

ECOLE DES HAUTES ETUDES COMMERCIALE

EHEC

Ending studies thesis in order to obtain a Master degree in commercial sciences diploma

Major: Management and Entrepreneurship

THEME:

**HRM between western and Islamic perspective in
Conventional and Islamic Banks
(Macroeconomic study)**

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8th Promotion

June 2021

DEDICATION

I would like to dedicate my MBA Graduation thesis to my beloved parents Mrs Zemoura Miloud and Zemoura,salima, my younger brother and sister and my Friends zaki; ; aslan; Mehdi; Okba and the list goes on. I highly appreciate their courage and support. May Allah SWT bless us and the whole Muslim community.

ACKNOWLEDGEMENT

My heartfelt appreciation to the Lord God Almighty SWT for His countless blessings in my life. You have blessed me with astuteness, a sound mind and good health indeed, your love and mercy is better than anything in this world. I would like to acknowledge my wonderful parents Mr. Zemoura Miloud, Zemoura Salima for their support and encouragement. From my early age, you taught me the value of education and you have always believed and supported me, You both have sacrificed your comfort since the day I was born, to raise; educate and discipline me, no words of gratitude nor any efforts from my part would ever repay you enough. Moreover, I will also like to express my sincere thanks to the Government of Algeria, and fellow friends for their support to this academic work. I also salute my supervisor Mrs. Boucha Nesrine for the guidance and patience she exercised in making this study a success. Gratitude goes to the HEC staff and teachers for accompanying me throughout my Master degree journey ; my friends who were always a source of courage and comfort for me. During my time as a master's student, I learned a lot about business administration, and this thesis allowed me to expand my knowledge of HRM and banking, but I also learned a lot about myself. In conclusion, I can say that this time allowed me to grow personally in a variety of ways.

Abstract

When asked about Islamic banks and their human resources management, a traditional banker may mumble something about religion and perhaps, "perhaps they can't charge interest, but they use something else that's the same, leave alone their HRM. It's the same, nothing has changed; they simply added the word "Islamic" to the title to give it some legitimacy and win Muslim approval." Intriguingly, the "something else" is never specified. The banker may then dismiss Islamic banking and its HRM as "smoke and mirrors," before concluding that, with a few adjustments, it is what he does every day in his traditional bank. When asked to define an Islamic financial instrument or certain Islamic financial and HRM concepts such as Murabaha, Mudaraba, Raqaba Shari'a, Amana, Ihsan, and so on, the banker's eyes would begin to glaze away. To be honest, this stereotypical picture of Islamic banking and Islamic human resource management is all too common in the traditional banking sector even for Muslim employees. Well, we will not claim they are completely wrong, at least not in practice. However, we see this point of view as an extreme one, and totally discredit the achievements that Islamic economical approaches generally and Islamic banks specifically got. Therefore This Thesis is an effort to go back to roots in order to both enlighten the adherents of this point of view and widen their and our understanding of Islamic banking and its HRM principles. In addition, highlight the key characteristics and distinctions of Islamic banking, as well as its approach to human resource management, that set it apart from traditional banking. and to ascertain whether or not this stereotypical point of view is correct.

ملخص

موظف البنوك التقليدية او كما تسمى الوضعية، ان تم سؤاله عن البنوك الاسلامية و كيفية تسيير الموارد البشرية فيها فأن اجابته على الاغلب قد تكون شيء مماثل ل " من المرجح انهم لا يستطيعون فرض الفوائد. الا انهم يستخدمون شيء مشابه ناهيك عن تسيير الموارد البشرية هناك' انهم يستخدمون نفس الطرق الغربية لتسيير الموظفين هناك' لا شيء مختلف هم فقط يضيفون كلمة إسلامي لها فقط ليكسبوا بعض المصداقية والشعبية وسط المسلمين" الا ان ذلك "الشيء المشابه" لا يتم تحديده او تعريفه' بعد ذلك يقوم البنكى بإنكار البنوك الاسلامية و تسيير البشرية الموارد فيها عن طريق وصفها بانها لا شيء سوى "دخان و مرايا" من ثم يختم بقوله بانه على غرار بعض التعديلات هي ليست بشيء مختلف عما يقوم به كل يوم في بنكه التقليدي. عند سؤاله عن تعريف بعض الآليات المصرفية الإسلامية او عن بعض المفاهيم الاسلامية المصرفية منها او التي تخص تسيير الموارد البشرية كالمراوحة؛ المضاربة؛ الاحسان؛ الاتقان او الرقابة الشرعية. فانه يبهت ولا يجد أي سبيل للرد. صراحة هذا الموقف السطحي اتجاه البنوك الإسلامية و ما يخصها من ممارسات مصرفية و تسييريه. هو موقف منتشر بكثرة في الوسط الاقتصادي الوضعي عامة والمصرفي خاصة' حتى من قبل المسلمين انفسهم. لن ننكر انهم ليسوا على خطأ كلياً او على الأقل فيما يخص جانب التطبيق على ارض الواقع. الا انا نرى ان هذا رأي متطرف الي حد ما كما انه ينكر ويتجاهل كل الإنجازات التي توصلت اليها النظريات الاقتصادية الإسلامية عموماً و البنوك الإسلامية خصوصاً. لذا هذا البحث هو عبارة عن مجهود للرجوع للأساسيات و توضيح الأمور لأصحاب هذا الراي كما توسيع معارفنا و معارفهم حول البنوك الاسلامية وماهية تسيير الموارد البشرية فيها. بالإضافة الى تحديد خصائص كل بنك فيما يخص الصيرفة و تسيير الموارد البشرية كما استخلاص أوجه الاختلاف لمعرفة ما اذا كان موقفهم صحيحاً حقاً.

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Introduction

The banking system, which facilitates financial intermediation by mobilizing deposits and disbursing credit, is the backbone of any contemporary economy. Banking, in the contemporary meaning, is the process of receiving public deposits of money, repayable on demand or otherwise, and withdrawable by check, draft, order, or other means, for lending or investing. The primary function of a bank is to aggregate idle money from the general public into a common fund or pool to make advances to others and earn a profit in the form of interest, fees, and dividends while doing so. However, much like any other field in life, the banking system is influenced by the social, cultural, and religious values of the culture in which it was founded.

religion interferes with men and women's economic conduct to varying degrees. The word "religion," as well as its Arabic counterpart "Din," and the substance of all religions' messages, imply and signify the establishment of norms and standards for human behavior that, by definition, extend to the economic sphere. It's no wonder, then, that religion and economy are linked. It really would be remarkable if they parted and separated. Given that interest, the cogwheel of modern banking, is strictly forbidden in Islam, Furthermore, unlike western banks they must not do business with consumers that profit from things that are prohibited in Islam, such as gambling, pork, or alcohol. Excessive hazard, uncertainty, or exploitation are also forbidden, Muslim economists were compelled to develop and implement an alternative. Islamic banks arose from the need for a financial system that meets both Muslims' economic and religious needs. An Islamic bank is a financial institution that adheres to the Shariah regulations as outlined by the Holy Qur'an and Sunnah in terms of its objectives, principles, practices, and operations. These religious principles and commitments extend even further, affecting and regulating not only the products and services offered by the system (Islamic banking) but also its administration and human resource management.

Human resource management (HRM) is the process of effectively managing people in a company. HR management aids in the alignment of employee performance with the organization's strategic goals. Furthermore, an effective HR management team may provide businesses a competitive advantage. Depending on the organization's philosophy, HRM

procedures take on several forms. Human resource management is handled differently by conventional and Islamic banks. While both types of banks have the same essential responsibilities in terms of human resources management, there are some differences, for example. The western approach to human resource management that is applied in western organizations generally, and in banks specifically, is built on secular theories that are grounded on a human understanding. While Its other equivalent, which is used in Islamic banks, is more based on Islamic rules that are inspired by the Holy Quran and Sunnah of the prophet Muhammed peace be upon him. While The human capital theory was gaining a lot of traction and has seen a lot of growth both globally and in the West specifically. Dissemination of research findings has been discovered when examining the impact of human capital on improving employee or organizational performance. Human capital is one of the most important components of a company's intangible assets. Since then, the focus of academics and practitioners has shifted dramatically toward the best practices of intangible asset management. On the other hand also, its peer practiced by Islamic banks that follows Islamic values and principles, also known as Islamic HRM, has received its fair share of attention and interest from Muslim, and non-Muslim academic researchers, in light of widespread mismanagement, underperformance, and bank failures during the recent financial crisis.

With the repeated failures that the western banking system has experienced since the 1763 crisis that began in Amsterdam and extended to Germany and Scandinavia. till the most recent one, which happened in Lebanon in 2019 and is still happening to this day, in which the Lebanese government played a critical part. Without failing to mention the worst financial and banking crises of the twentieth century, the great depression crisis that happened in America and affected the whole world's financial condition and economy. Moreover, its twenty-first-century analog, the Subprime mortgage crisis, which occurred in America in 2008 but somehow was exported to the rest of the globe due to the dynamics of the global financial and banking system. The impact of these crises was not limited to financial repercussions; it also had an influence on human resources and their management, from generating work stress and anxiety as a result of the pressure to handle the crisis, to worst-case scenarios of job loss. According to Mr. Michael de la Merced's article published in the New York Times on December 11, 2008, the bank of America, one of the largest financial organizations, has suffered greatly from the 2008 crisis and planned to eliminate 35,000 positions over the three at that time.

All of these instances and their effects were significant causes and evidences for the problems caused by secular financial and management systems. This prompted academics and

economists to pay closer attention to its Islamic counterpart, which proved greater stability and resistance to such crises. This raised the question of whether the discrepancies in results between the two systems were attributable to differences in philosophy, principles, and practices.

In this thesis, I investigate the differences and similarities between Human resources management in Islamic and conventional bank differs in terms of principles ; objectives and functions. And thus we introduce this topic in the following problematic :

What are the differences between conventional human resources management and Islamic Human resources management and its applications in conventional banks and Islamic banks?

The following three sub-questions are constructed in order to address the research main question:

- What are the difference between conventional banking and Islamic banking background wise ?
- What is the distinction between conventional Human resources management and Islamic human resources management?
- What are the differences between HRM functions in Conventional banks and Islamic banks?

A number of hypotheses were developed in order to solve these questions :

For the first question

H1: Conventional and Islamic banks are almost identical and there is not much of difference between them.

H2: Islamic banks have different principles regulations and operates differently than conventional banks.

for the second question :

H1 : they share the objectives and responsibilities, while are different in terms of philosophy ; sources and principles.

H2: human resources management from the Islamic perspective doesn't differ from the secular or the western perspective. They both have the same regulations and objectives.

And finally as for the third question:

H1: HRM functions and practices are the same in both Islamic banks and conventional banks.

H2: despite HRM functions processes being the same in conventional and Islamic banks, There are significant distinctions in beliefs, philosophy, and values.

To answer these sub-questions a collection of literature was reviewed and analyzed. Using both descriptive and analytical method to provide historical backgrounds ; definitions ; principles; objectives...etc, for the elements of our study ; and for the distinctions and similarities we relied on the comparative method.

The thesis is divided into three chapters, each with a conclusion, and a general conclusion at the end. The first two chapters are split into two sections. We explain both conventional banking and Islamic banking systems in the first chapter, including historical roots, definitions, principles, products and services, and a conclusion that underlines the fundamental contrasts between the two systems. Following that is the second chapter, in which we introduce human resources and their management from both a western and an Islamic perspective, with definitions, historical context, principles, and aims, and we conclude the chapter with the primary distinctions. In the last chapter, we compare HRM functions from both perspectives in conventional banks and Islamic banks, highlighting the differences each time, and wrapping off the chapter with a conclusion that summarizes the significant contrasts.

Finally, we complete our research with a broad conclusion in which we determine which hypotheses were true and answer our problematic topic and its sub-questions based on the data and conclusions gathered.

1. CHAPTER 01: Theoretical aspect of the Islamic and Conventional banks

Before we get into the main points of our topic, we first need to define the conceptual framework of our study; from defining the environment which is banks (conventional and Islamic). to the subject of study which is the human resources and its management.

It is crystal-clear that we live in an age where the economy is centered around banks; The banking industry currently serves as the backbone of modern commerce. Dealing with banks and using their services and goods, whether directly or indirectly, is nearly unavoidable for anyone living in this in period and era

1.1.SECTION 01: definition and characteristics of CONVENTIONAL and ISLAMIC BANKS

1.1.1. Conventional banks

1.1.1.1. Historical Origins of Conventional Banks :

Banking as a concept can be traced throughout history back to the invention of currency; and possibly even before that. As the old saying goes “NEED is the mother of INVENTION”, and as the need of a unified tool to make trade of goods easier, and more fair was the mother of the invention of currency and coined money. To switch from a primitive and ambiguous barter trade system (exchange goods for goods), to currency based system where goods were exchanged for their believed equivalent value in coined money. And with this switch in trade systems, and with the creation of currency; the need of saving and protecting this money using safe deposit vaults has emerged to existence. And that’s how the concept of banking came to life.

“If a man gives to another silver, gold, or anything else to safeguard, whatsoever he gives he shall show to witnesses, and he shall arrange the contracts before he makes the deposits.” So ran the statutes of Hammurabi as early as 2000 b. c. Thus twenty centuries before the Christian era

we find the Babylonians placing their treasures for safe-keeping with trusted men, to whom they paid as much as one sixtieth of the treasure for that service.¹

It is true that the Egyptians had what might be looked upon as treasure houses long before this, and even the Pyramids might be considered safe deposit vaults, for in the belief that the soul would live as long as the mummy remained intact. the wealthy Egyptian planned for the safe-keeping of his mummy with more concern than for the most precious of his possessions. With this very personal and distinctly mortuary attitude prevailing along the Nile, it is not surprising that we are obliged to leave this river in favor of the Euphrates to find a practical conception of trust responsibilities.²

From Greece, however, came the real inspiration for the safe deposit department, as we know it today. Unlike Egypt and Babylonia, both blessed with strong central governments, Greece was divided into many practically independent states and cities which were usually at war with one another or with foreign powers. When not at war they were in a constant state of unrest through the activities of opposing political factions.³

By sad experience, or perhaps by happy accident, the Greeks discovered in the Temple the only safe depository which the turbulent times afforded, and which usually remained inviolate. The strong religious principles of the educated classes, as well as the superstitions and fears of the unscrupulous and non-believers, combined to create about the Temple an atmosphere of greater security than could have been attained by any mechanical devices then known.⁴

1.1.1.2. Definition of banks

Various authors and economists have provided definitions of the bank from different perspectives:

“A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure.”- **R.P. Kent**

“Bank is a financial intermediary institution which deals in loans and advances” - **Cairn Cross.**

“Bank provides service to its clients and in turn receives perquisites in different forms.” - **P.A. Samuelson.**

“Bank is such an institution which creates money by money only.” - **W. Hock.**

¹ Hoggson N.<<Banking through the Ages>>. Dodd, Mead & Company.New York.
,1926,P.33

² Ibid.

³ Ibid.,P.34.

⁴ Ibid.

“Bank is such a financial institution which collects money in current, savings or fixed deposit account; collects checks as deposits and pays money from the depositors” account through checks.” - **Sir John Pagette**.⁵

According to the previous definitions we can come to general conclusion that:

A bank is a form of financial institution that is permitted to accept deposits and make loans. It provides financial services such as money management, currency exchange, and safe deposit boxes. Retail banks, commercial or corporate banks, and investment banks are among the various types of banks. The national government or central bank in most countries governs banks.⁶

1.1.1.3.Banks types :

As mentioned above several types of banks exists, all depends on the criteria used to categories it:

i. After ownership :

a. *Private Banks* that have capital belonging to a person or group of people. The first forms of banks that operated fully have begun as moneychangers and loan sharks. The main form that private banks take is limited company (corporation), whose capital is divided into a number of parts, called actions. "The main advantage of the corporate form of business organization is limiting responsibility for the owners."⁷

b. *State banks* "have the defining feature of the entire equity held by the State in whose territory. In most cases this takes the form of specialized banks. Although it enjoys a certain autonomy, their profitability is lower compared to that of private banks."⁸

c. "*Banks operating as joint stock* companies, the state is one of the shareholders' share of its properties depend on the shares held by it".⁹

⁵ Kwadawo BOATENG.<< CREDIT RISK MANAGEMENT AND PROFITABILITY IN SELECT SAVINGS AND LOANS COMPANIES IN GHANA>>. BANGALORE UNIVERSITY. International Journal of Advanced Research,2020,P.4.

⁶Adam BOURNE ; <<Banking>> ,[https://www.investopedia.com/terms/b/bank.asp#:~:text=A%20bank%20is%20a%](https://www.investopedia.com/terms/b/bank.asp#:~:text=A%20bank%20is%20a%20) (consulted 05/02/2021)

⁷ Ion Gr IONESCU,<<Categories and types of Banking institutions>>, Annals of the University of Petroșani, Economics, 12(1), 2012, P.166

⁸ Ibid.

⁹ Ibid.,p.167.

ii. Depending on the nationality:

a. *Local banks* - where entire capital belongs to individuals or legal entities in the state where they operate. These banks are part of the national banking system, operating under the supervision of the State Bank.¹⁰

b. *Multinational banks* - by definition, are those that physically operate in more than one country. For instance, Citibank operates offices in more than 90 countries around the world. In contrast, international banks engage in cross-border operations and do not set up operations in other countries. A Bank of America loan to a bank in Poland is considered international banking.¹¹

c. *Banks that are mixed* with the capital contribution of two or more partners from different countries, under the laws of the country where they are located. Bank revenues are divided among the partners according to the share of the capital contribution of each.¹²

iii. Depending on the role played in the financial system:

a. *Commercial or corporate banks* offer specialized services to its business clients, ranging from small businesses to major corporations. These banks offer credit services, cash management, commercial real estate services, employer services, and other services to its clients in addition to day-to-day business banking.¹³

b. *Investment banks* specialize in delivering complicated services and financial transactions to corporate clients, such as underwriting and assisting with mergers and acquisitions (M&A). As a result, in the majority of these transactions, they are known primarily as financial intermediaries. Large corporations, other financial institutions, pension funds, governments, and hedge funds are all common clients.¹⁴

c. *Central banks* are not based on the market and do not engage with the regular populace. Instead, they are in charge of currency stability, inflation management, and monetary policy, as well as regulating a country's money supply. They also regulate member bank's capital and reserve requirements.¹⁵

¹⁰Ibid.

¹¹ Adam S.HERSH ;Christian E.WELLER,<<Banking on multinationals>>,2002, [https://www.epi.org/publication/issuebriefs_ib178/#:~:text=Multinational%20banks%20\(MNBs\)%2C%20by,in%20more%20than%20one%20country.&text=In%20contrast%2C%20international%20banks%20engage,up%20operations%20in%20other%20countries](https://www.epi.org/publication/issuebriefs_ib178/#:~:text=Multinational%20banks%20(MNBs)%2C%20by,in%20more%20than%20one%20country.&text=In%20contrast%2C%20international%20banks%20engage,up%20operations%20in%20other%20countries). (Consulted 10/02/2021)

¹² Ion Gr IONESCU. op. cit.,P.167

¹³ Adam BOURNE. op. cit., (consulted 10/02/2021)

¹⁴ Ibid.

¹⁵Ibid.

1.1.1.4.Principles and regulations

1.1.1.4.1. Country regulations :

As mentioned above, the banking industry is one of the biggest industries in the modern economy. according to the most recent statistics done in 2019; the total of worldwide bank's assets has reached 155 Trillion U.S dollars¹⁶, Therefore governments and banks have taken on the task of defining a set of principles, and ethical codes through which all public and private interests are fulfilled.

If we take the Turkish banking system as an example, we find some of the following articles in the Banking Law that sets for banks a set of principles and ethical rules such as:

Article 3 – Not only for the purposes of protecting the rights and interests of savors, and assuring confidence, stability and consistency in fiscal markets, and ensuring effective operation of deposit, credit and payment systems, and preventing transactions and practices which may lead to material damages and losses in economy, but also with a view to supervising the public benefits and social utility and protecting the environment, banks are required to act in tandem with the general principles outlined herein below :¹⁷

a. Integrity:

Stick to the principle of integrity in all their relations in the course of their operations;¹⁸

b. Neutrality:

Departing from the basic principle of “Respect towards human underlies the success.”, do not ever discriminate among their employees and customers, and refrain from biased behaviors; and Abstain from any discrimination of ethnical origin, religion, financial and social status, or sex in provision of their services¹⁹;

c. Reliability:

Provide clear, understandable and accurate information to their customers within the frame of mutual trust in all their services and operations, and perform their customer services timely and completely;²⁰

¹⁶ F. Norrestad, << Total assets of banks worldwide from 2002 to 2019 >>, <https://www.statista.com/statistics/421215/banks-assets-globally/#:~:text=In%202019%2C%20the%20assets%20of,U.S.%20dollars%20as%20of%202018> (consulted 10/02/2021)

¹⁷ THE BANKS ASSOCIATION OF TURKEY, << PRINCIPLES OF BANKING ETHICS >>, revised by a Decision, no. 5903, dated 19 June 2014.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

d. Transparency:

Keep their customers clearly, understandably and frankly informed about their rights and obligations, and benefits and risks regarding the products and services offered to them; and before giving any product, service or advice, efficiently assess their customers and financial capacity, status and needs of their customers, and offer their products and services accordingly;²¹

e. Supervision of Public Benefits, and Respect to Environment:

In all of their activities, do not only target profitability, but also take pains in supporting and sponsoring social and cultural events and activities in the light of the principles of supervision of public benefits and respect to environment.²²

f. Fight Against Laundering of Proceeds of Crime and Combat Against Financing of Terrorism:

Within the framework of international norms, and national applicable laws and regulations, adopt it as an important principle to combat against the laundering of proceeds of crime, corruption, and similar other acts, and act willingly to cooperate with each other, and with other relevant entities and organizations and concerned official authorities, and take the required actions in their own organization, and organize training programs for their personnel.²³

g. Information Abuse:

Take all kinds of measures and actions in order to prevent abuse of insider information of themselves and their customers.

1.1.1.4.2. Banks principles

As for banks, Take, for example, the JPMorgan bank, which is regarded the world's largest bank. The firm has a document called the "JPMorgan code of ethics," which contains the corporation's set of ethical and procedural principles. We come across rules such as;

a. Privacy

Supervised Persons have a responsibility to protect the confidentiality of information related to Clients. This responsibility may be imposed by law, may arise out of agreements with Clients, or may be based on policies or practices adopted by the firm. Certain jurisdictions have regulations relating specifically to the privacy of individuals and/or business and institutional

²¹ Ibid.

²² Ibid.

²³ Ibid.

customers. Various business units and geographic areas within JPMC have internal policies regarding customer privacy.

The restriction on disclosing confidential information is not intended to prevent Supervised Persons from reporting to the government or a regulator any conduct Supervised Persons believe to be in violation of the law, or from responding truthfully to questions or requests from the government, a regulator or in a court of law.

b. Anti-Corruption

It is the policy of JPMC to comply with the anti-corruption laws that apply to the firm's Operations (and investments where the firm is deemed to have control), which laws include the United States Foreign Corrupt Practices Act (FCPA), the United Kingdom Bribery Act of 2010 (UKBA), as well as anti-corruption laws and regulations of other countries in which the firm conducts business. We must never compromise our reputation by engaging in, or appearing to engage in, bribery or any form of corruption. Bribery and corruption are crimes with potentially severe penalties to JPMC and its employees and directors. The firm has zero tolerance for such activity.

c. Conflicts of Interest

The following is a summary of commonly identified employee conflicts of interest:

c.1 Trading in Securities of Clients

Supervised Persons shall not transact in any securities of a Client with which the Supervised Person has or recently had significant dealings or responsibility on behalf of JPMAM if such investment could be perceived as effected based on confidential information, including material non-public information.

c.2 Trading in Securities of Suppliers

Supervised Persons in possession of information regarding, or directly involved in negotiating, a contract material to a supplier of JPMAM may not invest in the securities of such supplier. If you own the securities of a company with which we are dealing and you are asked to represent JPMorgan Chase in such dealings you must:

- 1) Disclose this fact to your department head and the Compliance Department; and

- 2) Obtain prior approval from the Compliance Department before selling such securities²⁴

The actuality of putting these ideals into practice on the ground is still up for debate, Also not to mention that such an interest based system would only reinforce capitalism, which makes the rich richer and the poor poorer, like Oliver Marcus Molley said “Have you ever played Monopoly? It's a board game designed to teach kids capitalism. And what happens in the end? The winner has all the money, and everyone else has nothing”, Not to mention the numerous catastrophes that this system has experienced, such as the 1929 and 2008 financial crises, which prompted economists to seek new solutions. From here, we've seen the emergence of a number of different types of redesigned banks, each of which addresses the issues that traditional banks have, or brought about, For example, environmentally conscious banks, also known as green banks, in addition to the second category, which is the other focus of our investigation: Islamic banks.

1.1.2. Islamic banks:

Islamic banking and finance are quickly becoming one of the most important parts of today's global financial system. What is the reasoning for this? Because it is a fast-growing industry that has gone from a niche to a global power to be reckoned with in the international arena in only a few years.

According to the Islamic Development Report 2020, the Islamic finance industry saw double-digit growth of 14% in assets by the end of 2019, totaling 2.88 trillion US Dollars. The strong growth in industry assets was driven by continued growth in Islamic banking assets, which account for the majority of the industry's assets.²⁵

²⁴ JPMorgan Bank, <<Code of Ethics for JPMA>>, <https://www.sec.gov/Archives/edgar/data/1027263/000119312520123372/d858767dex99p4.htm#:~:text=This%20Code%20establishes%20our%20standards,globally%2C%20including%20all%20JPMAM%20employees2019,P.7-8> (consulted 16/02/2021)

²⁵ Shaima HASAN, <<Islamic finance progressing through adversity>>, <https://www.refinitiv.com/perspectives/futureof-investing-trading/islamic-finance-progressing-through-adversity/> (consulted 16/02/2021)

1.1.2.1. Definition of Islamic banking :

Islamic financial institutions are those whose goals and activities are guided by Qur'anic principles. They are thus set apart from traditional institutions, which are not preoccupied with religious issues. Islamic banks offer financial services that adhere to Islam's religious tenets. Customers of Islamic banks receive interest-free services (the Arabic term for which is *riba*). In all transactions, the giving and taking of interest is banned, as it is clearly stated in the Holy Quran *“O you who believe! Be afraid of Allah and give up what remains (due to you) from riba (from now onward), if you are (really) believers. S. 279. And if you do not do it, then take a notice of war from Allah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums). S. 280. And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know. S. 281. And be afraid of the Day when you shall be brought back to Allah. Then every person shall be paid what he earned, and they shall not be dealt with unjustly”* The glorious Quran-Al Baqarah S.279-281. This prohibition distinguishes an Islamic banking system from a regular banking system.²⁶

The General Secretariat of the OIC has authorized the following definition of Islamic bank:

An Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariaa and to the banning of the receipt and payment of interest on any of its operations. Islamic bankers do not expect to advance money and receive a predetermined sum on a fixed date in the future. Under the Shariaa, the bedrock of the Islamic faith, they are instead responsible for ensuring that money is invested in viable projects, with reliable borrowers. If the project succeeds the banker shares in the profit, if it fails he suffers the losses²⁷.

1.1.2.2. Historical Origins of Islamic banking and finance:

Islam was revealed to Muhammad (Peace be upon Him) and spread throughout Mecca and Madina. Previously, these cities thrived on local commerce and foreign trade. The majority of

²⁶ Brian KETTEL, <<Introduction to Islamic banking and finance>>. John Wiley & Sons., 2011, P.31-32.

²⁷ Cherroun REGUIA. <<The role of Islamic Banks in Economic Development>>. El Hadj Lakhdhar Batna university, 2014, P. 10-11.

the financial needs were met through interest-based loans. Mecca's merchants and Madina's agricultural farmers were able to meet their financial needs Relying on interest-based loans.²⁸

The financial structure of these cities changed dramatically after the advent of Islam. The cornerstone of Islamic finance is formed by Quranic verses that ban dealing in interest, the consumption of specific commodities, and certain trade practices. For centuries, these concepts were effectively applied in the two towns, and they also expanded to other regions of the world. The establishment of the Islamic financial system began during the time of Prophet Muhammad's (Peace be upon Him) reign, when Baitul-mal, the central Islamic treasury, was established for the benefit of the destitute Muslims.²⁹

Mosque of Madina was used as the treasury by the Prophet Muhammad (Peace be upon Him).But Omar (May Allah be pleased with Him), the second caliph, established and operated Baitul-mal as a separate entity. Zakat, land tax or Kharaj, poll tax or Jizia, customs duties, donations, property with no ownership and estates of deceased persons who had no legitimate heirs were the major sources of its revenue.³⁰

Aside from the founding of Baitul-mal, historical evidence supports the presence of bill of exchange and checks in Islam's early days. Ibn Abbas, for example, received the Wariq (silver coined into dirhams) and acknowledged it to Kufa (a city in Iraq). In the same way, Abdallah Ibn Az Zubair (May Allah be pleased with Him) received money in Mecca and wrote to his brother in Iraq, who reimbursed the depositors when they arrived in Iraq. Sayf al-Dawalah al-Hamdani is thought to be the first individual to use cheques in Islamic banking history. This is a brief overview of Islamic Finance from 650 to 750 AD.³¹

1.1.2.3. Islamic banking and finance Principles :

The Shariaa contains the principles of Islamic banking. The Arabic word shariaa means "path to the source of life," and it is today used to refer to a legal system that follows the rule of conduct outlined in the Holy Quran with reference to financial items. The shariaa, or Islamic code of ethics, sets various stipulations some of them are:

²⁸ Mohammed IMAD ALI, Ikramur RAHMAN FALAHI, <<Islamic Banking & Finance PRINCIPLES AND PRACTICES>>, Marifa academy, First edition, 2016, P.29-30.

²⁹ Ibid., P. 30.

³⁰ Ibid.

³¹ Ibid.

A. Predetermined Payments are Prohibited (Riba)

"And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other peoples' property. We have prepared for those among them who reject faith a grievous punishment " The Glorious Quran Ch 4;V 161.

From Jabir : The Prophet,Peace be upon him , may cursed the receiver and the payer of interest, the one who records it and the two witnesses to the transaction and said: "They are all alike [in guilt]." (Muslim, *Kitab al-Musaqat, Bab la'ni akili al-riba wa mu'kilihi*; also in Tirmidhi and Musnad Ahmad)

These are cut clear proof from the Quran and the tradition of the prophet peace be upon him that Any preset payment in excess (Riba) of the actual principal amount is forbidden. Only one type of loan is permitted in Islam: Qard al Hassan (literally, good loan), in which the lender does not charge any interest or additional amount over the amount lent. Traditional Muslim Jurists have construed this principle so strictly that, according to one Islamic scholar "the prohibition applies to any advantage or benefits that the lender might secure out of the *qard* (loan) such as riding the borrower's mule, eating at his table or even taking advantage of the shade of his wall."

The idea drawn from this quotation emphasizes that any related or indirect benefits that may flow to the lender as a result of the loan are also banned.³²

There exist two types of Riba :

A.a. Riba An Nasiyah

This is the original and most basic form of Riba. Riba Al Quran refers to Riba that has been directly rendered haram by Quranic verses. Similarly, because only this sort of Riba was deemed Riba in the dark ages, it was given the name Riba Al Jahiliya. In the following lines, Imam Abu Bakr Hassas Razi has presented a complete and prohibiting legal definition of Riba An Nasiyah: "*That kind of loan where specified repayment period and an amount in excess of capital is predetermined.*"³³

³² Brian KETTEL.op. cit.,P. 33.

³³ Muhammad Imran Ashraf Usmani.<<Meezan Bank's guide to Islamic Finance>>. Darul Ishaat.,2007,P. 22.

A.b. Riba al Fadhl

Riba Al Fadl is the second type of Riba. Because the prohibition of this Riba has been confirmed by Sunnah, it is also known as Riba Al Hadees.

Riba Al Fadl truly refers to the surplus that is obtained in exchange for specified homogeneous commodities and encountered in their hand-to-hand purchase and sale, as indicated in the famous hadith:

The Prophet peace be upon him said, "Sell gold in exchange of equivalent gold, sell silver in exchange of equivalent silver, sell dates in exchange of equivalent dates, sell wheat in exchange of equivalent wheat, sell salt in exchange of equivalent salt, sell barley in exchange of equivalent barley, but if a person transacts in excess, it will be usury (Riba). However, sell gold for silver anyway you please on the condition it is hand-to-hand (spot) and sell barley for date anyway you please on the condition it is hand-to-hand (spot).³⁴

B. Uncertainty is Prohibited

The Holy Qur'an (S5: 90–91) expressly prohibits games of chance. It utilizes the term maysir for games of chance, which is derived from usr (ease and convenience), to signify that the gambler seeks to accumulate wealth without exerting work, and the phrase is now extended to all gambling activities. In Islamic jurisprudence, gambling in any form is prohibited. In addition to overt forms of gambling, Unjustified enrichment by games of pure chance should be outlawed, according to the shari'a, in the sake of fair and ethical conduct in commutative contracts.³⁵

Economic transactions involving elements of speculation, known as gharar (literally "hazard"), are another feature condemned by Islam. The Holy Qur'an forbids riba and maysir, but ahadith support the prohibition of gharar. In business, gharar refers to embarking on a venture without sufficient knowledge or engaging in an excessively risky transaction, though minor uncertainties can be tolerated when necessary.³⁶

C. Justice and equity based

The application of Islamic financial principles is not only for the purpose of ridding the financial system of interest and Gharar, but also for the purpose of establishing justice in finance, for

³⁴ Ibid.P.23.

³⁵ Kabir HASSAN, Mervyn LEWIS.<<Handbook of Islamic Banking>>. Edward Elgar Publishing.,2007, P.39.

³⁶ Ibid.

which Riba and Gharar are forbidden. In human society, Islamic finance aims to promote social justice and equity.³⁷

D. Risk sharing /bearing

In order to be fair and just in a business or partnership, both parties must contribute money, assets, or labor, as well as bear or share the risk. The profit and loss are transferred to the parties based on contribution and risk bearing or sharing.³⁸ Rather of becoming creditors, Islam encourages Muslims to invest their money and become partners in a firm, sharing earnings and risks. Islamic finance is based on the notion that the risk of business initiatives should be shared equally by the provider of capita and the user of capital, whether those enterprises are industries, service firms, or simple trade dealings. In banking terminology, the depositor, the bank, and the borrower should all be equally responsible for the risks and rewards of financing business initiatives.³⁹

E. Making Money Out of Money is Not Acceptable

Making money out of money is not permitted in Islam. Money is merely a medium of transaction and a technique of establishing a thing's value in Islam. It has no intrinsic value and, as a result, should not be permitted to produce additional funds through fixed interest payments merely by being placed in a bank or lent to someone else.⁴⁰

F. Halal and haram

Islamic financial activities are governed by a rigid regulation of "ethical investing." As a result, Islamic banks are unable to finance activities or commodities that are prohibited (or haram) in Islam, such as the sale of alcoholic beverages or hog meat. Furthermore, because meeting material necessities ensures Muslim religious freedom, Islamic banks are encouraged to prioritize the creation of necessary items that meet the requirements of the Muslim community as a whole.⁴¹ For example Islamic banks are not allowed to finance a wine factory, a casino, a night club or any other activity prohibited by Islam or known to be harmful to society.

³⁷ Mohammed IMAD ALI, Ikramur RAHMAN FALAHI.op.cit.,P.27.

³⁸ Ibid.,P.28.

³⁹ Brian KELLER. op. cit.,p.33

⁴⁰ Ibid.

⁴¹ Kabir HASSAN, Mervyn LEWIS. Op. cit.,P.39.

G. Sanctity of contracts

Many verses in the Holy Qur'an support trade and commerce, and Islam believes that honest and lawful trade and business should not be hindered. Muslims have a responsibility to work, support their families, and give charity to others who are less fortunate. Islam rules and influences the conduct of business and trade in the same way that it rules and influences all other aspects of life. Muslims have a moral obligation to operate their business in accordance to their religion's rules. They must treat others with fairness, honesty, and justice. Because there is no caveat emptor in Islam, merchants have a specific obligation. Monopolies and price manipulation are prohibited. Islam upholds contractual obligations and the disclosure of information as a sacred duty.⁴²

H. Emphasis on Productivity as Compared to Credit-worthiness

In traditional banking, a bank's primary concern is that its loan and interest payments are made on schedule. As a result, the creditworthiness of the borrower is the most important factor in issuing loans. On the other hand, Only if the project succeeds and generates a profit will the bank earn a return under PLS banking. As a result, it is reasoned, an Islamic bank will be more concerned with the project's soundness as well as the entrepreneur's business acumen and managerial skill.⁴³

1.1.2.4.Sources of law and Islamic commercial law :

As we've indicated multiple times during this segment of the study. Unlike conventional finance, which is governed by conventional law, Islamic finance is governed by Islamic commercial law, which is developed from both primary and secondary sources :

Primary sources:

The primary sources are revelation based. They are, as already stated, the Quran and Sunnah Of the prophet Muhammed (peace be upon him), These sources are not subjected to any change or alteration.⁴⁴

⁴² Brian KELLER. op. cit.,P.35.

⁴³ Ibid.P.34.

⁴⁴ Mohammed IMAD ALI, Ikramur RAHMAN FALAHI. Op. cit.,P.28.

Secondary sources:

Secondary sources are based on human interpretation and reasoning, which can be linked back to primary sources in practice. When a specific ruling or authority relevant to a particular issue is not found in the Quran or the traditions of the Prophet Muhammad (Peace be upon Him), Legal reasoning, or Ijtihad, is a process of formulating laws based on the Quran and Sunnah, and it is used as a secondary basis for Islamic law. Ijtihad's subsidiary sources are as follows:

a) Ijma (consensus of Muslim jurists): This refers to the consensus of Muslim jurists on a particular legal issue at a particular point of time after the demise of the Prophet Muhammad (Peace be upon Him).⁴⁵

b) Qiyas (analogical reasoning): Qiyas is an extension of a Shariah value from an original case (asl) to a new case, because the latter has the same effective cause (Illah) as the former. The original case is ruled by the Quran or Sunnah and Qiyas aims to extend the same ruling to the new case based on the same Illah. For example, prohibition of wine drinking is extended to the consumption of drugs at the present time.⁴⁶

However, there are numerous Challenges that Islamic banking and financing research faces, the most of which are due to the fact that Islamic finance is a relatively new discipline.

- Islamic economies are only recently being used as a basis for setting policy goals and implementation.⁴⁷
- There is a scarcity of experts who are suitably qualified in both Islamic law (fiqh) and conventional finance.⁴⁸
- There has been a failure to develop forms of reasoning that will allow the relevance of fiqh or conventional economic arguments to be determined for a given problem. Conventional economics is not irrelevant to the theory or implementation of Islamic economic policy, and it may even be beneficial in some cases.⁴⁹

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Cherroun REGUIA. Op. cit.,p.8

⁴⁸ Ibid.

⁴⁹ Ibid.

- The lack of criteria for establishing whether a comprehensive theory of all potential economic interactions or transactions is required, or whether Islamic economics can or should focus on specific areas of the economy or types of transactions.⁵⁰
- Its borders are hazy, and it lacks the conceptual and analytical expertise found in conventional economies. Putting away any pretensions, the fundamental core of Islamic economics is Islamic reflections on, or an Islamic approach to, notions offered by conventional economics, such as supply and demand theory.⁵¹

1.2. Section 02: Funds and products

In the chapter we will get into the sources of income and the products of each bank .

1.2.1. Conventional banks

A balance sheet can be examined to learn how a financial organization (or a subsidiary of that institution) gets and uses funds. The sources of funds are shown by the institution's reported liabilities and equity, whereas the uses of funds are indicated by the institution's reported assets. The following is a list of the key sources of commercial bank funding and products:

1.2.1.1. Deposit Accounts :

1.2.1.1.1. Transaction Deposits :

Customers who want to write checks against their account can open a demand deposit account, also known as a checking account. A traditional demand deposit account has a low minimum balance requirement and pays no interest. Demand deposit accounts are transaction accounts, according to the bank, because they provide a source of funds that can be used until consumers withdraw them (as checks are written).

The negotiable order of withdrawal (NOW) account is another sort of transaction deposit that pays interest and offers checking services. Traditional demand deposit accounts remain popular

⁵⁰ Ibid.

⁵¹ Ibid.

because NOW accounts at most banking institutions require a higher minimum balance than some clients are prepared to keep in a transaction account.⁵²

1.2.1.1.2. Electronic transactions :

Some transactions originating from transaction accounts have become much more efficient as a result of electronic banking. Most employees in the United States have direct deposit accounts, which allow their paychecks to be directly deposited to their transaction account (or other accounts). Social Security recipients have their checks deposited directly to their bank accounts. Computer banking enables bank customers to view their bank accounts online, pay bills, make credit card payments, order more checks, and transfer funds between accounts.⁵³

Bank customers use automated teller machines (ATMs) to make withdrawals from their transaction accounts, add deposits, check account balances, and transfer funds. Debit cards allow bank customers to use a card when making purchases and have their bank account debited to reflect the amount spent. Banks also allow preauthorized debits, in which specific periodic payments are automatically transferred from a customer's bank account to a particular recipient. Preauthorized debits are commonly used to cover recurring monthly expenses such as utility bills, car loan payments, and mortgage payments.⁵⁴

1.2.1.1.3. Savings Deposits :

The passbook savings account is a standard savings account that does not allow check writing. Passbook savings accounts continue to attract depositors with little amounts of money since they generally have no minimum balance requirements.⁵⁵

1.2.1.1.4. Time Deposits :

Deposits that cannot be withdrawn until a specific maturity date have been set are known as time deposits. The two most common types of time deposits are certificates of deposit (CDs) and negotiable certificates of deposit.⁵⁶

⁵² Jeff MADURA.<<FINANCIAL MARKETS and INSTITUTIONS>>. Cengage Learning.11th edition.2015,P.477.

⁵³ Ibid.

⁵⁴ Ibid

⁵⁵ Ibid.

⁵⁶ Ibid.,P478

Certificates of Deposit

A retail certificate of deposit (or retail CD) is a common type of time deposit that requires a predetermined minimum amount of funds to be put for a certain period of time. To meet the needs of depositors, banks offer a wide range of CDs. Annualized interest rates on CDs differ between banks and even between maturity kinds within a single bank. There is no secondary market for retail CDs. Depositors must leave their funds in the bank until the specified maturity or forgo a portion of their interest as a penalty.⁵⁷

Negotiable Certificates of Deposit :

Another type of time deposit is the negotiable CD (NCD), which is offered by some large banks to corporations. Negotiable CDs are similar to retail CDs in that they have a specified maturity date and require a minimum deposit. Their maturities are typically short term, and their minimum deposit requirement is \$100,000. A secondary market for NCDs does exist.⁵⁸

The level of large time deposits is much more volatile than that of small time deposits, because investors with large sums of money frequently shift their funds to wherever they can earn higher rates. Small investors do not have as many options as large investors and are less likely to shift in and out of small time deposits.

1.2.1.1.5. Money Market Deposit Accounts :

Money market deposit accounts (MMDAs) are unlike traditional time deposits in that they do not have a set maturity date. MMDAs are more liquid than retail CDs from the depositor's perspective, but they offer a lower interest rate. They differ from NOW accounts in that they have fewer check-writing options (only a certain amount of transactions per month), a greater minimum balance, and a greater dividend.⁵⁹

1.2.1.2. Borrowed Funds:

1.2.1.2.1. Federal Funds Purchased :

Federal funds, or fed funds, are excess reserves that commercial banks and other financial institutions deposit at regional Federal Reserve banks; these funds can subsequently be lent to other market participants that don't have enough cash on hand to meet their lending and reserve requirements. Because most such loans are made for a short period of time (from one day to a

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

week), they are unsecured and come with a low interest rate known as the federal funds rate or overnight rate.⁶⁰

1.2.1.2.2. Repurchase agreements :

A repurchase agreement (repo) is a contract in which one party sells securities to another and agrees to buy them back at a later date and price. When banks only require funds for a few days, they frequently employ a repo as a source of funds. When banks only require funds for a few days, they frequently employ a repo as a source of funds. The bank simply sells some of its government securities (such as Treasury bills) to a company that has a short-term cash surplus and then buys them back soon after.⁶¹

For the party selling the security and agreeing to repurchase it in the future, it is a repo; for the party on the other end of the transaction, buying the security and agreeing to sell in the future, it is a reverse repurchase agreement.⁶²

1.2.1.3. Long term sources of Funds :

1.2.1.3.1. Bonds issued by the Bank :

Banks, like other businesses, own fixed assets such land, buildings, and machinery. These assets typically have a 20-year or longer projected life and are typically financed through long-term methods such as bond issuance. Households and financial organizations, like life insurance companies and pension funds, are frequent purchasers of these bonds.⁶³

Because banks have less fixed assets than companies that use industrial equipment and machinery for production, they finance less using bonds than most other companies. As a result, banks don't require as much long-term capital.⁶⁴

1.2.1.3.2. Bank capital :

Bank capital generally represents funds acquired by the issuance of stock or the retention of earnings. In either case, the bank has no obligation to pay out funds in the future. This

⁶⁰ Ames CHEN. <<Federal Funds>>, <https://www.investopedia.com/terms/f/federal-funds.asp> (consulted 20/02/2021)

⁶¹ Jeff MADURA. Op. cit.,P.479-480.

⁶² Nathan REIFF.<<Repurchase Agreement (Repo)>>,

[https://www.investopedia.com/terms/r/repurchase-agreement.asp#:~:text=A%20repurchase%20agreement%20\(repo\)%20is,at%20a%20slightly%20higher%20price.](https://www.investopedia.com/terms/r/repurchase-agreement.asp#:~:text=A%20repurchase%20agreement%20(repo)%20is,at%20a%20slightly%20higher%20price.) (consulted 21/02/2021)

⁶³ Jeff MADURA. Op. cit.,P.480

⁶⁴ Ibid.

distinguishes bank capital from all the other sources of funds, which represent a future obligation by the bank to pay out funds.⁶⁵

Bank capital as defined here represents the equity or net worth of the bank. Capital can be classified as primary or secondary. Primary capital results from issuing common or preferred stock or retaining earnings, whereas secondary capital results from issuing subordinated notes and bonds.⁶⁶

Regardless of the cause of the losses, a bank's capital must be sufficient to cover operating losses if spending or losses exceed income. Long-term bonds are commonly thought of as secondary capital, however they constitute a liability to the bank and hence do not provide adequate protection against operating losses.⁶⁷

Each bank's required level of capital is determined by its risk. Assets with low risk are given low weights, and assets with high risk are given high weights. Capital is calculated as a percentage of risk-weighted assets. Therefore, riskier banks are subject to higher capital requirements.⁶⁸

1.2.2. Islamic banking

Every organization, even a non-profitable charity organization, requires revenue to operate. (Paper clips and good intentions won't pay the electric bill.) Commercial banks, like many other sorts of businesses, offer a variety of funding options, which are divided into two categories:

1.2.2.1. Internal Sources of the Funds:

They are the rights of the ownership of the bank which include the capital, reserves and retained earnings:

1.2.2.1.1. Capital :

Capital is the insurance (safety valve) that absorbs the predicted losses that may occur in the future for Islamic financial institutions and notably banks, just like it is for conventional banks.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Ibid.

Furthermore, capital is the primary source of finances to begin an enterprise. Capital also provides depositors with security and protection, as well as a source of trust.⁶⁹

1.2.2.1.2. Reserves :

They are funds set aside from the bank's benefits in the form of a legal or special reserve in order to support the bank's financial condition. The foundations of legal reserve formation are included in the bank's basic laws. When they reach a certain proportion of the bank's capital, they frequently come to a halt. Islamic banks create various reserve categories to support their financial situations, protect the safety of their capitals, and ensure the stability of their deposit and earnings balances.⁷⁰

1.2.2.1.3. Retained earnings :

They refer to the portion of net income preserved by the corporation for later reinvestment to strengthen the bank's financial situation. This does not include gains that have been agreed to be dispersed and for which some shareholders have not yet sought. When an Islamic bank keeps some earnings, it does not violate Islamic Sharee'ah rules because it (the bank) is acting as a Mudaarib (speculator) with the depositors' money. As a result, the Islamic bank can set aside a portion of its income to deal with any exceptional circumstances that may arise.⁷¹

1.2.2.2. External funds :

Deposits in Islamic banks are one of the bank's most valuable resources . They are also regarded as the key resource on which the Islamic bank relies for the majority of its investment operations. Deposit, in the area of Islamic banking, is an agreement in which the depositor pays a sum of money to the bank through one of several methods of payment. This will result in a call deposit or a term determined by the two parties' agreement. One of the main activities of Islamic banks is to mobilize and collect savings from individuals through deposit systems that are compliant with Islamic rules.⁷²

1.2.2.2.1. Current accounts (call or demand deposits) :

They are deposits that the consumer has the right to call or demand at any moment, whether through checks or banking transfer orders for other customers. Banks do not pay them any

⁶⁹ Abdel Wadoud MOUSTAFA MOURSI EL-SEOUDI.<< Sources of funds and invested in Malaysian Islamic Banks>>. Department of Syariah, Faculty of Islamic Studies,University Kebangsaan Malaysia,2012,P.1131.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Ibid.

revenue because they do not have consistent credit that could go to zero at any point. This eliminates the bank's ability to include them in its investing strategy.

As a result, Islamic banks rely on making no expenditures for the depositors as a form of encouragement. Furthermore, Islamic banks provide current account holders gifts from their net profits, which are decided by the board of directors if the banks earn a lot of profit.⁷³

Current accounts make up a significant portion of an Islamic bank's resources, particularly the total deposits. The degree of profiting from them in terms of investment is determined by their relative stability, which is determined by the bank's ability to examine these deposits in terms of withdrawal and deposit rates over a given period of time in order to determine the level of stability of these deposits. According to their nature, some banks categorize these deposits as steady or unsteady. As a result, they invest the steady portion in order to profit from it.⁷⁴

Current accounts represent an important factor of the bank activity through providing the short-term financing and emergent and pressing financing reserves for those who have productive activities in society. Moreover, current accounts represent one of the important elements of liquidity for the bank investment projects that can be needed from time to time for short-term financing requirements.⁷⁵

The owner of a current deposit with an Islamic bank may obtain an Al-Qard Al-Hasan (interest-free loan) that may exceed the amount of their current deposit, according to the restrictions set by the bank's board of directors. They can also use the Islamic bank's services.⁷⁶

1.2.2.2.2. Saving accounts :

These deposits are distinguished by small sums of money and a large number of depositors. As a result, Islamic banks use this type of saving current to attract the surplus of savings of individuals and small consumers. These accounts are critical to the Islamic bank. This is due to the fact that they might be invested in long and medium term usages. Savings accounts are characterized by entrusting them to the bank for investment while the bank receives a minimum rate from the account to split earnings. Furthermore, these deposits are distinguished by the fact that they can be invested in on the basis of the absolute Mudaarabah (which is an Islamic term that means that a person gives an amount of money to another person in order to trade with it and the second takes a share of the profit, such as one-fourth, half, or a third, and so on) by Islamic banks.⁷⁷

⁷³ Ibid.,P.1131-1132.

⁷⁴ Ibid.,P.1132.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid.

1.2.2.2.3. **Investment accounts :**

An investment account is one that is held for long-term investment reasons such as capital preservation, capital growth, and/or fixed income collection. It differs from a savings account in that it is opened for the aim of saving money (i.e. keeping money in a safe place) and the customer can easily add (i.e. deposit) and withdraw money at any time according to their needs. While an investing account is often formed to satisfy future needs, i.e.⁷⁸

Entrusting accounts :The customer will put a sum of money in the bank through opening an investing account under his name and entrust the bank to invest this sum of money in any project that the banks may see suitable from the legal and Islamic Sharee‘ah-based principles whether it is the local or foreign area. This account will be for different terms. The owner of this deposit cannot withdraw it wholly or even a part of it before the end of the appointed term for it. Investment through this deposit takes the ruling of the Sharee‘ah-based Mudaarabah.⁷⁹

Secondly, **Non-entrusting accounts** which the bank calls non-entrusting investing accounts. In this form of accounts, the customer chooses one of the projects that he wants to invest his money that he deposited in. He has the right to decide the term. In this form of investment, the customer deserves to take his share of the profits of the project he chose only. This form is called Mudaarabah Muqayyadah (an agreement whereby the owner of the account or fund limits the management of its fund).⁸⁰

Investing accounts, in general, are the category that is equal to the termed accounts in the banks other than the Islamic ones. Islamic banks that aim to encourage these forms of deposits hold different conditions concerning these deposits. That is because investing deposits, in the Islamic banks, are the most important financing factor that feeds the investment operations of the Islamic banks. Order of investing deposit states the sum of money, lasting time of the deposit, entrusting (or non-entrusting) the bank in investing it in different forms of investment that the Islamic bank practices.⁸¹

⁷⁸ Fareiny MORNI.<< Investment Accounts: The Game Changer for Islamic Banks in Malaysia>>. isra islamic finance space. issue 03,2015,p.34.

⁷⁹ Abdel Wadoud Moustafa Moursi El-Seoudi. Op. cit.,P.1132.

⁸⁰ Ibid.

⁸¹ Ibid.

1.2.2.3.The investment of funds :

a. Musharaka (partnership)

This is frequently regarded as the preferable Islamic style of financing since it most closely corresponds to the idea of profit and loss sharing. Partners put money into a project and share the risks and rewards. Profits are divided among partners according to a predetermined ratio, but losses are divided in precise proportion to the money contributed by each participant. Thus, a financial institution gives a percentage of the capital required by its customer with the expectation that the financial institution and client will share profits and losses proportionately according to a formula agreed upon prior to the transaction. This provides an incentive to invest wisely and to actively participate in the investment. In musharaka, all partners have the right but not the responsibility to engage in project management, which explains why the profit-sharing ratio is voluntarily agreed upon and can differ from the total capital investment.⁸²

b. Mudaraba (finance by way of trust)

Mudaraba is a type of cooperation in which one partner (*rabb al-mal*) finances the project while the other (*mudarib*) manages it. Although comparable to a musharaka, this kind of financing does not necessitate the formation of a corporation; the financial institution provides all of the funds, and the client is in charge of project management. Profits from the investment are divided based on a set fixed ratio. The assets are in the possession of the *rabb almal*, but the *mudarib* has the opportunity to buy out the *rabb almal*'s investment. Mudaraba may be entered into between an Islamic bank, as a provider of money, on its own behalf or on behalf of its depositors as a trustee of their funds, and its business-owner clients. In the latter case, the bank acts as a *mudarib* for a fee. The bank also acts as a *mudarib* in relation to its depositors, as it invests the deposits in various schemes.⁸³

c. Murabaha (cost-plus financing)

In a murabaha contract, the bank promises to purchase an asset or goods from a third party and then resell them to its client for a profit. The client buys the items in exchange for either immediate or postponed payment. According to some observers, this type of Islamic finance is remarkably similar to a traditional interest-based lending operation. However, one significant distinction between murabaha and interest-based financing is that the mark-up in murabaha is for the services provided by the bank (for example, searching and acquiring the essential commodities at the best price), and the mark-up is not time-limited.⁸⁴As a result, if the client

⁸² Kabir HASSAN, Mervyn LEWIS. Op. cit.,P.51

⁸³ Ibid.,P.51.52

⁸⁴ Ibid.

fails to make a deferred payment on time, the mark-up does not rise above the agreed-upon price due to the delay. In addition, the bank owns the products between the two sales, therefore it bears the associated risks.⁸⁵

d. Ijara (leasing)

Ijara, like a traditional lease, is the selling of manfa'a (the right to utilize commodities) for a set amount of time. Leasing began as a trading activity in Muslim countries and eventually evolved into a form of finance. Ijara is a contract in which a bank purchases and leases an asset or equipment required by its client in exchange for a rental fee. The lessor is responsible for upkeep and insurance. During a fixed period, the lessor (that is, the bank) retains ownership of the asset and is responsible for its maintenance, implying that it accepts ownership risk. The lessor has the right to modify the conditions of the lease payment at agreed-upon intervals under an ijara contract. This is done to ensure that the rental rate remains consistent with market leasing rates and the residual value of the leased asset. The lessee (that is, the client) does not have the option to acquire the asset during or at the end of the lease term under this arrangement. This goal, however, may be attained by a similar form of contract, ijara wa iqtina (hire-purchase). In ijara wa iqtina, the lessee agrees to purchase the asset at the end of the rental tenure at an agreed-upon price. For example, the bank purchases a building, equipment or an entire project and rents it to the client, but with the latter's agreement to make payments into an account, which will eventually result in the lessee's purchase of the physical asset from the lessor. Leased assets must have productive usages, like buildings, aircrafts or cars, and rent should be pre-agreed to avoid speculation.⁸⁶

e. Salam (advance purchase)

Salam is purchase of specified goods for forward payment. This contract is regularly used for financing agricultural production.⁸⁷

f. Bai bi-thamin ajil (deferred payment financing)

Bai bi-thamin ajil is a credit sale of commodities with postponed payment. The bank purchases an existing contract to buy particular commodities on a deferred payment schedule at the request of its customer, and then sells the products back to the customer at an agreed-upon price. The bank pays the original supplier upon delivery of the products, whilst the bank's customer can repay in a flat sum or make instalment payments over a certain length of time.⁸⁸

⁸⁵ Ibid.

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.,P.52-53.

g. Sukuk is a type of loan (participation securities)

Sukuk were created lately for the same reason that interest-free banking was established: to suit the needs of investors who sought to invest their savings in Shari'a-compliant financial products. As previously stated, interest-based transactions and some illegal economic operations (such as trading in alcoholic beverages) are also prohibited in the Islamic mode of financing. Recognizing the importance of bond trading in the modern financial system, Muslim jurists and economists have worked on building Islamic alternatives, with sukuk garnering the greatest attention among these financial innovations.⁸⁹

The primary distinction between conventional bonds and sukuk is in how they are organized and floated. The interest rate lies at the heart of all transactions in the traditional system of bond issuance and trading. In contrast, Islamic sukuk are structured so that the issue is based on the exchange of an approved asset (for example, buildings, rental cars, oil and gas pipelines, and other infrastructure components) for a predetermined financial value.⁹⁰

In order to summarize the fundamental distinctions between Islamic banking and conventional banking, we created this table as a conclusion for this chapter :

Lending and financing	
Conventional Bank	Islamic Bank
Conventional banks are in the business of lending & borrowing money based on interest.	Islamic banks are not lending institutions, but rather trading and investment firms.
Such limits do not exist in conventional banks. Interest is the system's backbone, and short selling, debt sale, and speculative activities are prevalent.	Islamic banks operate under socio-religious standards that prohibit collecting and paying interest, as well as avoiding all prohibited operations like as gambling, speculating, short selling, and the sale of loans and receivables.

⁸⁹ Ibid.,p.53.

⁹⁰ Ibid.

Conventional banks finance all industries; only firms considered illegal by the legislation of the state are not sponsored.	Alcohol, cigarettes, and other sectors that harm society are not permitted to be financed by Islamic banks.
Conventional banks, in general, do not engage in trade or business because they are primarily money lenders.	One of the Islamic Bank's business models is centered on commerce, thus it must actively participate in the trade and manufacturing processes and activities.
In Conventional Bank, no such framework is present	Islamic banks have a robust Shariah regulating framework in the form of a Shariah Board, which approves transactions and products based on Shariah laws.
Almost all financing and deposit side products in conventional banks are loan-based.	Islamic banks classify loans as non-commercial and exclude them from the realm of commercial activities. Any loan made by an Islamic bank must be interest-free.
A conventional bank regards money as a commodity and lends it in exchange for interest as compensation.	Islamic banking products are often asset-backed and incorporate asset trading, asset rental, and profit-and-loss participation.
Relation of customer & bank is of Creditor-Debtor.	Relationship of customer & bank is of Seller-Buyer and Partner.
Compensation is always Interest	Compensation is always Price and Profit (Thaman and Ribh)
Because money is concentrated in a few hands, there is no real rise in wealth.	Real growth in the wealth of the people of the society occurs as a result of the multiplier effect, and real wealth flows into the hands of a large number of individuals.

1.3. Chapter conclusion:

Traditional banks follow a business model focused mostly on financial transactions. Borrowing from depositors and lending to individuals and organizations seeking financing account for the majority of transactions in these institutions. Interest rate differentials are the most common strategy to profit. Other services provided by traditional banks help them make money. Islamic banks, on the other hand, function according to shariah principles (Islamic law). They are distinct in that they encourage depositors and borrowers to share risk. These banks also impose a "zakat" (Islamic charity tax) on all funds. In financial transactions and in the computation of profits and losses, the Islamic banking system preserves equality. In all transactions, clients, both depositors and borrowers, are viewed as business partners.

Interest rates are charged by conventional banks, however the Islamic banking ideology vehemently rejects this practice. Instead, it supports the notion of profit and loss sharing as a means of producing revenue. Traditional banks do not operate on the basis of religious or moral ideas or principles, but rather as pure economic enterprises. Islamic banks, on the other hand, evaluate conformity to the Islamic Shariah's norms and principles while making decisions.

2. CHAPTER 02: Human resources Management from the Traditional and the Islamic perspective

After providing an introduction chapter to our study's settings, we now address the subject of our study, which is human resources and their management from both Traditional and Islamic perspective. Human resources are the people who make up an organization's, business sector's, industry's, or economy's workforce. A more specific definition is human capital, which refers to the knowledge and skills that individuals possess. Manpower, labor, staff, collaborators, or simply: people are similar terms.

2.1. Section 01: Human resources and its management from a traditional perspective

2.1.1. Defintion of Human resources management :

Human Resource Management (HRM) is defined by Armstrong as "a purposeful and cohesive approach to the management of an organization's most valuable assets - the people who work there who individually and collectively contribute to the attainment of its objectives." We can draw from this description that HRM, or simply HR, is a role in businesses aimed to maximize employee performance in support of their employer's strategic objectives. Human resources (HR) is largely concerned with how people are handled within organizations, with a focus on policies and systems. Employee recruiting, training and development, performance appraisal, and rewarding (e.g., managing pay and benefit systems) are all typical responsibilities of HR departments and units in corporations. Human resources is also involved with industrial relations, or the balance of organizational practices with restrictions derived from collective bargaining and governmental laws.

HRM arose from the early twentieth-century human relations movement, when researchers began documenting methods of creating commercial value through strategic personnel management.

HR used to be dominated by transactional work like payroll and benefits administration, but as a result of globalization, company consolidation, technological advancement, and additional research, the function now focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, ethical considerations, and

diversity and inclusion. Because of their continuous evolutionary nature, these and other projects add to the understanding of Human Resource Management as a current topic.

2.1.2. Historical development of Human resources management

There were systematic ways for selecting tribal leaders in prehistoric periods. Hunting safety and health practices were passed down from generation to generation. The Chinese used personnel screening processes between 2000 and 1500 BC, whereas the Greeks utilized an apprentice system.

These efforts recognized the importance of carefully selecting and training people for specific jobs. Personnel managers (or personnel administrators) were the names given to early employee specialists, and the terminology is still used in many contexts. Personnel management refers to a group of functions or tasks (such as recruiting, selection, training, salary administration, and industrial relations) that are frequently executed well but have minimal connection to overarching organizational goals. As a result of their earlier and more widespread adoption of mass production work procedures, personnel management in the United Kingdom and the United States developed sooner than in Australia and Asia Pacific countries. Power-driven equipment and improved manufacturing techniques made it possible to create things at a lower cost than before. This process also resulted in the creation of many repetitive, unpleasant, or even dangerous jobs, as well as splits between management and the 'working class.' The concentration of workers in factories drew public attention to working conditions and prompted workers to band together to improve their working conditions. Early twentieth-century Humanitarian, Cooperative, and Marxist theories highlighted the potential for conflicts between employee and employer interests in modern industry, laying the groundwork for the growth of trade unionism and industrial relations systems, which are important elements of modern HRM.

Both the UK and the US governments became involved in these concerns and passed a series of legislation to limit women's and children's working hours, create minimum salaries for male labor, and protect workers from unhealthy or hazardous working circumstances. Since the early 1900s, Australian governments, both state and federal, have increasingly followed suit, however Australia and New Zealand have established a separate system focused on conciliation and arbitration rather than legislated criteria.

During this time, management theorists in the United States and the United Kingdom began to investigate the nature of work and work systems, developing models based on newly available psychological and sociological studies. The evolution of these theories and how they've been

used by both general management and HR experts reflects shifting attitudes toward employment, work processes, and organizational structures.

The Classical school (also known as "Scientific Management," which was created by Frederick Taylor and best illustrated by Henry Ford in his automobile manufacturing facilities) focuses on the task itself and the efficient adaptation of personnel to work processes. To increase organizational efficiency, the behavioral school (for example, Elton Mayo's Hawthorne Studies) focuses on the workers themselves and the satisfaction of their needs. Following management theories (e.g., systems theory, contingency methods) try to expand on past ideas in order to benefit both employees and their employers. Theorists of contingency, excellence, and total quality management (TQM) have applied these concepts to specific industries and organizations, as well as distinct economic and social circumstances. These ideas have two aspects that are relevant to HRM. First, by embracing management theories (particularly strategic management), personnel management has historically evolved into human resource management; second, a thorough understanding of these ideas can help HR managers better adapt their methods to organizational needs and realities.⁹¹

2.1.2.1. The human resources management school of thoughts

2.1.2.1.1. The classical school of thought :

Classical management theory is a collection of related theories on organization management that emerged in the late 19th and early 20th centuries. Practitioners refer to the Classical school as the traditional school of management. This school arose as a result of the industrial revolution, in response to the rise of major corporations and in opposition to the previous handcraft system. Scientific management, administrative principles, and bureaucratic structure are the three branches. The emphasis on the economic rationality of management and organization is the most prominent and common feature of all three divisions. Individual employee economic rationality at work believes that people pick the course of action that maximizes their financial return. In other words, economic rationality argues that people are motivated by monetary incentives and make decisions that benefit them the most. As a result, managers should appeal to employees' financial desires in order to motivate them to work hard. These assumptions are founded on a

⁹¹ Kipkemboi JACOB ROTICH, << HISTORY, EVOLUTION AND DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT: A CONTEMPORARY PERSPECTIVE >>. Global Journal of Human Resource Management. Vol.03. No.03,2015,P.58-59-60.

pessimistic attitude about human nature. While they are accurate to a degree, they also leave out some positive attributes. Human emotions were recognized by classical philosophers, but they believed that a logical and rational organization of employment and work could govern human emotions.

The classical school of management is most known for its contributions to:

- science applied to managerial practice.
- basic management functions development.
- management concepts articulation and application.

a. Scientific management :

Frederick Winslow Taylor (1856-1915), known as the "Father of Scientific Management," is widely regarded as a pioneer in the field. Taylor's efforts were aided by Henry Gantt, Frank and Lillian Gilberth, and Harrington Emerson. All of Taylor's students became well-known in their own way. They transformed management thinking with Taylor's help. Scientific management is the name given to the management ideas and practices that arose from Frederick Taylor's and his followers' work and are characterized by a focus on efficiency and systematization. The following are four basic parts of a series of ideas proposed by Taylor:

- Each person's task should be split down into components, with a scientific method for performing each one defined.
- Workers should be scientifically chosen and taught to perform the work in the way that it was intended.
- So that tasks are completed in the intended manner, there should be good cooperation between management and personnel.
- Between managers and workers, there should be a division of labor. Managers should be in charge of supervising, setting up instructions, and designing the task, while workers should be allowed to do it themselves.

As a result, the scientific method provides a logical framework for problem investigation. It include defining the problem, collecting data, interpreting the data, proposing alternatives, and choosing the optimal option. Taylor believed that using the scientific method would help him figure out the most effective way to do his job. Rather than abdicating responsibility for setting standards, management would investigate all aspects of an operation scientifically and determine a reasonable and coherent norm. To discover answers to business challenges, managers should go through the time-consuming process of logical study and scientific investigation rather than

guessing or relying exclusively on trial and error. Taylor honestly thought that scientific management techniques would benefit both the employee and the employer by generating a larger surplus, resulting in increased revenue for the business. He believed that boosting production was a joint goal for both management and labor. Taylor put in a lot of effort to improve production management. In the classic case of the pig iron experiment at the Bethlehem Steel Company, he proved how scientific approach might enhance both productivity per worker and daily compensation per worker.

Henry L Gantt was another important contributor to scientific management. Taylor's contemporaries and associates included Gantt. He stressed worker psychology and the relevance of morale in the workplace. Gantt stressed that willingness to apply the procedures and skills in completing a work was just as important as knowing the procedures and possessing the abilities. As a result, he recognized the importance of the human factor in production and coined the term "motivation" as we know it today. Gantt created a wage-payment system and a charting system or control chart for scheduling production operations, which provided the foundation for modern scheduling approaches such as CPM and PERT.

To discover more effective ways of executing repeated jobs, Frank and Lillian Gilbert focused on time-and-motion studies. The technique of studying tasks to identify the ideal movements for doing each work is known as time-and-motion studies. Scientific management theorists produced two main managerial practices: time-and-motion studies and piece-rate incentives, which are still frequently employed today. The piece-rate incentive system assumes that the workers who generate the most output earn the most money. Other contributions of the scientific management school include scientific worker selection and training, the importance of work design in encouraging managers to seek the best way to do a job, the development of a rational approach to solving organizational problems, and, above all, the professionalisation of management.

In his landmark book "Twelve Ideas of Efficiency" (1913), Harrington Emerson outlined principles such as carefully defining objectives, using the scientific technique of analysis, developing and implementing standardized procedures, and rewarding personnel for good performance.

Limitation of the scientific method :

The scientific management school is chastised for the reasons listed below.

- The scientific management school is chastised for the reasons listed below. No man is totally a 'economic guy,' and man's behavior is influenced not just by cash needs, but also by social,

security, and esteem requirements. As a result, economic incentives may not always be sufficient to inspire employees.

- In terms of component motions, there is no such thing as a "one best way" to accomplish a work, hence time and motion studies may not be completely scientific. Two experiments conducted by two separate individuals could result in completely different times for the same task.
- The separation of planning and completing a job, as well as the system's inherent specialization, tends to diminish the need for skill and increase labor boredom. Finally, improvements in procedures and improved tools among machines resulted in the elimination of some workers, producing discontent among them.

b. Administrative Management :

While scientific management pioneers tried to figure out the finest way to do a task, administrative management pioneers looked into the possibilities of an ideal approach to combine all tasks and run an organization. As a result, administrative or general management theory focuses on determining "the optimal way" to run a business. This school of thought is also known as administrative or traditional management ideas. The major creator and originator of administrative management theory is Henry Fayol, a French manufacturer. Chester I Barnard and Colnel Lyndall Urwick are two other notable proponents (a British management expert).

Fayol's unified Concept:

Fayol established a unified philosophy of management and broad administrative principles applicable to general and higher managerial levels as the managing director of a mining firm. For what we call management, he used the term "administration." Fayol concentrated on the top levels of management and the company as a whole. His vision was macro in character, extending beyond the shop level and physical industrial processes. He states in his French book 'Industrial and General Management' that all business activities can be separated into six categories: technical, commercial, financial, accounting, security, and administrative (or managerial). He concentrated on managerial activities and proposed that planning, organizing, commanding, coordinating, and regulating are the core functions of any manager. He underlined that the management process is the same at any level of a company and is applicable to all types of businesses. They discussed work division, authority and responsibility, discipline, unity of command, unity of direction, submission of individual interests to the greater good, pay,

centralization, scalar chain, order, equity, personnel tenure stability, and initiative amid esprit de corps.

He placed a strong focus on logic, rationality, and consistency, in addition to a set of essential management principles for establishing excellent organization and coping with the many elements of managing an organization. With a 'management focused' perspective, Taylor worked from the bottom of the hierarchy up, whereas Fayol worked from the top down.

We also have Chester Barnard, who served in a number of important public service positions, including President of New Jersey Bell Telephone, has had a significant impact on management theory and practice for nearly half a century, thanks to his ideas expressed in his classic book "the functions of the executive." The most important duty of a manager, he argued, is to inspire joint effort toward the organization's goals. Effective communication and a balance between rewards and contributions by each employee are required for cooperation.

Limitation of administrative management :

The administrative management school, like the scientific management school, is critiqued on several grounds :

- Many of this school's principles, especially those of Fayol, are conflicting and ambiguous. These rules are no better than proverbs, which convey contradictory ideas. The principle of unity of command, for example, contradicts the principles of specialization or division of labor, as well as the theory of restricted span of control, which contradicts the idea that the number of organizational levels should be maintained to a bare minimum.
- these concepts are based on a limited number of case studies and have not been empirically tested.
- These concepts are given as absolute assertions that apply in all cases, which is not feasible. More and more conditional management principles are required.
- these ideas lead to the creation of mechanistic organizational structures that are indifferent to the social and psychological requirements of employees. Employees' self-actualization is hampered by such organizations, which emphasize their reliance on superiors.
- Sociology, biology, psychology, economics, and other disciplines are not considered relevant or within the purview of this school. Furthermore, these concepts are built on the premise that businesses are closed systems. Employees, according to this school of thought, develop a preference for their respective departments rather than the entire firm.
- Under insecure settings, the inflexible structures established by these principles do not perform well.

c. Bureaucratic management :

The authoritarian-paternalistic structure gave way to expanded functional specialization with several levels of middle and lower management for coordinating organizational activity as organizations grew larger and more complex. As a result, the organization's structure became bureaucratic. Max Weber proposed a set of principles to provide foundations for organizing cooperative efforts in order to eliminate managerial inconsistencies and as a reaction to managerial abuses of power. The features of bureaucratic organization are:

- division of labour by functional specialization.
- defined hierarchy of authority
- set of rules covering the rights and duties of employees
- Procedures for coping with work situations, impersonal interpersonal relationships, and employee promotion and selection based on technical competency.

Examples of bureaucratic organizations include government agencies with a high number of offices and personnel, such as postal services. The strength of a bureaucratic organization lies on its system of workable rules, policies, and an authoritative hierarchy.

Limitations of bureaucratic management :

The negative and side effects of bureaucratic structure are numerous. Too much red tape and paper work results in not just unpleasant encounters, but also inefficient operations. Employees are unwilling to exercise individual judgment and avoid risks because they are treated impersonally and are supposed to rely on rules and policies. As a result, their development, creativity, and even initiative suffer greatly. Employees that are treated like machines are worried about the organization and show indifference to the organization's and job performance. Instead of performance, bureaucracy expects conformity in behavior.

Limitation of the classical school of thought

Aside from the limitations and drawbacks of each school of classical theory covered thus far, there are some general criticisms of classical theory schools. The concept of a reasonable economic person is frequently chastised. Around 1900 A.D., and for a few people now, the notion that individuals are driven largely by financial gain was reasonable. Under the present circumstances, when people's aspirations and educational levels have altered, this premise is

incorrect. Furthermore, businesses have become more complicated, necessitating greater innovation and judgment on the part of personnel. Second, traditional theory presupposes that all organizations can be governed using the same set of principles, which may or may not be true. In other words, the pervasiveness of management ideas is called into doubt. Organizations may need to adapt their principles when their aims, approaches, structures, and environment change.

The classical theory's ideas are not rigorously scientific, and so have not stood the test of time. They didn't add up to a coherent and comprehensive body of knowledge. Rather than a precise theory based on genuine scientific investigation and data, they reflected the observers' actual findings and logical deductions. However, the concepts, which were both reasonable and applicable to practitioners, were later evolved into corporate management recommendations. Traditionalists felt that management theories could be simplified by observing and analyzing what managers do, and then distilling the empirical data to arrive at particular principles. As a result, they are chastised for following in the footsteps of the past and perpetuating mediocrity and antiquated traditions. Nonetheless, this is the dominant school of thought and the most common type of management in practice.

2.1.2.1.2. Neo-classical theory (1920s-1950s) :

Traditional classical theory and its concepts are criticized for being contradictory, failing to consider motive, and making quick decisions about what should be done without first evaluating the time assumptions that underpin such decisions. As a result, these concepts are only a minor component of the whole body of administrative management knowledge, rather than the heart of management knowledge. Another catalyst was the emergence of industrial psychology principles about the same time. During the 1920s and 1930s, the neoclassical idea gave rise to two key groups: human relations schools and behavioral schools. Robert Owen and Andrew Ure are frequently identified as two people from the period prior to neoclassical theory. As early as 1800, Robert Owen, a young Welsh manufacturing owner, was the first to emphasize the human needs of employees. In his book "the philosophy of manufactures," published in 1835, Andrew Ure included human aspect. However, while the human relations movement of the 1940s and 1950s filled many gaps in our understanding of commercial organizations, it accomplished little to bridge key gaps in management theory or build a new and sustainable management theory.

a. Human relations school:

Elton Mayo is credited with founding the human relations movement, which eventually evolved into organizational behavior. F.J. Roethlisberger and William J. Dickson are the school's other two prominent co-researchers. They thought that organizations always involve member interrelationships, and that it is the manager's responsibility to ensure that these interactions are as conflict-free as possible in order to achieve the organization's goals. They argued that business organizations' human component had been completely overlooked. They believed that the management's first priority should be the fulfillment of psychological requirements.

Mayo, Roethlisberger, and Dickson conducted experiments at the Chicago Western Electric Company's Hawthorne, Illinois plant, which ultimately became known as the Hawthorne experiments or investigations. Workers would be more efficient and less weary if the optimum work environment could be determined (just as the best manner to accomplish the job could be identified by scientific management). They also believed it was critical to assess workers' attitudes and emotions to their occupations and their surroundings. They aimed to determine the association between working conditions and productivity through a series of tests. They created test groups for which lighting, rest periods, and working hours were changed, and control groups for which no modifications were made.

In their initial experiment, Mayo and others came to the conclusion that enhanced productivity was due to variables other than light. They were not abandoning their feelings, attitudes, or emotions at home, according to a follow-up interview, and employees were not at work solely for financial gain. However, their performance was also influenced by other factors. In the end, they realized that the workers had established their own concept of a reasonable output level.

Mayo and his colleagues came up with two key conclusions:

- strong informal groups' existence.
- Non-economic variables influence employee behavior at work.

They exposed certain flaws in classical theory's rational and structured approaches, as well as the error of supposing all workers to be rational and economic creatures. As a result of the Hawthorne research, a social person concept of employees emerged.

The social person view, in contrast to the rational economic view, is that :

- Individuals are driven by social needs.
- Interpersonal ties provide people with a sense of identity.
- Work has grown unsatisfying as a result of industrial advancement and routinization.
- Employees are more receptive to peer group social pressures than to management incentives and controls.

- Employees respond to management's supply for their social requirements and acceptance.

The social person perspective of the human relations school has necessitated managerial strategies for improving supervisors' human skills, such as replacing individual incentive plans with group incentive plans and focusing on employees' feelings and attitudes and their impact on productivity rather than managerial functions. The concept of a social manager has developed, and the social manager now acts as a coach and a helper, carrying out human relations initiatives without adopting a severe and aloof demeanor.

This theory aimed for as conflict-free inter-relationships as feasible among members of the organization, looking beyond organizational issues (i.e., environmental factors). This idea, which drew extensively on social psychology and individual psychology, assumed that the manager would be a tolerant (democratic and participative) leader and supervisor, and that each employee would be a distinct socio-psychological entity.

The Hawthorne studies taught us that individual psychological demands have a considerable impact on collective performance, and that employees frequently misstate their problems. As a result, independent of actual changes in working conditions, when employees are given special attention, output is likely to increase (Hawthorne effect). In other words, the findings confirmed the hypothesis that adequate fulfilment of employees' wants and wants leads to increased output. Human relations approaches focused more on the work group and the need for improved communication between supervisors and employees. The human relations movement is regarded as a tendency toward power parity. It is a continuous backlash against Taylorism's emphasis on scheduled work, rigorous hierarchical control, and a high degree of specialization, and is seen as an attempt to reduce the power and status gap between supervisors and subordinates. They did not, however, reject all classical notions. The neoclassical authors felt that treating employees as people (neoclassical) would encourage them to follow the principles (classical). "Treat employees as if they are important, and offer workers a sense of participation," they advised.

Limitations of the human relations :

Human relations school has several limitations as well :

- It is regarded to be a reversal of classical theory. In other words, they only considered human elements to be important and dismissed all other factors. Every organization is made up of a variety of social groups with opposing ideals and goals. In some areas, these groups may work together, while in others, they may compete and battle. It's nearly impossible to please everyone and turn the company into a large happy family.

- This strategy overemphasizes symbolic incentives, which may not be appreciated by the recipient's "important others," while downplaying the relevance of financial incentives. Furthermore, the expectation that informal groupings will form is impractical and uncommon. Informal organizations can only improve the worker's day, not his tedious, monotonous, and uncreative job. Workers do not come to the company looking for love and belonging. Human relations school techniques attempt to deceive workers by creating a false sensation of enjoyment while being unconcerned about their true well-being. Allowing workers to participate in decision-making is not the same as allowing them to believe they are participating. In this way, this strategy is likewise production-driven rather than employee-driven.
- This approach puts an unrealistic demand on the manager, expecting him to relinquish his need for control. The belief that happy workers are more productive and that better working conditions and human relations contribute to higher productivity isn't always correct. Above all, the manager's attention does not extend to all aspects of human behavior.
- The human relations movement embraced scientific management's core goal of efficiency, but instead of big organizations, it concentrated on individuals and small-group activities. Communication, leadership, and interpersonal relationships, particularly between employees and their managers, were emphasized. Human relations research, like scientific management efforts, focused on the lower levels of the organization rather than the middle and top levels, and hence lacked a complete breadth.

b. Behavioral school :

Since the Hawthorne experiments, there has been a surge in interest in behavioural science and its use in management. Modern behaviorism emerged from the human relations approach. Modern behaviorism refers to the current stage of development of the behavioural school of management, which prioritizes psychological factors while treating emotional demands fulfillment primarily as a tool of accomplishing other core economic goals. Much of what is discussed in behavioural schools can also be found in organizational (modern) humanism, which is a branch of modern management philosophy. Abraham Maslow, Douglas McGregor, Chris Argyris, Frederick Herzberg, Rensis Likert, Kurt Lewin, Chester Barnard, Mary Parker Follett, George Homans, and Warren Bennis are important behavioural scientists who contributed to gaining insight into ways to achieve managerial effectiveness and developing techniques to use people more effectively in organizations. They were well-versed in a variety of social sciences and employed advanced research techniques. They see traditional management philosophy as

extremely mechanistic, with a tendency to degrade the human spirit and a lack of responsiveness to human needs. Thus, The behaviorists preferred more flexible organization structures with jobs built around the capabilities and aptitudes of average employees, as opposed to overly specialized jobs, underutilized people, too much control over employees with no scope to make decisions, and little concern for subordinates' needs for recognition and self-fulfillment.

All of these researchers are challenging to categorize as neoclassical thinkers. Many of them should be considered contributors to modern management theories in general, social system theory in particular, and modern humanism theory specifically. Second, the behavioural school is a natural progression from the human relations school, leading to social system theory and modern behaviorism. As a result, the contributions and limits of the human relations school and the behaviorism school are very similar. They're all primarily focused with motivation. Motivation theories are classified in a variety of ways. They claimed that job design has not changed fast enough to keep up with changes in employee needs, and that today's employees want varied and demanding work. Instead of enforced control, they advocated participatory and group decision-making, self-direction, and control processes.

2.1.2.1.3. Modern management Theory :

Modern management theory emphasizes the organization's complexity as well as the diversity of employees' needs, motives, aspirations, and potentials. As a result, one-time status or universal management concepts are no longer viable options. Because of the complexities, complicated management solutions for dealing with people and organizations are required. The complex employee view is the principles of modern management theory, as opposed to the rational economic man of classical theory and the social person perspective of neoclassical theory.

People are both complicated and variable, according to the complex employee viewpoint. They have a variety of goals, discover new ones via experience, and motives differ from one organization to the next from department to department. The employee and the organization are linked through complex interactions. There is no one-size-fits-all management strategy that works for everyone all of the time. At different periods and for various people, managers can use different techniques. Analytical tools can be beneficial for implementing management techniques. This stage of management theory represents the work of revisionist scholars who combined streams of study in the behavioral sciences with efforts in mathematics, statistics, and computer use. Many revisionists are behavioural scientists whose research has spanned fields other than human relations. System theorists, operations research professionals, decision

theorists, statisticians, computer experts, and others experienced in quantitative research and decision approaches make up this potent team. This school of thinking was distinguished by rigorous inquiry and testing of hypotheses utilizing behavioural, statistical, and mathematical tools. This time is also known as the synthesis period.

In contrast to the predominantly engineering-oriented quantitative theorists in classical theory, industrial psychologists, along with sociologists and applied anthropologists, dominated neoclassical theory, it was revisionist researchers who questioned old tenets, developed new hypotheses, and offered better explanations of organizational and managerial behavior in modern management theory. Litchfield's claims in the first issue of *Administrative Science Quarterly* in 1956 seem to be the start of the revisionist movement. They questioned classical theory's logical reasoning principles, but did not dismiss all of the early theories. A fundamental contribution of modern management theory is the logical expansion of management knowledge into non-business sectors such as education, government, and health.

It's worth noting that traditional theory was concentrated on the organization, with a focus on efficiency and a process or functional approach based on logical evidence and descriptive study. Neoclassical theory had a person-centered approach, became more experimental, and remained almost entirely descriptive and deductive. Revisionists, on the other hand, used behavioral and quantitative approaches and were more inductive, experimental, rigorous, and thorough.

a. Systems theory :

As previously stated, the classical and neoclassical theories have the flaw of accentuating one feature at the expense of the other. The classical theory focused on the 'task,' 'structure,' and 'efficiency,' whereas the neoclassical theory focused on the 'people.' Through the media, systems theory has emerged as an integrated and holistic approach to management problems. This has become a popular way of looking at the company as a whole. Some of the proponents of the systems theory are Chester Barnard, George Homans, Philip Selznick, and Herbert Simon.

A system is a living organism made up of two or more interdependent pieces that work together to form one whole. A system might be an organization, a human body, a flower, or a tree (anything and everything is a system). The word "interdependent pieces" is crucial since it implies that a management should not focus on a single cause of a problem. There are two types of systems: open and closed. An open system communicates with its surroundings. Many physical and mechanical systems are closed systems, while all biological, human, and social systems are open systems. Traditional organizational theorists saw organizations as closed systems, whereas modern views see them as open systems that are always in contact with their

surroundings. To put it another way, an organization is an open system that interacts with external influences such as government agencies, customers, and suppliers on a regular basis. External pressures have an impact on how businesses operate.

The first of two aspects of systems theory is the open system notion. The impact of changes within an organization is the second phase. Changes in one part of the organization have an impact on the entire organization. The manager's work is made more difficult by this reliance. Open systems have porous or penetrable barriers that are adaptable and changing based on their activities. Management's role is to act as a boundary-linking pin between the various subsystems of the organizational structure.

b. Contingency Theory :

As the systems theory suggests, today's businesses are highly complex, and there is no one-size-fits-all managerial plan that will operate in all circumstances. The contingency approach highlights the lack of a single ideal way to manage and the importance of developing managerial strategies based on all relevant information. To put it another way, each manager's situation must be assessed individually, with a wide range of external and internal factors taken into account, before focusing on the best course of action for the specific circumstance.

This approach, in a way attempts to integrate the various schools of management thought, otherwise it is obvious that the principles and concepts of various schools have no general and universal applicability under all conditions. The contingency approach suggests that managers need to be developed in skills that are most useful in identifying the important situational factors. They should be able to identify which technique, in a particular situation, will best contribute to the attainment of management goals. In other words, managers should develop a sort of situational sensitivity and practical selectivity. Managers should have a kind of situational awareness and practical selectiveness, in other words. In the activities of motivating, leading, and structuring the organization, the contingency approach is most commonly used. Employee growth and training, decentralization decisions, the building of communication and control systems, and planning information decision systems are all possible applications. The implications of contingent theory on motivation include that behavior is the outcome of individual reactions to essential components of the environment, and people are motivated by external stimuli.

According to this notion, organizations must be created to match their circumstances, particularly their environment and the technology they use. The more complicated and changeable the environment, the more adaptable the structure must be, according to researchers.

A industrial organization's bureaucratic structure can only be effective in a stable, unchanging environment. A more flexible structure may be most effective for an R&D organization.

c. Organizational Humanism :

This school of thinking is a continuation of neoclassical theory's behavioural schools, and hence shares many characteristics with them. Some of the researchers described under behavioural schools, such as Chris Argyris, Douglas McGregor, and Abraham Maslow, are proponents of organizational humanism, often known as the modern behavioural school. Individuals must apply all of their talents and creative skills at work and at home, according to the school's core concept. This school is founded on a "self-actualizing perspective." Employees aspire to mature (self-actualize) on the job and are capable of doing so, according to this view. Motives fall into groups that can be organized according to their importance. Employees are generally self-motivated and self-controlling, and externally imposed controls cause them to react negatively. Employees will combine their ambitions with the organization's if they are permitted to become self-actualized. Self-actualization is the process of realizing one's full potential, which entails making the best use of one's personal abilities.

According to proponents of this theory, rational organization design leads to highly specialized and monotonous professions in which individuals are unable to fully utilize their creative and motivated potential. As a result, superfluous rules, strictly planned positions, and inflexible monitoring should be avoided, as human nature dictates. At work, employees should have more autonomy and enjoyment. Employees that are self-actualized are highly driven and provide organizational benefits that are impossible to obtain in a bureaucratic organization. A manager's best function is to challenge people, help them improve decision-making abilities, and give them opportunities to take on more responsibility. In contrast to external forces (social acceptance and organizational play) proposed by classical and neoclassical theories, the humanist approach proposes relying on the worker's internal motivation (i.e., desire to grow). Individual needs and how they are met at work are the focus of organizational humanism.

It is impossible to think that every employee pursues self-actualization at work, which is why organizational humanism is questioned. According to organizational humanists, there are numerous ways for people to entertain themselves at work and make their employment more fascinating.⁹²

⁹² Sridhar M S.<<Schools of Management Thought>>,2009,P.4-13.

2.1.3. Human resources management characteristics :

The following are the features of the HRM concept as they appear in the writings of the pioneers and later commentators:

a. Diversiaty of HRM :

HRM features are far from ubiquitous. There are numerous models, and behaviors within businesses vary widely, often only resembling the conceptual version of HRM in a few ways.

The prescriptive portion of the HRM model is downplayed by Hendry and Pettigrew, while the analytical parts are extended. As Boxall points out, such an approach avoids labeling HRM as a singular form and progresses more slowly by being more analytical. 'Better descriptions of structures and strategy-making in complex organizations, as well as frameworks for comprehending them, are a vital bedrock for HRM,' Hendry and Pettigrew suggest. Storey distinguished between the 'hard' and 'soft' variants of HRM. People are significant resources through which firms achieve competitive advantage, according to the hard form of HRM. As a result, these resources must be obtained, developed, and deployed in ways that benefit the organization. The emphasis is on the quantitative, calculative, and business-strategic components of managing human resources in the same manner that any other economic factor is managed. Guest observes:

"The drive to adopt HRM is... based on the business case of a need to respond to an external threat from increasing competition. It is a philosophy that appeals to managements who are striving to increase competitive advantage and appreciate that to do this they must invest in human resources as well as new technology."

HRM in its soft form owes its origins to the human-relations school, emphasizing communication, motivation, and leadership. It entails 'treating employees as valuable assets, a source of competitive advantage through their devotion, adaptability, and high quality (of skills, performance, and so on),' according to Storey. As a result, it sees employees as "means" rather than "things," as Guest puts it.

meanwhile Legge characterized the "hard" model of HRM in 1998 as a process emphasizing "the close integration of human resource policies with business strategy, which views personnel as a resource to be handled in the same rational way as any other resource being exploited for maximum return." Employees, on the other hand, are seen as "valuable assets and a source of competitive advantage through their devotion, adaptability, and high level of skills and performance" in the soft version of HRM.

Truss highlighted, however, that "even if the rhetoric of HRM is soft, the reality is often hard, with the organization's interests prevailing over those of the person." Gratton et al discovered that the eight firms they surveyed used a mix of hard and soft HRM practices. This led the researchers to believe that the line between hard and soft HRM was not as clear as some observers had indicated. And that HRM is more of a case by case discipline.

b. Strategic :

Perhaps the most important aspect of HRM is the emphasis placed on strategic integration, which stems from top management's vision and leadership and necessitates people's complete participation. Guest believes that this is a key policy goal for HRM, which is concerned with the organization's ability to integrate HRM issues into its strategic plans, to ensure that the various aspects of HRM cohere, and to encourage line managers to consider HRM when making decisions.

One of the main elements of standard HRM definitions, according to Legge, is that human resource policies should be integrated with strategic business planning. According to Sisson (1990), an increasingly associated element of HRM is a focus on the integration of HR policies with one another and with business planning in general.

c. Commitment oriented :

Walton underlined the importance of commitment and mutuality as follows:

The new HRM model is composed of policies that promote mutuality – mutual goals, mutual influence, mutual respect, mutual rewards, and mutual responsibility. The theory is that policies of mutuality will elicit commitment, which in turn will yield both better economic performance and greater human development.

One of the HRM policy aims, according to Guest, was to attain high commitment - "behavioral commitment to follow agreed goals, as well as attitudinal commitment shown in a strong identification with the enterprise."

Human resources, according to Legge, can be most effectively exploited by mutually consistent rules that promote commitment and, as a result, develop a desire in employees to operate flexibly in the interests of the "adaptive organization's" pursuit of excellence.

d. People as a capital :

Beer et al. were the first to propose that people should be treated as assets rather than variable costs, in other words, as human capital. According to Karen Legge, HRM philosophy maintains

that "human resources are valuable and a source of competitive advantage." According to Armstrong and Baron.

People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a significant source of competitive advantage.

e. Unitary Philosophy :

The HRM approach to employee relations is essentially unitary — it is assumed that employees and employers have similar interests. This is in contrast to the more realistic pluralist viewpoint, which states that all organizations have a variety of interest groups and that the interests of employers and employees do not always align.

f. Individualistic:

HRM is individualistic in that it emphasizes the importance of maintaining links between the organization and individual employees in preference to operating through group and representative systems.

g. Management-driven activity :

HRM is a central, senior management-driven strategic activity that is conceived, owned, and delivered by management as a whole to advance the organization's objectives. Purcell (1993) believes that HRM adoption is both a product of and a cause of a significant concentration of power in the hands of management, and that the widespread use of HRM language, if not practice, is a combination of its intuitive appeal to managers and, more importantly, a response to the turbulence of product and financial markets. HRM, he claims, is about the rediscovering of managerial authority. When applied within a company as a break from the past, he believes HRM policies and practices are frequently associated with words like commitment, competence, empowerment, flexibility, culture, performance, assessment, reward, teamwork, involvement, cooperation, harmonization, quality, and learning. However, describing HRM as a best-management practice has the risk of stereotyping the past and idealizing the future.

h. Focus on business value :

Human resource management is mostly based on a management and business mindset. It is concerned with the organization's overall interests — the interests of the organization's members are acknowledged, but they are sacrificed to the enterprise's.

As a result, senior management's vision and leadership place a premium on strategic integration and strong cultures, which necessitate individuals who are committed to the goal, flexible to change, and culturally appropriate. By implication, as Guest says: 'HRM is too important to be left to personnel managers.'

2.1.4. HRM objectives:

Human resources management aims for :

• Organizational effectiveness

'Different human resource methods shape the essential abilities that define how businesses compete'. Extensive research has demonstrated that such procedures have a major impact on corporate performance. HRM strategies attempt to support programs aimed at improving organizational effectiveness by defining policies in areas such as knowledge management, talent management, and creating a "great place to work."

• Human capital management

An organization's human capital consists of the people who work there and rely on the company's success. Bontis et al. defined human capital as follows:

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.

• Knowledge management :

Knowledge management is defined as 'any method or practice of creating, obtaining, capturing, sharing, and utilising knowledge, wherever it may exist, to improve learning and performance in businesses'. HRM seeks to facilitate the development of firm-specific knowledge and skills as a result of organizational learning processes.

• Reward management :

HRM seeks to improve motivation, job engagement, and commitment by implementing policies and practices that guarantee employees are valued and rewarded for what they do and achieve, as well as the levels of skill and competence they attain.

- **Employee relations :**

The goal is to foster an environment in which productive and pleasant relationships may be maintained through collaboration between management and employees, as well as their trade unions.

- ***Meeting diverse needs :***

HRM aims to develop and implement policies that balance and adapt to the needs of its stakeholders, as well as provide for the management of a diverse workforce, taking into account individual and group differences in employment, personal needs, work style, and aspirations, and ensuring that everyone has equal opportunities.

- **Bridging the gap between rhetoric and reality :**

According to research undertaken by Gratton et al, there is a significant difference between the rhetoric described above and reality. Management may have good intentions to accomplish some or all of these things, but putting them into practice - putting theory into practice – is often challenging. Other business priorities, short-termism, limited assistance from line managers, an inadequate infrastructure of supporting processes, a lack of resources, resistance to change, and a lack of trust all contribute to this. HRM's main goal is to close this gap by doing all possible to guarantee that goals are turned into long-term, effective action. To do so, HR professionals must keep in mind that developing new and innovative policies and practices is quite simple. The problem is getting them to work.⁹³

⁹³ Michael ARMSTRONG.<<a handbook of HUMAN RESOURCE MANAGEMENT PRACTICE>>. Kogan Page Publishing.10th Edition.,2006,P.8-15

2.2. Section 02 : human resources management from an Islamic perspective

The ability of businesses to solve HRM challenges has been greatly influenced by country socioeconomic and cultural environments. In this regard, Rahwar and Ai-Buray (1992) claim that Western organizational theory sits uncomfortably in Arab cultures due to its focus on individualistic, performance-related, and economic measure-based approaches; for example, they claim that many important individual spiritual needs are overlooked in Western management thought. Western ideals on work motivation and ethics may not be acceptable in Islamic countries. This is where Islamic human resource management enters the picture.⁹⁴

2.2.1. Definition of IHRM (Islamic human resources management) :

Because Islam encompasses all of one's social and economic activities, it is more than simply a religion - it is a whole way of life. As a result, the Islamic work ethic is far superior to the Protestant work ethic. Islam is an Arabic word that means "to surrender to God's will in words and acts", and the Muslim's ultimate purpose is to follow the Almighty God's instructions in order to establish a peaceful and healthy society. Because the human being is the vice-regent of God, there is no laissez-faire in Islam . Human activity of any kind is interpreted in the framework of Istikhlaf (vice-regency).

As a result, in Islam, the goal of life is to be a good trustee on earth, doing good to oneself and others in the name of God. Human activities change with the changing circumstances of life, but the goal remains the same: belief in the unity of God (Tawhid) and worship in its broadest sense, not only prayers. As a result, three key principles govern all economic and social activities:

- God is the owner of all riches and resources.
- As God's trustees, mankind oversee God's wealth and resources.
- Those who are most devout, helpful, and useful to other creations, including humans, animals, and the environment, are those whom God loves the most.

On the basis of these socio-economic and theological principles, Islamic management was derived.

⁹⁴ Mohammed BARNNINE and David POLLARD.<< Human Resource Management with Islamic Management Principles: Adialectic for a reverse diffusion in management>>., P.5.

As a result, if we simply define HRM in the old (conventional) context, as a set of organizational activities aimed at attracting, developing, and sustaining an effective workforce, than Islamic HRM is the process that seeks to staff the organization, and sustain high employee performance, based on the guidelines of Al-Qur“an and Sunnah, through human resource planning, recruitment or decruitment, selection, orientation, training, compensation and benefits, performance appraisal, and career development.⁹⁵

2.2.2. IHRM Origins :

With the founding of the first Muslim state in Medina (Saudi Arabia), the Prophet Mohammed established the first Islamic administration rules. With its simplicity, that form of management created the groundwork for a civilization that would last for many years. The Prophet's administration was characterized by Shura, or consultation, because he consulted and heeded the advise of his companions in a number of topics not clearly stated in the revealed Holy Quran. Al-Hirrawi stated that because he was The Prophet, his followers would have blindly followed his orders, but he was committed in fostering a climate of consultation, involvement, and consensus among the faithful. For making choices that would affect the Muslim community, the Prophet Mohammed established an official consultative council made up of pious, knowledgeable, and wise followers. The pious Caliphs who succeeded him kept a consultative council and used public referendums to make decisions. Later, as Islam extended south, north, east, and west, it became necessary to establish particular regulations to govern Muslims outside of Arabia, all while sticking to Islamic ideals and following the Prophet's example. As Muslim dynasties and empires grew in power, the public administration system became more intricate and decentralized. In the new areas where Islam had spread, the administrative system was frequently left to the locals. In later centuries, Muslim scholars from all over the world, including some of the most influential non-Arabs, gradually developed distinctive Islamic knowledge that encompassed everything from exact sciences like architecture and medicine to social sciences like economics and finance, and arts like music and poetry.⁹⁶

⁹⁵ Abdul Hamid Chowdhury ; Nazamul Hoque & Mohammad Masrurul Mawla.<<Human resources management from Islamic perspective >>.Bangladesh journal of Islamic thought.P.21.

⁹⁶ Mohammed BARNNINE and David POLLARD. Op. cit.,P.9.

2.2.3. IHRM characteristics and principles :

The ideas of work ethics and management in Islam are derived from the Holy Quran, Prophet Mohammed's sayings, and practice. Many Quranic verses discuss trade justice and honesty, as well as courtesy and fairness in workplace interactions, and they also encourage people to gain new talents and aspire to do excellent job that serves both the individual and the community. Islam places such importance on teamwork and consultation when making decisions. Also It emphasizes co-operation in work and consultation in making decisions. Management is crucial in Islam and having a leader is obligatory in most circumstances of life. The Prophet Mohammed said, 'When three are on a journey, they should appoint one of them as their leader'.

The following are the fundamental concepts of an Islamic management system that have important significance for HRM practice.

a. Intention (Niya)

Every action in Islam should be accompanied by a set of intentions. According to the Prophet Mohammed : '*Actions are recorded according to intention and a person will be rewarded or punished accordingly*'. Each individual is gifted with free will and is accountable for societal transformation. According to the Quran (Chapter 13, verse 11) : states: '*God does not change the condition of a nation unless it changes what is in its heart*'. Employees should not, for example, be penalized for making unintentional mistakes; instead, they should be rewarded or punished for their intended objectives, ideas, plans, and strategies, rather than just for the outcomes of their actions, which may be influenced by external factors beyond their control. This also emphasizes the necessity of human resource planning and strategic decision-making in Islamic management.

b. Forever mindful of the almighty God (Taqwa):

When a person is filled with Taqwa, he or she will refrain from behaving unjustly, and will command his or her soul to progress from the state of Ammara (the prone-to-evil level), which is the primitive stage that man shares with animals, to the state of Lawama (self-reproaching level), where man is aware of evil and struggles between good and evil by seeking repentance, to the highest level of Mutmainna (those who seek forgiveness). Because individuals fear no one except God, taqwa leads to constancy in seeking truth and justice. When wrongdoings are observed in one's company or society, constructive criticism and guidance become a widespread practice, if not an obligation, in HRM.

c. Kindness and care while feeling the presence of God (Ihsan):

Ihsan has a variety of meanings. Almsgiving, perfection and amelioration, forgiveness, faith completion, and, most importantly, completing good actions are all part of it. It's also a never-ending battle to work for God's satisfaction and to worship Him as if you can see Him and He can see you. This emotion causes the person to act in the best possible manner without the need for human supervision. The importance of Ihsan is linked to the importance of Iman, which is the central Islamic moral trait or belief in God. Such economic and social actions take on a moral and spiritual dimension in this framework as a way of doing good to oneself via self-preservation and to society via obeying God's instruction on wealth generation, ownership, spending, equality, and social justice. What is produced, how it is produced, and the human and societal costs of both production and consumption govern production and consumption. Every action should be motivated by a desire to do good and remember God's presence. Managers that have a high degree of Ihsan support staff training and development, as well as staff involvement and participation in decision-making.

d. Justice (Adl):

Justice is a value that everyone should strive for, whether they are a leader or a follower (Wilson, 2006). In the Holy Quran, it is written: 'O you who believe! Stand out firmly for God as witnesses to fair dealing and let not the hatred of others to you make you swerve to wrong and depart from justice...' (Chapter 5, verse 8). Personal interests and other circumstances have no bearing on justice in Islam. Justice also serves to safeguard people's freedom and equality. Humans are allowed to believe whatever they choose inside Islam, 'There is no compulsion in religion' (Quran, chapter 2, Verse 256). Regardless of sex, color, ethnicity, income, prestige, profession, position, or education, all persons are treated equally. Their acts and acts are what actually matter. When the Prophet Mohammed said: 'An Arab has no preference over a non-Arab, nor a non-Arab over an Arab, nor is a white one to be preferred to a black one, nor a black one to a white one, except in piety (righteousness)'. Without exception, piety is the primary criteria, and only God knows a person's level of piety. Justice leads to equality, and individuals in positions of leadership must maintain a sense of humility in order to sustain a culture of justice and equality. Employees are treated and paid equally and fairly in businesses where justice prevails. Managers always treat their subordinates with respect and courtesy, never looking down on them or dismissing their ideas. The regulations, laws, policies, and procedures are all followed and implemented properly.⁹⁷

⁹⁷ Ibid.,P.9-12.

e. Trust (Amana) :

Because everyone in the business is held accountable for their activities, especially in the field of human resource management, the notion of trust is the foundational idea in managing authority relationships. The Qur'an says in surah A'raf (8:27):

“O you who believe! Betray not Allah and His prophet, not betray knowingly your Amana (things entrusted to you, and all the duties which Allah has ordained for you).in light of the above verse, trust is the primary problem that instills trustworthiness in both managers and employees in the practice of human resource management. At the same time, the leader or manager is a "Ameen," or trustee, who should be trusted by his or her superiors and subordinates. As a result, any misappropriation of assets or mismanagement is deemed a breach of trust. The association is based on the trust of the people who own it and the people who use it. In an Islamic perspective, those who work in it, particularly in human resources management organizations.⁹⁸

f. Truthfulness (Sidq) :

Sidq refers to doing and stating what is correct to the best of one's knowledge. Under Islam, lying or cheating is prohibited in all circumstances. The Holy Quran has several passages emphasizing the virtues and qualities of sincerity. Managers and subordinates are cautioned not to be led by their emotions, which might lead them away from the proper road of justice and trustworthiness. They must be patient, carry out their contractual obligations, be honest, and work hard, all while seeking God's compassion and mercy. Effective management requires honesty and trustworthiness. They protect mankind from falling prey to the temptation of misusing the riches given to them. The desire for truth expresses the idea of personal accountability for every word spoken, and it supports organizational efforts to analyze and review practice or discover the source of a problem.

g. Conscientious of self-improvement (Itqan) :

This value indicates a persistent internal effort for self-improvement in order to accomplish better job. As a result, always attempting to improve encourages humans to work harder and gain new information and skills in order to increase the quality of their products and services. This value is linked to a desire for perfection and excellence (Alfalah). Because of the drive to improve and excel at doing what is good for oneself and the society, creativity becomes a vital value in one's life. Pushing for continuous improvement in an organizational environment needs

⁹⁸ Md SULIMAN HOSSIN ;Ildris ALI & Sentosa ILHAM.<<Human resources management from Islamic perspective : a study on Bangladesh context>>. International journal of academic research in business & social sciences.Vol10.No06,2020,P.396.

managers and workers to work harder and enhance the quality of their goods and services by encouraging learning, training, innovation, and creativity.⁹⁹

h. Sincerity and keeping promises (Ikhlas) :

Every Muslim's moral obligation is to follow the law. Breaking one's word is forbidden in Islam, and it is a sin to purposefully ignore one's pledge. In Islam, a person is labeled a hypocrite if he or she willfully breaks a promise. Islam likewise stresses keeping one's word, as Allah said in surah Maida (5:1) in the Quran. "O you who believe! Fulfil (all) obligations...". As a result, sincerity instills faith and confidence in a company and fosters a culture of trust and collaboration between employees and managers.¹⁰⁰

i. Consultation (Shura) :

Before making decisions, a Muslim leader must seek counsel and consult others. In Islam, taking part in conversations and giving ideas are important leadership traits. In the absence of a mandated scripture, consultation or Shura is the greatest means to make the best conclusion on worldly problems. It is written in the holy Quran, in a speech to the believers, that 'their matters are shura among them' (Chapter 42, verse 38). All socioeconomic and political issues not explicitly addressed in the holy Quran and Sunnah are resolved by conversation and consensus. This Shura concept urges Muslim leaders to regard their subordinates as equals and to be modest in their interactions with others. A decent Muslim does not act with pride or arrogance. Before making choices in the workplace, supervisors are supposed to seek advice and confer with their employees.¹⁰¹

j. Patience (Sabr):

Tolerance is the greatest level of Iman (faith in God's oneness and Muhammad's role as his prophet and messenger). Tolerance and stillness are inextricably linked in HRM. Restraint in decision-making reduces the risk of making mistakes and increases the chances of management success, especially in the field of human resource management. Many verses in the Quran encourage individuals to be patient and peaceful in their everyday lives, and it is the key to success in this world, particularly in HMR management practice, as well as in the life after death. Surah Al-Imran (3:200) of the Quran says: "O you who have believed, endure and survive and remain stationed and fear Allah that you may be successful". The Quran also stated in surah

⁹⁹ Mohammed BARNINE and David POLLARD. Op. cit.,P.12-13

¹⁰⁰ Md SULIMAN HOSSIN ;Idris ALI & Sentosa ILHAM. Op. cit.,P.397.

¹⁰¹ Mohammed BARNINE and David POLLARD. Op. cit.,P.13.

Baqarah (2:153) that Allah always with those people who are patient “O you who have believed, seek help through patience and prayer. Indeed, Allah is with the patient”.

As a result, in every firm that uses IHRMS, managers, employers, and subordinates should exercise extreme patience when dealing with their individual concerns at work, specifically in fundamental HRM activities.¹⁰²

2.2.4. IHRM objectives :

there is not much of a difference between western or traditional HRM objectives and IHRM objectives :

- The primary goal of Islamic HRM is to strictly adhere to and apply Islamic law in the interactions between management and employees inside a business.
- IHRM through planning guarantees that it has the proper amount and types of people in the appropriate locations at the appropriate times, who are capable of accomplishing tasks effectively and efficiently to assist the organization realize its ultimate goals. The Qur'an inspires the believers in different ways to design plans for their actions through observing the plans of Allah (SWT) in His creation.
- Through recruitment, organizations locate, identify and attract potential and capable applicants to fill job vacancies. The ultimate goal is to persuade the most qualified individuals to apply for the position, because good recruiting is crucial to successful selection.
- Ensure that the most qualified people are hired through selection process based on four principles justice; honesty; merit and competency. Additionally, Islam requires the person who is in charge of recruitment to be pious and just, so incidents of favoritism and nepotism are less likely to arise.
- helps managers get a feel for the supervision style that will be most effective with the new employee. Through orientation, whether formal or informal, results in an outsider-insider transition that makes the new member feel comfortable and fairly well adjusted, lowers the likelihood of poor work performance, and reduces the probability of a surprise resignation. Which will benefit the employees, the company, and the client
- inspiring, developing, and maintaining employee performance by a system of establishing work standards, evaluating performance, and offering feedback; this is known as performance appraisal. performance appraisal in Islam is based on normative instructions and the practice of the Prophet Muhammad (SAW) and his immediate four Caliphs. The normative realm is revealed

¹⁰² Md SULIMAN HOSSIN ;Idris ALI & Sentosa ILHAM. Op. cit.,P.397-398.

in Quranic instructions. It can be grouped into three categories: contractual arrangement, self-responsibility and control, and the Almighty's assessment of performance.

- developing human resource skills that will help them to be more productive and hence contribute more to the achievement of corporate goals through training. Islamic learning and development encompasses all aspects of human development, beginning with moral and spiritual growth and extending to physical development. Because Islam views labor as a necessary component of a person's success in life, it not only encourages people to work, but also drives them to strive for perfection and excellence in whatever they do.

- developing a remuneration system that not only meets employees' basic necessities but also motivates them to put up their best effort. Recognize the importance of employee performance and find ways to motivate them to operate at maximum efficiency in a constantly changing business environment. In IHRM

compensation was based on five foundations :

- employment is a contract, thus it is an obligation that must be met by both the employer and the employee.
- compensations differ according to expertise and situation
- compensations must be determined in advance and that wage has to be given immediately once the work is completed.
- compensations can be either in cash or/and in kind. Fifth, wages and compensations are based on prior agreement and should be increased according to circumstances
- wages and compensation should be sufficient to provide a decent living.

- Employees' professional development. Managers could, for example, extend their hands of collaboration to those employees who want to improve their knowledge and skills by obtaining higher degrees at home and abroad, allowing them to better contribute to the firm and society as a whole.¹⁰³

¹⁰³ Abdul Hamid Chowdhury ; Nazamul Hoque & Mohammad Masrurul Mawla. Op. cit., P.22-34

CONCLUSION OF THE CHAPTER

Human resource management, according to traditional thought, focuses more on how to run the company and ignores employee demands. Controlling employee behavior while focusing on the needs and relationships between employees and managers is a provision of the humanistic theory. On the other hand, the Islamic approach pays special attention to the organization's needs as well as employee concerns. The Islamic method fosters positive relationships among all types of employees in a company. The classical theory advocates for organizations to be bound by rules, employees in higher positions to control and supervise those in lower positions, work to be distributed according to different specializations, workers to be chosen and trained according to their needs, and the manager to be held accountable. According to the humanistic idea, an organization can run smoothly through informal interactions and good supervision, as well as respect for employee attitudes between managers and employees. Both classical and humanistic approaches are combined in the Islamic approach to human resource management. Job descriptions, motivation, accountability at two levels (managers and employees), incentives, employee morale, discussions (Shura), and distribution of authority are all part of the Islamic approach to human resource management.

In terms of the working environment, classical theories imply a formal setting in which managers and employees are fully separated from the owner, but humanistic theories imply that employees are well protected in an informal setting. Employees in this position have more freedom in the workplace, with less restrictions on what they do and how they do it. The Islamic doctrine, in addition to having all of the above characteristics, has a trustworthy environment in terms of employee-manager relationships. Employees are well-protected in the Islamic system, which emphasizes justice and fairness. It provides employees with the flexibility to express their thoughts as well as increased collaboration in the organization's administration, oversight, and direction. It provides employees with the flexibility to express their thoughts as well as increased collaboration in the organization's administration, oversight, and direction.

The traditional philosophy of workforce sustainability, human resource planning and analysis, and workload management entails planning from top to bottom, which allows for rational decision-making and task division between employers and employees. Employees are also viewed as the organization's heart, as they participate in decision-making. All of the foregoing aspects of both classical and humanistic theories are considered in the Islamic approach to human resource management, with a special emphasis on consultation. When dealing with human resources in an Islamic organization, the moral and spiritual dimension should always be one of

the most significant considerations. This should be distinguished from western approaches to human resource management, which prioritize materialistic aims in the pursuit of organizational objectives.

3. CHAPTER 03 : comparison between HRM Functions in Conventional banks and Islamic banks

Because banking is a service industry, human resource management is critical. Banks face two major challenges: people management and risk management. In the banking industry, your performance is determined by how well you manage people and risks. Without efficient and experienced people, effective risk management may not be achievable. Banking has always been and always will be a "People Business." Although price is significant, there may be other compelling reasons for customers to choose and stick with a specific bank. Banks must aim to set themselves apart by establishing their own niches or images, particularly in transparent markets with high levels of competition. Customer satisfaction will be critical to the survival of banks in the future. Those who fail to exceed client expectations will struggle to stay afloat. To attract and maintain particular consumer segments, banks must express and reinforce their basic beliefs. Values such as "sound," "reliable," "creative," "international," "close," "socially responsible," and others must be highlighted through tangible activities on the ground, and the bank's people resources would be the ones to do it.

The shortage of trained people is a widespread issue among bank executives. There are no two ways about it: HR resources are becoming scarce, both in terms of quality and quantity. And, it goes without saying that any resource in short supply must be effectively managed for the sake of society, thus you must pay close attention to the complete Human Resource Management process.

3.1.Planning :

3.1.1. In conventional banks

Human resource planning (HRP) is a never-ending, methodical planning process for making the most use of an organization's most precious asset: its people. The goal of human resource planning is to ensure that personnel and jobs are a good match while preventing staff shortages or surpluses. It entails forecasting and planning for the acquisition, retention, development, and utilization of human resources. Planning is very important part of any activity in organization, so every decision needs its own set of plans as there is a saying that ‘if you plan to fail, you plan

to fail”, process is the analysis of exiting workforce, the forecasted manpower, the development training, skills, abilities and capabilities.¹⁰⁴

On the importance of HR planning in the banking sector in India, Dr. K C Chakrabarty, Deputy Governor of the Reserve Bank of India, stated, "As the economy grows at a steady rate of around 7–8%, incomes rise, and demographic dividends begin to accrue, the Banking industry is expected to take a quantum leap forward. However, this expansion will require a big number of workers, and given the large number of retirees, the Nationalized Banks are facing a pivotal point in their transformation. Are banks prepared to deal with a new group of employees who will be culturally distinct from those who came before them in the post-nationalization era? It all starts with a staffing strategy. How many banks can claim to have a comprehensive manpower strategy that includes the kind of employees needed, the level at which they are needed, clearly defined roles for everyone, and so on? Manpower planning should have a lifecycle approach, that is, from the time an employee is hired until the time he or she retires. Furthermore, this must be integrated with the bank's business plan and strategy. The question of whether we have a business strategy or plan must be addressed first

It is critical that you create your "employer brand," that is, your reputation as an employer, in order to attract, engage, and retain exceptional candidates and workers, as you design your people requirements. Banks must prepare for the following:

- A constant, precisely calibrated recruitment drive;
- As rapid technological advances transform company – ongoing skill up-gradation;
- A new generation of workers will collaborate with an older generation. Banking, in my opinion, is a collaborative effort, and this new circumstance will necessitate cultural shifts and, as a result, change management.¹⁰⁵

3.1.2. Islamic banks :

Human resource planning is the process by which management ensures that the correct amount and types of people are in the right places at the appropriate times, capable of successfully and efficiently accomplishing the activities that will assist the business achieve its overall goals. We can embrace Robbins and Coulter's definition of human resource planning for Islamic human resource management. The Qur'an motivates believers to make plans for their acts in many ways

¹⁰⁴ Abdul WAHEED ,Miao XIAOMING, Karamat JAWAD, Waheed SALMA.<<Comparison of Human Resource Planning and Job Analysis process in banking sector of Pakistan>>.p.2.

¹⁰⁵Chakrabarty K C.<< Human Resource management in banks – need for a new perspective>>.at the HR Conference of Public Sector Banks,2012,P.2.

by studying Allah's (SWT) designs in His creation. Allah (SWT) said in the Holy Qur'an "Verily, all things have We created in (planned) proportion and measure" (54:49). Allah (SWT) also said "No misfortune can happen on earth or in your souls but is recorded in a plan before We bring it into existence" (57:22).

These verses clearly demonstrate that every creation follows a design from conception to completion. As a result, Allah (SWT) teaches mankind that His activity is planned and recorded. This is a great source of encouragement for any honest believer to follow and put into practice. When we look at the life and example of Prophet Muhammad (SAW), we can see that his activities in both the religious and worldly spheres were well-planned. Prophet Muhammad (SAW) is said to have remarked in the Bukhari: " If the Hereafter is about to occur and in the hands of one of you there is a plant (he is about to plant it in ground), he must do so as long as he has a chance" The companion of the Prophet Abdulla Bin `Umar also said : "For your worldly affairs, construct your plans based on the assumption that you are going to live forever, and as for the work reserved for the Hereafter, construct your plans based on the assumption that you are going to die tomorrow." The aforementioned traditions are unquestionably another unambiguous command for Muslims to conduct their affairs in a planned manner.¹⁰⁶

As we notice from the above Western HRM paradigm emphasises the efficient connection of HR functions and company goals. In the Islamic HRM philosophy of Islamic legacy, an activity is carried out by considering the repercussions if the results persist or if they deteriorate. Procurement of Employees is the fourth step. According to Western HRM philosophy, hiring minority groups gives an advantage, and sometimes the best applicant is a lesbian or gay minority. In contrast, the HRM Islamic legacy idea places a greater emphasis on ability, strength, and trustworthiness, which translates to a fear of God.

3.2. Recruitment :

3.2.1. In Conventional banks :

Recruitment is defined as the process of identifying potential employees and encouraging them to apply for positions within the company. It is the activity that brings employees and job seekers together. It's also known as the process of identifying and attracting qualified job candidates. This process begins with the recruitment of recruits and finishes with the submission of their

¹⁰⁶ Abdul Hamid CHOWDHURY ; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.22-23.

applications. Recruitment, according to Costello, is a set of activities and processes used to legally obtain a sufficient number of qualified people at the correct place and time so that people and organizations can choose each other in their own best short and long term interests. According to Jovanovic, recruitment is the process of gathering a pool of high-quality candidates and selecting the best from among them. As a result, top-performing companies have invested significant time and resources in developing high-quality selection systems. According to Montgomery, the goal of recruiting and selection is to match potential candidates' strengths and inclinations to the demands and rewards of a certain profession.¹⁰⁷

The recruitment technique is chosen by organizations based on the nature of the job, the company's reputation, the availability of employees in the recruitment group, and the recruitment budget. Direct mail and staff referrals get prospects' attention much faster than a newspaper job announcement. Informal sources of recruitment, such as walk-ins, internal job postings, employee referrals, and rehiring previous employees, are more beneficial than formal sources of recruitment, such as job advertisements in newspapers and posters, because these sources provide accurate and comprehensive information about candidates' knowledge and competencies. Most organizations use two or more styles from different categories of recruitment methods to execute recruitment strategies successfully, such as job advertisements, referrals from existing employees, campus recruitment, agency or expert involvement, job boards, organizational websites, social media, and so on. For connecting with prospective employees, banks may use sources such as existing employee referrals, educational institutes, headhunting agencies, and self-web pages. Erecruitment, or the use of various advanced technologies in the recruitment and selection process, has grown increasingly popular. In a family business, an informal approach such as word-of-mouth is advantageous for maintaining relationships and camaraderie. Other external recruiting sources, such as advertisements, employment agencies, and consultants, are also widely used.

Depending on the sort of employment, several selection procedures may be used. The selection process for non-management positions is also distinct from that for managerial positions. An organization's selection strategy would be effective if suitable people are chosen by focusing on a suitable combination of talents as per job requirements]. Organizations can use a variety of selection processes, including a completed application form, assessment centers, work sampling tests, aptitude or work ability tests, mental capacity tests, face-to-face individual or panel

¹⁰⁷ Shajul ISLAM; Ali AHSAN. << Recruitment and selection process Prime bank limited >>.LAP LAMBERT Academic publishing.,2013, P .8.

interviews, medical examinations, and reference checks, among others. Initial screening of prospective candidates, administering a test, scheduling interviews, selecting applicants based on test or interview results, and putting them to ensure that they would be capable of performing their assigned roles efficiently are all examples of employee selection processes. Because of its ease of use, quick results, and low cost, the interview is the most commonly used selection procedure. Evaluation of applicants' work histories or resumes, as well as written applications and reference checks, are all common selection methods. Personality and mental ability tests are less useful than circumstance based tests. To ensure better customer service, bank personnel should be selected using a personality test to examine candidates' attributes of diligence, friendliness, sensitivity, readiness to learn, self-confidence, compassion, and self-efficacy, among others. Required qualifications such as communication talents, leadership traits, motivation level, analytical ability, and managerial capabilities must be prioritized during the selection process. Innovativeness and experiences are also valued by some organizations.¹⁰⁸

3.2.2. In Islamic banks :

As in conventional banks to Islamic banks The process by which firms seek, identify, and attract suitable and capable people to fill employment vacancies is referred to as recruitment (Robbins and Coulter, 2000). The ultimate goal is to persuade the most qualified individuals to apply for the job, because good recruiting is crucial to successful selection. In order to identify the right candidate, the company can promote in both electronic and print media, effectively informing and inspiring job seekers. This is normally the job of the human resource management in most firms. To ensure that the hired candidate is best fit for the job, the recruitment process must be conducted properly and all recruitment decisions made sensibly (Hashim, 2009). As a result, Islam requires that the individual in charge of recruitment be devout and just (Hashim, 2009). According to Ahmad (1995), a manager should fulfill religious requirements such as prayers, fasting, zakat, and other Islamic pillars. This is to ensure that the recruitment process is fair and that all applicants are treated equally. A true working Muslim who follows his religious obligations demonstrates that he is as responsible to his earthly responsibilities as he is to Allah and His laws. There is a strong chance that a genuine religious or devout person is more honest. This requirement is stated in the Qur'an (4:58-59) "Allah does command you to render back your trust to those to whom they are due; and when ye judge between man and man, that you

¹⁰⁸ Tamanna PARVIN EVA. <<Recruitment and Selection Strategies and Practices in the Private Sector Commercial Banks of Bangladesh: Evidence from Human Resource Practitioners>>. *European Business & Management*. Vol. 4, No. 1, 2018, p. 29-30.

judge with justice; verily how excellent is the teaching which He giveth you! For Allah is He who heareth and seeth all things. O you who believe! Obey Allah and the Messenger, and those charged with authority among you. If you differ in anything among yourselves, refer it to Allah and His Messenger if you do believe in Allah and the Last Day : That is the best and most suitable for final determination”. Employers are expected to tell job applicants of the truth or facts about the positions. These include the work requirements like in this case concerning Islamic banks We have Islamic shariah understanding, Islamic finance, and Fiqh Mumalah understanding to add to our honesty, customer service, competence, trustworthiness, and experience., the job holders' criteria, and the salary that will be paid. This information is crucial for applicants to assess the job fit based on their skills, abilities, and interests. The applicants should not be given jobs that are too tough for them to handle, nor should they be forced to do work that is beyond their capabilities. The Qur'an, for example, declares (2: 286): “On no soul doth Allah place a burden greater than he can bear”.According to Ali, the use of work specifications and work requirements in the selection of personnel for government jobs was common throughout the time of Prophet Muhammad (SAW). The candidates must be informed about the pay offered since Prophet Muhammad (SAW) said, "Whoever hires a worker on job should announce the salary in advance" (Ahmad, 1995). Similarly, applicants are expected to submit accurate information about themselves. According to Ahmad, the Quran is vehemently opposed to deception. False claims, unjustified accusations, and false testimonies are all strongly denounced and prohibited in Islam. According to the Qur'an (2:42), “And never mix truth with false, nor conceals the truth when ye know (what it is).”¹⁰⁹

As we notice In terms of definition and some of the procedures and methods in recruitment, we may notice similarities between Islamic and traditional HRM. In terms of definition, both Islamic and conventional recruitment are defined as attracting any individuals who are qualified for the job opportunity offered by the organization (Bank). The goal of both Islamic and traditional recruitment is to find the finest qualified applicants for positions in organizations. Both of them use internet recruiting as a step or approach of the recruitment process to make it easier to locate qualified individuals to fill employment opportunities. Both Islamic and conventional HRM have special recruitment laws to guarantee that employers hire individuals in the proper manner. For example, in the United States, the Civil Rights Act of 1964 prohibits discrimination in employment practices based on race, color, sex, religion, or national origin, yet in Islamic

¹⁰⁹ Abdul Hamid CHOWDHURY; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.23-25.

countries, the Labor Law of 200, Article 25, dictates that businesses transmit to the appropriate labor office. This is to prevent the labor from being involved in any illegal activities.

In terms of faith, there are major disparities in recruitment between an Islamic approach and traditional HRM. Whereas in the traditional world, there is no discrimination based on faith or religion when hiring personnel; as long as they perform well, they will be hired. However, there is an Islamic value example by the Prophet Muhammad S.A.W. in the Islamic perspective of HRM. Fathanah, amanah, siddiq, and tabligh are among the values. For the employer to recruit, he or she must be religious and just, so that all candidates are treated fairly and equally. In the traditional sense, there is no specific character for an employer as long as they discover people who are suitable for the job, but they must remember that they must be fair to all candidates. In the Islamic viewpoint of HRM, the concept of employer trust and accountability has been emphasized, but scholars in the conventional view have ignored this value. Although Islam clearly condemns nepotism in the recruitment of employees, traditional cultures accept it as long as the organizations follow the nepotism policy during the hiring process.

3.3.Selection

3.3.1. In conventional banks :

Selection can be thought of as choosing the best candidates, rejecting the ones who aren't, or a mix of the two. So, where candidates are made available through recruiting, the selection process presupposes that there are more candidates than the number of candidates actually selected. Selection, according to Heinz Weihrich and Harold Koontz, is the process of selecting the most qualified person for a current or future role from within and outside a company. This procedure involves gathering pertinent information about applicants through a number of steps in order to assess their fitness for the open position. Selection, on the other hand, is the process of evaluating candidates using a variety of methods and making a decision that is followed by an employment offer. In simple terms, selection is a process in the employment function that begins as soon as applications and application letters are received, with the primary concern being the assessment of resumes for basic criteria. A job seeker who does not meet the minimum requirements is not an applicant and should not be taken into consideration. In order to get hired, an applicant must possess the required credentials outlined in the job description. In this case, selection is the process of matching applicants' qualifications to job criteria. Choosing the best applicant is only

one aspect of selection. It's an attempt to establish a happy medium between what the candidate can and wants to do and what the company expects.

A number of legal concerns, particularly the Equal Employment Opportunity (EEO) regulations and laws, influence the selection process. That is why, starting with an initial screening interview and ending with the final employment decision, selection activities follow a standard pattern. The selection process is divided into several steps, each of which may reveal information that leads to the applicant's rejection. It is a series of obstacles that an applicant must overcome in order to proceed. These obstacles, also known as screens, are used to filter out unqualified candidates at any point during the hiring process.¹¹⁰

Depending on the sort of employment, several selection procedures may be used. Non-management positions have a different selection process than managerial positions. An organization's selection strategy will be effective if suitable people are chosen by focusing on the right combination of talents for the job. Organizations can use a variety of selection processes, including a completed application form, assessment centers, work sampling tests, aptitude or work ability tests, mental capacity tests, face-to-face individual or panel interviews, medical examinations, and reference checks, among others. Initial screening of prospective candidates, administering a test, scheduling interviews, selecting applicants based on test or interview results, and putting them to ensure that they would be capable of performing their assigned roles efficiently are all examples of employee selection processes. Because of its ease of use, quick results, and low cost, the interview is the most commonly used selection procedure. Evaluation of applicants' work histories or resumes, as well as written applications and reference checks, are all common selection methods. Personality and mental ability tests are less useful than circumstance based tests.

To ensure better customer service, bank personnel should be selected using a personality test to examine candidates' attributes of diligence, friendliness, sensitivity, readiness to learn, self-confidence, compassion, and self-efficacy, among others. Required qualifications such as communication talents, leadership traits, motivation level, analytical ability, and managerial capabilities must be prioritized during the selection process. Innovativeness and experiences are also valued by some organizations.¹¹¹

¹¹⁰ Shajul ISLAM ;Ali AHSAN. Op. cit.,P.14-16.

¹¹¹ Tamanna PARVIN EVA. Op. cit.,p.30.

3.3.2. In Islamic banks :

The process of screening job applicants to guarantee that only the most qualified candidates are hired is known as selection. In every company, one of the most difficult responsibilities is selection. This is because many potential candidates apply for vacant jobs at any given moment, and companies are frequently faced with a large number of individuals to choose from for screening. Favoritism and nepotism may also play a role in hiring decisions. Ahmad claims that , The required merit and competence for a job are the Quranic standards of eligibility. It emphasizes the necessity of a job candidate's competency and honesty, as these are prerequisites for efficiency. The Qur'an, for example, says (28 : 26): “O my [dear] father! Engage him on wages: truly the best of men for thee to employ is the [man] who is strong and trustworthy.”

Thus, it is critical for Muslim managers to comprehend the standards set out in the Quran in order to avoid perceived bias and unprofessional acts of favoritism or nepotism, as well as any type of workplace discrimination (Ali et al., 2000). Disregarding the required competency for the position and selecting a possible applicant based on any other reasons is both dishonest and unfair. He related the following from Prophet Muhammad (SAW) according to Sahih Bukhari: “He whoever hires a person and knows that there is another one who is more qualified than him has betrayed Allah and His prophet and the Muslims”

According to Ali (2005), friendship networks are the most important, Second, an employee is chosen based on his or her abilities. The required merit and competence for a job are the Quranic standards of eligibility. Friendship links, wealth, age, color, political power, and the like should not be used to appoint someone. Honesty is the third principle. Both the candidate and the recruiter must be truthful. It is critical to be honest in order to make the best selections and judgments possible. Furthermore, honesty can keep the recruiter from taking any unwelcome or illegal acts that are in violation of the law or legal conduct. Fourth, Islam prohibits assigning work that exceeds a person's competence. element influencing employee selection in modern Muslim countries. During his lifetime, Prophet Muhammad (SAW) declined to accept the request of a close friend, Abu Zarr, who wanted to work as a governor, and told him respectfully that Abu Zarr was weak (unfit for the job), and that the hiring process was based on the ideals of trust and accountability. Employee selection is necessary in Islam to follow four guidelines. Justice is the primary principle. Justice literally means to treat or position a person or object in their proper place or where they belong. Ali Ibn Abi Talib, according to Syed Agil, wrote: “Do not nominate them [officers] on account of favoritism or egoism. These two attributes reflect injustice and treachery”. This is owing to the possibility that the individual may be unable to

complete the prescribed task due to an excessive workload or personal constraints. As a result, it could affect him as well as the company where he works.¹¹²

As we can see In terms of the selecting process, there are parallels between the traditional and Islamic approaches. Both approaches are aimed at identifying qualified candidates for open vacancies. Characteristics such as talents, knowledge, and experience are taken into account in the traditional method. Competence is the primary criterion for hiring personnel in the Islamic method, with nepotism strictly prohibited. Experience, competency, community repute, organizational fit, and shouldering responsibility are the five primary criteria for selecting individuals in the Islamic method. The interview is an important aspect of the selection process. Both approaches are similar in that the main goal of the interview is to make observations and sound judgments about the degree of knowledge and nature of attitudes displayed by applicants when responding to questions. However, there are distinctions between the two approaches in the selection process, just as there are in the recruitment process. Religious or spiritual standards are not used to guide the selecting process in the traditional method. Guidelines are instead generated from literature on themes relating to traditional HRM.

3.4.Orientation :

3.4.1. In conventional banks :

Human resources must be briefed on the work after they have been assigned to it. The company, its operations, and its social aspects are all covered during the orientation. When planning a recruitment and selection event, this learning resource will assist the HR Manager in taking a strategic approach. Individual worries, uncertainties, and wants must all be taken into account during orientation. The majority of employers provide some form of orientation. The purpose of the orientation is to enlighten new workers on the position's and company's goals and duties, as well as to address any questions they may have about HR, benefits, and payroll information. Orientation necessitates collaboration between HR personnel and other managers and supervisors. In a small business without an HR department, such as a machine shop, the new employee's supervisor or manager is responsible for the entire orientation process. Managers and supervisors, as well as the HR department, should collaborate on employee orientation in large firms.

¹¹² Abdul Hamid CHOWDHURY; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,p.25-26.

Orientation isn't merely a pleasant gesture on the part of the company. It is a crucial component of the recruitment and retention process. The following are some of the main goals: To Cut Down on Startup Costs Proper orientation can assist the employee in becoming "up to speed" considerably faster, lowering the costs of learning the job. When placed in a new, odd scenario, every employee will experience anxiety, which will obstruct their capacity to learn the work. Proper orientation helps to alleviate the stress that comes with entering an unfamiliar position by providing guidelines for behavior and behavior, allowing the employee to avoid guessing. It also aids in the reduction of employee turnover. Employee turnover rises when employees believe they are undervalued or placed in places where they are unable to do their duties. Orientation demonstrates that the company values the person and assists in providing the tools needed to succeed on the job. The better the employee's initial orientation, the less time managers and coworkers will have to spend teaching him or her.¹¹³

3.4.2. In Islamic banks :

Orientation In Islamic bank is no different from what it is in conventional banks, according to Islamic literature, orientation is the process of introducing a new employee to his or her position and the company. Employees have the opportunity to meet coworkers and management, ask questions, and become familiar with how things are done in the business during orientation. Orientations vary in size based on the number of new employees. Employees may be required to watch a welcome video or listen to a live presentation by the company's president. During orientation, employees will learn about the company's policies and processes, as well as the company's code of conduct and organizational culture. Employees get the information they need to have a successful career at the company when they attend orientation. They are able to quickly learn the regulations and comprehend the company's expectations. Orientations provide an opportunity for employers to meet and get to know their new team members before the manager-employee interaction begins. This assists supervisors in determining the most effective supervision style for the new employee. Successful orientation, whether formal or informal, results in an outsider-insider transfer that helps the new member feel at ease and well adjusted, minimizes the likelihood of bad work performance, and minimizes the risk of a new employee's surprising resignation only a week or two into the job. As a result, human resource managers in

¹¹³ <https://www.whatishumanresource.com/orientation-of-employee>.

all Islamic firms should use orientation as one of the major HRM responsibilities for the betterment of employees, the organization, and the customer.¹¹⁴

3.5. Performance appraisal

3.5.1. In Conventional bank :

All formal procedures used to evaluate the personalities, contributions, and potentials of group members in a working organization are included in performance appraisal. It's a never-ending process of gathering information needed to make accurate and objective decisions on employees. Simply said, performance appraisal is the methodical assessment of an individual's job performance and potential for advancement. The following are the components of an effective performance system:

- Documentation : It refers to the act of continuously noting and documenting one's performance. It also aids evaluators in providing proof and a foundation for their ratings.
- Standards/Objectives: The objectives should be clear, easy to grasp, attainable, motivating, time-bound, and measurable.
- Simple, clear, fair, and objective format: - The appraisal format should be practical, clear, and fair. Long and convoluted formats take time to read, are difficult to comprehend, and do not elicit a lot of relevant information.

The performance system should be aligned with the organization's philosophies and mission, cover performance evaluation as well as potential for development, cater to the needs of both the individual and the organization, assist in the creation of a clean environment, provide rewards tied to accomplishments, generate data for personnel development and career planning, and suggest appropriate person-task matches.

The performance appraisal system aids in the promotion of a better understanding of an employee's role and functions, the identification of personal strengths and weaknesses in relation to expected roles and functions, the identification of development needs of an employee, the establishment of common ground between the employee and the supervisor, the increase of communication, and the provision of an employee with the necessary tools.

Performance Appraisal” is a tool for validating and refining organizational actions (such as hiring and training) as well as providing feedback to individuals in order to improve future performance. Employee selection, training, and almost any other cultural or management practice—such as the implementation of a new pruning process or an incentive pay program—

¹¹⁴ Abdul Hamid CHOWDHURY; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.26-27.

can all be evaluated in part by acquiring worker performance data. The review or appraisal may generate suggestions for improving existing procedures or introducing new ones. Appraisal data, for example, may reveal that a business supervisor has had a number of interpersonal confrontations with other managers and employees. Among the possibilities are Paying more attention to interpersonal skills when selecting new supervisors, or Encouraging present supervisors to attend communication or conflict management classes at the local community college,etc.

When a big number of personnel are involved, such as in banks, it is easier to assess performance data for validation reasons. When individuals are evaluated individually, useful performance data can still be acquired, but meaningful data trends may take years to obtain.

Employees' desires for improvement differ, but in general, they want to know how well they are functioning. On a regular basis, people require positive reinforcement and affirmation. Few managerial acts can have as favorable an influence on worker performance as supportive affirmation once an employee has been chosen. These are essentially good-will deposits, without which no withdrawals are possible. This isn't to say you should ignore regions that could use some work. Workers are frequently appreciative for suggestions on how to address inadequacies when delivered in a positive manner. However, providing constructive critique "can only happen in the context of listening to and caring for the person." Supervisors who search for positive behaviors in their employees and do it in a sincere, non-manipulative manner will have an easier time providing constructive feedback or ideas. Furthermore, in the negotiated approach, the burden of performance evaluation does not lay only on the supervisor, but rather on the worker being reviewed. There are two types of feedback: qualitative and quantitative. Qualitative comments are descriptive, such as informing the shop mechanic how much you appreciate his or her promptness and quality of work. Quantitative feedback, on the other hand, is based on numerical numbers like the percentage of plant grafts that have taken. According to some academics, feedback is especially beneficial when employees are working for a common goal. Performance appraisal goes to the heart of people management by focusing on performance and demonstrates management's interest in the employees' advancement.

Performance appraisals typically examine prior behavior and thus provide an opportunity for bank workers to reflect on their previous performance. They should, however, be utilized as a foundation for developing and improving development and improvement plans, as well as establishing agreement on what should be done in the future to increase the bank's effect and

efficacy. To keep employee motivation strong, performance appraisal is generally the core pillar of performance management in the bank.¹¹⁵

3.5.2. In Islamic banks :

Performance appraisal to Islamic banks is like in conventional banks a systematic system for establishing work standards, evaluating performance, and delivering feedback to employees in order to motivate, grow, and maintain their performance. Pay and promotion decisions are based on information acquired from performance appraisals. It is particularly essential for career planning activities since it plays an important role in performance management, assisting in the correction of weaknesses and encouraging good performance. In this life and the next, Islam recognizes rewards and punishment. Allah sends good news and warnings to humanity through revelation and His Messengers. "Whoever doth wrong, him shall We punish; then shall be sent back to his Lord, and He will punish him with a punishment unheard of [before]. But whoever believes, and works righteousness, he shall have a goodly reward, and easy will be his task as We order it by Our command" (Qur'an 18:87-88). A devout Muslim believes in the Day of Judgment, the Resurrection, man's presence in the divine court, and the acceptance of reward or punishment, according to Ahmad. He thinks that all of a man's acts in this world are recorded and will be presented on the Day of Resurrection. All of a man's actions in this life will be held accountable to Allah, his creator. The Qur'an says (34:3-4): "Not an atom's weight or less than that or greater escapes Him in the heavens or in the earth but it is in a clear record That He may reward those who believe and do good works. For them is a provision and a rich provision".

The rewards and punishments on the Day of Judgment are conferred upon every man based on his every conduct or behavior (including work behavior) in this life, according to this passage of the Quran.

In Islam, according to Ali, performance evaluation is based on normative directives and the practice of the Prophet Muhammad (SAW) and his immediate four Caliphs. Quranic teachings show the normative realm. Contractual arrangements, self-responsibility and control, and the Almighty's performance evaluation are the three categories. In terms of the contractual aspect, Islam regards a person's job as a reaffirmation of an obligatory relationship between the employer and the employee. Both the corporation and its employees have high expectations, which must be met simultaneously. According to the Qur'an, any pledge or engagement is subject to a

¹¹⁵ Pallavee SHRIVASTAVA, Usha KIRAN RAI.<< PERFORMANCE APPRAISAL PRACTICES IN INDIAN BANKS>>.Integral Review - A Journal of Management. Vol 5, No. 2,2012,P.46-50.

contract that must be fulfilled by both parties (17:34): “And fulfill engagement (promise), for the engagement will be enquired into.” Ali went on to say that the Quran states that what one does is exclusively his or her duty, and that no one should be held responsible for the mistakes of others. Employees are assumed to have a moral responsibility to track their own performance and work toward self-improvement. The Quran reveals (75:14) “No, man is a witness against himself.” Both contractual agreement and self-assessment are verified in the Hereafter. The action of parties, employees and employers in the contract is monitored by Allah and is measured or accounted for in the next life (4:1): “For Allah ever watches over you.” The sayings and behaviors of Prophet Muhammad (SAW) and his immediate four Caliphs fall into the second group. These factors also have an impact on how people view performance evaluations. “Muslims shall be bound by the conditions which they make,” says Prophet Muhammad (SAW). Furthermore, regardless of their social or organizational hierarchies, he makes it mandatory for people to work at their highest level and be accountable for their actions. The appraisal of performance must be objective. According to Ali, there are two types of evaluation: judgment-based and behavior-based. Statements on employee features, attributes, and personalities are commonly used in the judgment-based approach. Some of these characteristics include decency, truthfulness, kindness, shouldering, responsibility, maturity, justness, decisiveness, reliability, and devotion. The traits, on the other hand, should be based on the job selection criteria, such as honesty and whether or not the employees follow the five pillars of Islam. According to Ahmad, Islam requires Muslims to perform their duties without fail or omission, and to the best of their ability and efficiency. Competence and honesty are two qualities that distinguish a good employee. Aside from personality attributes, the performance of employees must be assessed against a set of accepted standards or competencies. Competency is determined through job specifications that emphasize observable behavior. For example, according to Ali, the second Caliph, Omar, continuously employed the behavior-based approach to focus on how his deputies and subordinates carried out their duties and watch the reaction of constituencies to their behavior. He ranked the following questions in order of importance: did the deputy visit the sick, did he care for the slaves, and how did he handle the disenfranchised? If Omar received a negative response to one of these questions, he would dismiss the subordinate.

The second point to consider is who should conduct the appraisal. The standard procedure is for the superior to do the appraisals. Some businesses have begun to use 360-degree evaluations. The client's comments was taken into account for appraisal based on what the second Caliph, Omar, had done. This can help to alleviate the issue of favoritism in employee evaluations. Biases among appraisers have been well documented. There are about a dozen known

phenomena that show supervisors have a tendency to misappraise employees due to subconscious tendencies. Managers, according to Ali, sometimes find it challenging to appropriately appraise their personnel. Due to religious considerations, personal relationships, and bureaucratic tendencies, this is the case. According to Ali, there is a widespread belief and religious injunction that dismissing employees is a violation of spiritual norms and community obligation. Furthermore, some managers are torn between being merciful, sympathetic, and forgiving, and they must examine the poor performers' true intentions.

The Quran says (64 : 14) : “Would pardon, overlook, and forgive, know that Allah is All-forgiving and All-merciful.” Another issue arises from personal relationships; some managers do not want to be perceived as harsh or insensitive, thus they do not dare to pass critical judgments on friends, family, or neighbors. According to Ali (2005), some managers review simply for the purpose of assessing, with no intention of putting their recommendations into action.

As a result, Muslim managers should be aware that in order to measure performance in Islam, the ideas of accountability and responsibility must be included. Managers who are responsible for employee evaluations must be fair and considerate to their employees. This is the trust that has been placed in their hands. Ali Ibn Abi Talib, according to Al-Buraey, wrote “Monitor the behavior of your assistants and use them only after probation. Monitor their performance and use for this purpose people who are known for their truthfulness and loyalty. Your discreet monitoring of their work will ensure that they remain honest and considerate to their subject”.¹¹⁶

As we see from a theoretical standpoint, there are contrasts between western and Islamic practices of PA, with the former stemming only from a human understanding, and the latter is founded on Allah's (SWT) words to His people. Organizational justice theory, for example, was used to study employees' perceptions of fairness in the workplace, including PA, but Islam had already emphasized the concept of justice, as seen by the Quran, which contains the word "justice" 138 times. In addition, the Quran contains four principles of justice: balance, equity, responsibility, and trust. The term "equity" refers to the process of administering justice to other people. This is comparable to organizational justice theory, which focuses on distributive justice in terms of reward distribution equity.

Even if there are theoretical differences, as shown in the example above, there are commonalities between the Western and Islamic PA practices when examined from practical

¹¹⁶ Abdul Hamid CHOWDHURY; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.27-30.

views based on real organizations. When it comes to shura (consultation), for example, most organizations use it to some level when providing performance feedback. Providing accurate evaluations is likewise a top objective in most organizations, regardless of religious affiliation.

3.6. Training and development :

3.6.1. In conventional banks:

The systematic process of enriching and expanding people's knowledge, abilities, and attitudes in order to deliver better and more efficient performance of work at a certain workplace is known as training. If the firm wishes to stay up with the changes, it needs provide training to all of its personnel in order to improve performance. People must continue to study and not stop when they complete obligatory school, especially when it comes to employees. It is critical to assist employees in complying with rules and regulations, utilizing technology properly, and working successfully and efficiently. New applicants that join the business, as well as current personnel, receive training. Existing staff are given training to keep their skills and knowledge up to date. Individuals' needs, expectations, and goals may influence the type of training they receive. Managers must assist employees in identifying their training needs so that the process may be organized. There are various theories of learning, including signal learning, stimulus-response learning, problem solving, and so on, but experience learning is the most dominant theory of learning at work.

Training could take the form of an employer instructing a new employee on how to apply his knowledge, skills, and abilities to be more productive for the company and remain longer. Employees, on the other hand, could attend a seminar, course, or professional program guided by a knowledgeable trainer to gain the knowledge they need for their work. On-the-job training is one of the most common methods of training in the industry. The training process is divided into three stages: needs assessment, training development and delivery, and evaluation.

A growing body of evidence suggests that implementing High Performance Work Practices, such as comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training, can improve a firm's current and potential employees' knowledge, skills, and abilities, increase their motivation, and reduce turnover. Training is mandated as part of the human resource management functions in order to improve organizational competitiveness by increasing and expanding employees' knowledge, skills, and capacities in order to conduct more efficient job. It is set up specifically when an employee lacks a feature and is pushed as part of the task's

successful completion. Human Resources departments should keep a close eye on market changes and teach their personnel to be more adaptable to those changes.

Employee training is a key segment for the development of high performance among employees in the banking sector. Employee training is extremely important, not only for their consistent development, but also for achieving set targets in terms of flexibility and adaptability to the market, as well as adapting to changes in technology development. It is critical to expand functional training focusing on banking sector regulations, legal developments, and financial services.¹¹⁷

3.6.2. In Islamic banks :

Training is the process of improving human resources' abilities to be more productive and hence contribute more to the achievement of organizational goals. Man's basic qualification for being Allah's representative on earth, according to the Al-Quran, is knowledge. Allah said, (2:30-33): "When the Angels questioned Adam's suitability for representation, Allah cited Adam's knowledge to convince them." According to Hashim, these verses of the Holy Quran can be used to make two crucial conclusions. On the basis of knowledge, Adam's descendants are entitled to the position of Allah's vicegerent on earth. Second, those who are superior in knowledge among Adam's progeny are more deserving of vicegerents. Those endowed with knowledge and intelligence in ranks in the sight of their Lord, and are more favoured than others, get rebuke. Allah says, "He will exalt those who believe among you, and those who have knowledge, to high ranks. Allah is informed of what ye do" (Qur'an 58:11). In another verse of the Holy Qur'an Allah says "Are those who know equal to those who know not? But only they who are endowed with understanding keep this in mind" (39: 9).

Most training programs in the Muslim world, according to Ali, rely mainly on Western methodologies and procedures, with no meaningful attempts to understand their cultural appropriateness and an emphasis on theory over implementation. Furthermore, bureaucratic inclinations have resulted in a lack of noteworthy management innovation in Muslim countries. However, according to Altalib, Islamic training and growth is all-encompassing, beginning with man's moral and spiritual development and subsequently manifesting in physical development. To promote confidence in Allah, training and growth should also be performed. Training and knowledge are inextricably linked. Islam recommends that workers receive training and development in order to improve their knowledge and abilities. In Islam, broad knowledge is

¹¹⁷ Aleksandra CIBREVA-JOVANOVSKA, Biljana BUZLEVSKI, Aleksandar DEJANOVSKI, Irena KORUBIN . << The Effects of the Training of Human Resources in the Banking Sector in the Country on their Productivity and Effectiveness>>. TEM Journal. Vol 5. Issue 4,2016, P.487-490.

valued, which can help men strengthen their beliefs and religious activities. Because Islam views work as a necessary component of a person's success in life, it not only encourages people to work, but also drives them to strive for perfection and excellence in whatever they do. According to Al Marsati, workers should strive to their maximum potential, zeal, and sincerity in order to achieve excellence and success for themselves, society, and, most importantly, life after death. As a result, Muslims have a moral obligation to pursue knowledge and achieve excellence in performance. The concept of Ihsan (excellence or compassion) is linked to goodness in Islam, and Almighty Allah desires it. Muslims must strive their absolute best to achieve perfection and excellence in prayer and all other aspects of life, always remembering that the Almighty Allah is watching over everything they do. Allah demands task mastery. Furthermore, Prophet Muhammad (SAW) stated, "Verily Allah has enjoined kindness to everything; thus when you kill, kill well, and when you slaughter, slaughter well." As a result, each of you should sharpen your knife and allow the slain animal to die in peace (Sahih Muslim)." According to Altalib, the Islamic worker and the Islamic movement were obligated to do the correct things and do them properly in light of these directions.¹¹⁸

The Islamic HRM method differs from the standard HRM strategy in that it includes additional training aspects. In the Islamic approach, there are ethical considerations in addition to the standard needs of knowledge and skill development, as this approach focuses on cultivating Islamic values as part of the training process. As a result, religious trainers who are well-versed in Islamic ideals are frequently used in Islamic bank training programs and activities.

3.7.Compensation and benefits:

3.7.1. In conventional banks:

Compensation and benefits are characterized by Syed and Yah as a package that comprises pay, bonuses, commissions, annual leaves, recognitions, flexible working hours, medical coverage, and other perks.¹¹⁹ Compensation and benefits policies were viewed as a determining element in employee performance. Compensation and other benefits are an important part in bringing people and organizations together to achieve individual and corporate objectives. One of the key goals of compensation is to improve individuals' performance contributions to the organization

¹¹⁸ Abdul Hamid CHOWDHURY; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.30-31.

¹¹⁹ Syed N, Yah L. << Impact of high performance human resource management practices on employee career satisfaction: Empirical analysis>>. Interdisciplinary Journal of Contemporary Research in Business. Vol 4(2),2012, P.318-348.

in a more ethical and responsible way. Employee remuneration is so important because it is at the heart of the work relationship, affecting both employees and employers equally. Employees often rely on wages, salaries, and other forms of compensation for a substantial portion of their income, as well as benefits for financial and health security. Compensation decisions have an impact on an employer's cost of doing business and, as a result, on their ability to sell at a competitive price in the product market. Furthermore, pay decisions have an impact on an employer's capacity to compete for people in the labor market (attract and retain), as well as their attitudes and actions while working for the company.

The compensation and benefits processes are among the most significant HR Processes for any firm including Banks and modern HR organization. Compensation and benefits entails budgeting for personnel spending, establishing performance standards, establishing transparent compensation practices, and offering competitive employee perks. Compensation and benefits management that is effective drives staff expenses, manages employee performance, and rewards exceptional performance.¹²⁰

The job performance of banking staff is not determined by a single element. Job performance is influenced by factors such as work overload, benefits, uncertainty, pressure, conflict, and so on. In today's world, compensation and rewards have become a major aspect. It has far-reaching implications for employee behavior and modifications, both on and off the job. The study of compensation and benefits among employees makes up a significant section of organizational research. A huge number of issues relating to employee satisfaction, performance, and competence are caused by a lack of proper compensation and benefits. In the future, maximizing job performance will be part of business policy and viewed as a critical strategy for improving employee satisfaction. The job of linking rewards to job performance is not provided by bank management in selected units, which has an impact on employee performance in time management systems, as the majority of respondents believe they are not satisfied with the retirement plan benefit, resulting in employee dissatisfaction.¹²¹

3.7.2. In Islamic Banks :

Muslim executives should devise a compensation system that not only meets the basic necessities of employees, but also motivates them to put out their best effort. When creating a

¹²⁰ Vijaya LAKSHMI POTHURAJU.<< COMPENSATION AND BENEFITS FOR EMPOLYEES IN BANKING SECTOR>>. International Research Journal of Human Resources and Social Sciences Vol. 3. Issue 11. 2016,P.85-86.

¹²¹ Ibid.,P.94.

compensation package, Muslim executives should think about things such the employee's need, performance, the company's capabilities, profitability, the nature of the task, the company's geographic location, and rivals' packages. According to Hashim, the goal of any form of pay, whether direct or indirect, is to acknowledge the value of workers' work and to find ways to incentivize them to work at maximum efficiency in a constantly changing corporate environment. Workers should be paid adequate and acceptable salaries for their job, taking into account the quality and quantity of labor, their demands and requirements, and the overall economic situation of the society, according to Islam. Coercion and forced labors are highly forbidden in Islam. Rather, it instructs that worthy workers receive full remuneration for their job, with no deductions. Abu Huraira narrated that the Prophet (SAW) has said :“Allah says that I will act as a plaintiff, on the Day of Judgment against the person who engages some worker on work and takes full work from him but does not give him [full] wages” (Bukhari).

At the same time, Islam condemns slavery and recognizes the need of labour and employment. “Nobody has ever eaten a greater supper than that which one has earned by working with one's own hands,” the Prophet (SAW) stated, according to Al-Miqdam (Bukhari).

According to Ali, Muslim corporations have adopted compensation systems similar to those found in Western countries in recent years, which has frequently violated the equitable issues of a compensation system that was revered in the early years of Muslim states. According to Ali, compensation was founded on five principles in the early years of the Muslim State. To begin with, employment is a contract, which means both the employer and the employee have an obligation to fulfill. The Qur'an encourages believers not only to fulfil conditions, but also to prevent any attempt to circumvent the contract (7:85): “Nor withhold from the people the things that are their due.” Second, Compensation varies depending on experience and circumstance. According to Ahmad (1995), the Qur'an recognizes several gradations among laborers based on the quality and amount of their labour (Qur'an 46:19). According to Al-Mubarak, certain workers require special talents, while others can perform manual tasks. Every worker's outcome and salary may differ. This proves beyond a shadow of a doubt that wages for all workers cannot be equal in all circumstances. The Qur'an states, (46:19): “And to all are ranked according to their deeds.” Third, compensations must be decided ahead of time, and wages must be paid as soon as the work is finished. “Whoever believes in Allah and the Day of Judgment should not hire a worker until he or she knows what he or she will receive,” the Prophet (SAW) said. (Bukhari). Fourth, compensation might be monetary or non-monetary in nature. Fifth, pay and benefits are determined by prior agreement and should be increased as needed. Ahmad went on to say that Islam prevents an employee from misappropriating or misusing his employer's property, and that

the employee is only entitled to the wages that have been freely agreed upon. Taking anything more than the stated wage is either dishonesty or stealing, both of which are absolutely forbidden in Islam. Work supplies are entrusted in the hands of the worker, as Al-Marsati (1980) points out, and he must take care of them. Finally, earnings and compensation should be adequate to support a good standard of living. Beekun (1991) said that if the wage is too low, the employee will not be motivated to put in the necessary effort, but Ahmad claimed that a worker is entitled to a fair and just wage for his labor. Wages must be decided with mutual deliberation and consent, according to the Quran.¹²²

Both the Islamic and traditional HRM methods to remuneration are similar in that the values of pay packages are estimated based on experience, certification, and expertise. Certain concerns, however, are given considerable emphasis in the Islamic perspective. One of the most significant aspects is that wages should be paid on time and without any delays. Another factor to consider is the payment amount. From an Islamic perspective, a worker's income must be sufficient to support the worker's essential life needs, such as food, clothing, transportation, and so on. The Islamic method also distinguishes between employees depending on marital status; married employees generally receive greater compensation in order to help them afford the increased life expenses.

3.8.Career development :

3.8.1. In conventional banks :

All of the technical and managerial abilities that employees gain in order to advance their careers are included in career development practices. The term "career" has a variety of connotations. It can refer to career advancement, a profession, or a lifelong series of occupations in popular usage. According to Stones and Freeman, a specific training program is an attempt to improve an employee's performance in their current or related employment. Furthermore, it is a means for providing new or existing employees with the skills they require to execute their current job. This method frequently focuses on the short term in order to accommodate any current skill gaps in the employee. Development, on the other hand, focuses on the long term to help individuals prepare for future work demands, according to Watts A.G. This practice of career development is a learning opportunity designed to help individuals improve, but it is not confined to improving present job performance. Employees' professional certification programs

¹²² Abdul Hamid Chowdhury ; Nazamul Hoque & Mohammad Masrurul Mawla. Op. cit.,P.31-33.

by relevant worldwide professional bodies were also part of the career development approach. According to Kleinknecht & Hefferin, career planning is a career development approach that comprises a continual process of self-evaluation and goal setting by both the individual and the employer in order to accomplish the organization's objectives. This technique of career development is an important aspect of ongoing professional growth. Career development methods in the workplace, according to Armstrong, assist organizations attract and retain high-performing personnel.

Human resource management includes career development as a crucial component. Career development practices, according to French, are efforts to improve an organization's current and future abilities to meet its goals by providing employees with a career plan, educational advancement, training, and development opportunities that go beyond the job's immediate technical requirements. Career planning is the responsibility of the person, whereas career management is the responsibility of the organization, specifically the human resource staff.

Career development is critical for any firm since it determines the quality of its staff and its success. Employee growth and development, for example, are effective career development methods that can help firms stay healthy. Employee development practices have also been associated to enhanced productivity, reduced absenteeism, and lower turnover. Banks must implement career development policies, best practices, and processes as a vital tool for employee motivation and retention.

Successful businesses are rapidly discovering that a variety of elements influence performance, with human resources being the most important. Career development, on the other hand, is one of the most important roles of human resource management in terms of developing and motivating an effective, efficient, and professional workforce that will help the company achieve its strategic goals. As a result, it is reasonable to predict a negative impact on employee motivation, morale, job satisfaction, and performance if their expectations for professional advancement are not realized.

Increasing competitiveness among Kenyan commercial banks has prompted each bank to try to position itself strategically in the market by implementing career development techniques as a strategy to maintain a competitive edge. Effective career development procedures in commercial banks are critical for increasing employees' competencies, motivation, and overall efficiency. Employee satisfaction with career development techniques in Indian organizations was studied by Monis and Sreethara. According to the findings, having a dynamic career path is essential for retaining outstanding and high-performing personnel. Employees' reported intention to stay with

their current workplace is positively connected with the quantity of career support they receive. Tanzania Institute of Bankers (2003) conducted a research in Tanzania's banking industry, highlighting training as a job-oriented and career-development strategy that shifts attitudes and imparts knowledge.

There are several career development practices that are evident among banks. These practices include: Existence of career growth information for employees, treating career development as a core HR function, practicing career counseling, incorporating career growth into the appraisal process, encouraging employees to pursue higher education as a way of uplifting skills, undertaking of professional programs by employees to assist them achieve career objectives, allowing employees leave for career development and family engagement, having a career monitoring system in place, including career planning as part of human resource policy, negotiating career development with representative trade unions, including career development as part of HR handbook, highlighting career development issues in Hr newsletter, having in place a system of monitoring career development as well aligning individual career objectives with bank goals.¹²³

3.8.2. In Islamic banks :

Islamic HRM literature emphasized on the importance of career development in organizations and businesses; to them Career development is not different from what it is in conventional organizations and banks are no exception. In Islamic literature Career development is beneficial when a firm continues to invest in its personnel, according to Alhabshi et al. The development process, they added, leads to an employee's career path. This is a structured procedure that includes seminars, workshops, and short and extended courses. To attain optimum human development for exceptional achievements, a combination of personal and organizational career growth must be continued. Career development, according to Junaidah, is a continuous process in which employees plan and build their future in order to attain their objectives. She went on to say that the goal of career development is to help employees improve their current performance, as well as to prepare them for future job prospects and to help their employers achieve their goals of having a dynamic and successful workforce. Individual employees' abilities, interests, and career aspirations must be assessed, as must organizations' capacities and potential,

¹²³ Felix Eugene KELLEY.<< CAREER DEVELOPMENT PRACTICES AMONG COMMERCIAL BANKS IN KENYA>>.

A Research Project Submitted in Partial Fulfillment of the Requirement for the Award of a Degree of Master of Business Administration (MBA), School of Business, University of Nairobi,2012, P.1-8.

communication of career alternatives and opportunities inside organizations, and career counseling.¹²⁴

Managers in Islamic banks for example, extend their hands of collaboration to those employees who want to improve their knowledge and skills by obtaining higher degrees at home and abroad, allowing them to better contribute to the firm and society as a whole. The process of development is never-ending. There's an old adage that says whomever isn't better today than he was yesterday will be backdated. No matter how learned or skilled a person is, there is always opportunity for progress in Islam. Prophet Mohammad (SAW) prays to Almighty Allah to enhance his knowledge (Holy Quran 20 -114) Regardless of how informed or skilled he is.¹²⁵

CHAPTER CONCLUSION

HR planning, recruiting, selection, orientation, performance appraisal, training and development, compensations and benefits, and career development are the eight primary activities of HRM from a traditional and Islamic perspective, according to the aforementioned debates. The primary goals of those HRM tasks are to ensure that an organization has access to competent, capable, motivated, truthful, and ethical employees who will seek to maximize the interests of both internal and external stakeholders.

Despite the fact that the Islamic HRM process at Islamic banks appears to be identical to the Western HRM process, There are significant distinctions in substance, philosophy, and spirit among traditional banks. Because the Qur'an and Sunnah (the Prophet Muhammad's sayings) motivate all Islamic HRM obligations (SAW). As a result, Muslims would consider failure to satisfy these norms to be a sin. Managers and personnel must answer to both Almighty God and their superiors and organizations. Traditional management, on the other hand, lacks value and is primarily concerned with obtaining earthly objectives. Traditional management also has an effect. Western management was created with Western values and concepts in mind. Western civilization has produced a split between science and religion. In the Islamic worldview, on the other hand, religion and science are linked and complimentary.

¹²⁴ Idris BIN OSMAN, Mohd Halim BIN MAHPHOTH & Maryam JAMEELAH BINTI MOHD HASHIM.<< HUMAN RESOURCE MANAGEMENT FROM ISLAMIC PERSPECTIVE: EXPERIENCES OF GLCS>>. Teknologi MARA univeristy malaysia. p.8-9.

¹²⁵ Abdul Hamid CHOWDHURY ; Nazamul HOQUE; Mohammad MASRURUL MAWLA. Op. cit.,P.33.

Conclusion

Islam is a complete way of life that provides instructions for human behavior in all aspects of life through the revelation and the Sunnah of the prophet Muhammed peace be upon him. It contains regulations and restrictions, which through organize the relationship between individuals and their Lord almighty Allah (SWT), as well as between the individual and other humans and the environment.

One of the most vital components of human existence is economics. The production, distribution, and consumption of products and services and everything that is involved in it from finance ; management to HRM, constitute economic behavior as represented in terms of economic activities. Islam provides specific standards and regulations for human economic behavior as part of its instruction. Islamic Economics has had a rebirth in recent decades around the world.

Islamic Economics is experiencing a revival around the world. In today's world, the terms "Islamic Economics and Finance" and "Islamic Finance or banking" are widely used. Following the recent global financial crisis, academics and the public have paid close attention to this topic. It championed the cause of being less speculative, more compassionate, and just. On both the financial level and the HRM level. However, Islamic banking is akin to normal banking, or, as some conventional critics suggest, it is equal to the conventional model while professing to be more ethical and so exploiting trusting Muslims. Investigating whether or not this is true would have exceeded the scope of this thesis. Thus, it is investigated if the two types of banks differ in terms of HRM characteristics while discussing the major financial features. As a result, the study question asks, "What are the distinctions between conventional human resource management and Islamic human resource management, as well as their applications in conventional and Islamic banks?" Three sub-questions were developed to answer this question.

Relating to the first sub-question, some literature books and articles that talk about the financial aspect of both banks we could come up with the result that our second hypothesis for this question was the right one, Islamic banks have different principles regulations and operate differently than conventional banks. Traditional banks operate on a business strategy that is primarily focused on financial transactions. The majority financial transactions in these institutions are borrowing from depositors and lending to individuals and organizations seeking finance. The most typical way to profit is through interest rate differentials. Other services offered by traditional banks assist them in making money. Sharia regulations, on the

other hand, are used by Islamic banks to align products and services. 5 Mudharaba; murabaha...etc) that are based on PLS (profit and loss share), because interest is strictly forbidden in Islam.

For the second question we could confirm the first hypothesis that indicates that western or conventional Human resources management and Islamic human resources management shares the same objectives and responsibilities yet differ in philosophy: sources and principles. While Western HRM takes secular disciplines as a source to its principles and practices in order for the human resources to be managed effectively and efficiently. the classical theory, for example which is still prevalent in most Western corporations calls for organizations to be bound by rules, personnel in higher levels to govern and oversee those in lower positions. There is nothing metaphysical to it, and everything is measured through numbers and worldly achievements. While on the hand Islamic HRM inspires its principles and its practices from Sharia laws. Human resource management is a topic covered in the Holy Quran and Sunnah that is well explained and addressed. Human resource management should have a moral, spiritual, and physical element that is led by God, since if not, it is likely to be driven by worldly aims.

And finally as for the last question, based on what we seen through this study's last chapter the second hypothesis is confirmed to be true. HR planning, recruiting, selection, orientation, performance assessment, training and development, remuneration and benefits, and career development are all examples of Islamic HRM. The primary goals of those HRM activities are to guarantee that a business has a skilled, capable, devoted, truthful, and ethical staff that will endeavor to maximize the interests of both internal and external stakeholders. Though Islamic HRM functions appear to be comparable to Western HRM in terms of method, there are significant variations in terms of substance, philosophy, and spirit. Because all criteria in Islamic HRM roles are founded on the Quran and Sunnah.

Therefore we can conclude as an answer of our problem, is that Islamic human resources management theoretically and based on the literature reviewed in this study is different from its own western peer in philosophy ; beliefs and principles yet they share some objectives and procedures.

The main challenge I encountered throughout this study was the shortage of information sources and literature on Islamic human resource practices and roles in Islamic banks. and this is owing to the fact that, as a Muslim future manager (if God wills), I despise admitting, but practically speaking, even the most Islamic businesses in today's economy, which are Islamic banks, do not take Islamic HRM seriously and instead adhere to the western approach to HRM, which is paradoxical.

Most Arab countries today have extremely limited Islamic knowledge, which has a detrimental influence on organizational management and limits the possibility for developing an Islamic management system. Many Muslims in the Arab world are simply Muslims in name, and their comprehension of Islam is limited to the basic rites of ablution and five daily prayers. As a result, I strongly advise future research Muslim managers and economists with a larger database to focus more on Islamic HRM and develop new Islamic aligning methods, while also preserving what is currently aligned with Sharia law from the western approach. As a result, developing an effective and efficient HRM system that meets Muslims' both worldly and spiritual goals.

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