Islamic banking in Pakistan. It indicate that organizational performance increase through intellectual capital and the components of the intellectual capital of the firm. In indicate that when the human capital is increases of the firm that can increases the organizational performance of the firm. It indicate when the customer capital is increases of the organization that can increases the organizational performance of the organization. It indicate that when the structural capital is increases that can increases the

organizational performance of the firm. In simply, there is a positive relationship between independent variables and dependent variable. It indicate that dependent variable correlated through independent variables.

4.4.2-Regression Analysis:

Regression analysis is a statistical analyzation process to find the relationships between variables. It can determines the strength of the associations between dependent variable and a number of other independent variables. It can generates the equation that can describe the statistical relationship among two variables. In regression analysis researcher is finds the following items such as R value, R square value, adjusted R square, T value, F value and Bo and Bi value.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.593 ^a	.352	.346	.37823

a. Predictors: (Constant), intellectual capital

In the first model researcher is analyzing the model summary. In this model R value, R square value, adjusted R square and standard error values are find. R value show the strength of the relationship between the two main variables such as intellectual capital and organizational performance. The exact strength is measured through R square. In this study, researcher finds the R value is (R=0.593) that means the strength of the relationship between intellectual capital and organizational performance is (59.3%).

R square value tells about how much variation is associated by independent variables in dependent variable. In this research the R square value is (R square=0.352) that means (35.2%) variation is associated by intellectual capital components in organizational performance in Islamic banks in Pakistan. Adjusted R square telling about the validity of the data.

In this study, adjusted R square value is (Adj R square=0.346) that means the data is relevant. The standard error shows the results have low build in errors. In this study, the standard error result is (0.3782) that means results have less errors.

ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	7.922	1	7.922	55.373	.000 ^a
Residual	14.592	102	.143		
Total	22.513	103			

a. Predictors: (Constant), intellectual capital

b. Dependent Variable: organizational performance

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.839	.301		2.787	.006
Intellectual capital	.749	.101	.593	7.441	.000

a. Dependent Variable: organizational performance

ANOVA table gives the results of F value. F value telling about how much the model is fit in the context of intellectual and organizational performance and telling about the overall model is significant or not. If the value of F is greater than 10 that means data and results of the data are significant. In this study, F value result is (F=55.373) that means the above model is (55.373%) is significant or fit in this research.

The coefficients table show the results of Bo, B1 and T. Bo value is constant that show if in independent variables is not increases then the dependent variable performance will be still positive. B1 value shows that how much change in dependent variable due to independent variables. In this study, the value of Bo is (Bo=0.839) that means if the intellectual capital cannot be increase or gives full efforts in making the products and services then organizational performance of Islamic banks will be still (0.839). B1 value is (B1=0.749) that means there is a positive relationship between intellectual capital and organizational performance. It indicates that if in intellectual capital is increases 1% that leads to organizational performance increases (0.749). T value shows that hypothesis is accepted or not. If the value of T is more than 2 then hypothesis is accepted and vice versa. In this study, T value is (T=2.787) that means hypothesis of this study is accepted.

CHAPTER NO 5

CONCLUSION AND RECOMMENDATIONS

CHAPTER NO 5:

CONCLUSION AND RECOMMENDATIONS

5.1-Conclusion:

The objective of this study is that to examine the relationship between intellectual capital and organizational performance of Islamic banks in Pakistan. Due to this reason, researcher develop methodology of this research for collecting the data on these two variables. After that researcher gather the data on intellectual capital and organizational performance on Islamic banks in Pakistan. And after gathering the data researcher conducted various analysis to test the model or hypothesis of this study. After testing the data on various analysis the results is shows that there is a positive or significant relationship between intellectual capital and organizational performance of Islamic banks in Pakistan. This study is supported to the hypothesis on intellectual capital and organizational performance.

This study is supported to the model of the study that there is a positive association between intellectual capital and organizational performance. It finds that the intellectual capital increases or improves that leads to increases the organizational performance in positive way. It can enhance the profitability or productivity of the organization.

This study is fit in the context of Islamic banking sector in Pakistan that if the organization build a good structural capital that leads to build efficient human capital. If human capital is good or they can build a good services for its customers it can build customer capital. And if these capitals are increases or used efficiently that can increases or improves the organizational performance in Islamic banking sector in Pakistan.

This study identified that intellectual capital or organizational performance are correlated. That means when one variable is increases the other variable is also increases. So, that researcher is concluded that impact of intellectual capital on organizational performance is positive or significant in Islamic banking sector in Pakistan.

5.2-Recommendations for future research:

This research is gives some new thoughts to the future research on this topic. In future research researcher recommended is that this study is applied on the large sample that means more countries are included in the study on this topic. Large sample gives more appropriate results than small sample because large sample provides the data about the topic is in good way as compared to the small sample. And the other thing is that one country is different as compared with the other country. In future research, researcher recommended is that the most relevant variables should be included in the research.

This study is provides the roots map to the future research because this study is identified that relationship between intellectual capital and organizational performance in Islamic banking sector in Pakistan is significant or positive. That results gives the directions to the future research to identify the relationship on many countries and large samples size to test the hypothesis on this topic. And the other recommendation is that more variables of intellectual capital is include on future research. This research is gives the directions to future research that research can applied on other fields like industrial sector, marketing sector, pharmetical sector, academic sector etc.

CHAPTER NO 6

SELF REFLECTIVE LEARNING

CHAPTER NO 6:

SELF-REFLECTIVE LEARNING

Researcher learn from this study how to a research is conducted. How can identified the problem in the firm. How to solve the problem through different research. How gathered the data on research topic. How to develop questionnaire on different variables. Researcher learns how to gather data form different organizations. Researcher learns that finding the different analysis results through the data, leans how to put data on SPSS and finds different analysis results to test the conceptual model and hypothesis on the topics. Research can used this learning in the future research he can applied different learnings on the organizational problems and solve these problems through these learnings. Researcher learns how to put the data on SPSS and how to find results on the data from SPSS. This study gives the directions or learning to the researcher, to apply his learning in different organizational problems and conduct the analysis on these problems and solves that problems as soon as possible. Researcher learns that this study is also apply on the different workplace on the organization.

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Research Questionnaire:

COMSATS Institute of Information Technology Islamabad

Research Questionnaire

My Dear Participants,

I am currently conducting a research project entitled “impact of intellectual capital on organizational performance in Islamic banking in Pakistan”. This project is undertaken to complete the degree requirement of MBA (3.5 Years) in finance at COMSATS, Islamabad.

You and some other peoples, was randomly selected in this research. Your participation in this study is very important. The completion of this questionnaire is very important to the overall research design of the study and should take you less than 15 minutes to complete. It is my thinking that the timely completion and return of this questionnaire to researcher of your continued support for this research.

I would like to fill the attachment questionnaire. I need your participation be open and confidential. Individual name and name of the organization will not be disclose by any one. After completing this questionnaire, kindly return it to me. I am very thankful for your kind collaboration.

Yours sincerely,

JUNAID ALLOUDEEN

MBA 7th COMSATS, Islamabad

Section A: Please answer all the questions about yourself:

Personal information:

Gender: 1=Male 2=Female

Occupation: _____

Age in Years: (1= 20-24 years, 2=25-29, 3=30-39, 4=40-49, 5=50-59, 6=60 and above)

(Note: All the information is mandatory and will be kept confidential.)

Section B: Instructions for Filling the Questionnaire:

Encircle the number which is most desirable for you against each statement. Following is the description of Scale:

- 1. Strongly disagree**
- 2. Slightly disagree**
- 3. Disagree**
- 4. Neither agree nor disagree**
- 5. Agree**
- 6. Slightly agree**
- 7. Strongly agree**

Intellectual Capital: The scale was developed by Dr, Nick Botnis and Stanley Richardson (1998)

Q.NO	Statements	1	2	3	4	5	6	7
1	Do you agree that a poll of our customers would indicate that they are generally satisfied with our organization?							
2	Do you agree that the competence of our employees as a whole is equal to the most ideal level we could ever hope to achieve?							
3	Do you agree that our organization has the lowest costs per transaction of any in the firm?							
4	Do you agree that we have continually been improving our costs per revenue in rupees?							
5	Do you agree that when an employee leaves the firm, we do not have a succession training program for his/her replacement?							

6	Do you agree that we have greatly reduced the time it takes to resolve a customer's problem?							
7	Do you agree that our business planners are continually on schedule with their new business development ideas?							
8	Do you agree that the firm gets the most out of its employees when they cooperate with each other in team tasks?							
9	Do you agree that our market share has been continually improving over the past few years?							
10	Our organization does not foster the development and maintenance of internal relationships among various groups?							
11	Do you believe that the time it takes to complete one whole transaction has been decreasing over the past few years?							
12	Do you agree that the time it takes to complete one whole transaction is the best in our firm?							
13	Do you agree that our organization consistently comes up with great new ideas?							
14	Do you agree that we implement a large portion of our great new ideas?							
15	Do you agree that the longevity of the relationships with our customers is admired by others in the firm?							
16	Do you agree that our organization thrives on maintaining the most positive value-added service of any firm in this sector?							
17	Do you agree that our company supports the development of new ideas and products?							
18	Do you agree that our organizational structure keeps employees from being too far removed from each other?							
19	Do you agree that our company develops more new ideas and products than any other firm in this sector?							
20	Do you agree that the employees of our firm are considered creative and bright?							

21	Do you agree that our customers are loyal to our company?							
22	Do you agree that our organization prides itself on being market-oriented?							
23	Do you agree that our organization prides itself on being efficient?							
24	Do you agree that our employees are satisfied with our organization?							
25	Do you agree that our employees consistently perform at their best?							
26	Do you agree that our data systems make it easy to access relevant information?							
27	Do you agree that the organization's culture and atmosphere is supportive and comfortable?							

Section C: Instructions for Filling the Questionnaire:

Encircle the number which is most desirable for you against each statement. Following is the description of Scale:

- 1. Strongly disagree**
- 2. Slightly disagree**
- 3. disagree**
- 4. Neither agree not disagree**
- 5. Agree**
- 6. Slightly agree**
- 7. Strongly agree**

Organizational performance: The scale developed by M.Salim & sulaiman (2011)

Q.NO	Statements	1	2	3	4	5	6	7
1	Do you agree that our relations with suppliers to be excellent?							
2	Do you agree that we have long-term partner relationships with our suppliers?							
3	Do you agree that we strongly involve our suppliers in our research and development processes?							
4	Do you agree that the net fluctuation of employees due to internal reasons is very high within our company?							
5	Do you agree that productivity of employees is much higher than industry average?							
6	Do you agree that employees' trust into leadership is high?							
7	Do you agree that trust among employees is strong in our firm?							
8	Do you agree that our organization is work efficient?							
9	Do you agree that employees feel very committed to the organization?							
10	Do you agree that employees are prepared to go an extra mile for the company?							
11	Do you agree that our work costs per employee are well below the sector							

	average?							
12	Do you agree that absenteeism in our company (relative to competition) very low?							
13	Do you agree that employees are very satisfied with the situation within the company?							
14	Do you agree that learning ability and adaptability of employees is high (in comparison to competition)?							
15	Do you agree that risk-taking within the company is better than our competitors?							
16	Do you agree that the number of customer complaints within the last period has decreased strongly?							
17	Do you agree that we deal with customer complaints faster than our competition?							
18	Do you agree that we retain existing clients and manage to attract new ones?							
19	Do you agree that our company reputation has improved in the eyes of our customer?							

Thank You