UNIVERSITI TEKNOLOGI MARA

THE RELATIONSHIP OF CAREEREDGE PREDICTORS AND DIGITAL LITERACY WITH THE MEDIATING EFFECT OF SELF-EFFICACY: UNRAVELLING THE KEYS TO SUCCESSFUL EMPLOYABILITY AMONG ISLAMIC BANKING AND FINANCE GRADUATES IN MALAYSIA'S DIGITAL ECONOMY

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ABSTRACT

The rapid transition of Malaysia's economy into the Fourth Industrial Revolution (4IR) digital landscape has dramatically changed global labour market expectations, prioritising advanced digital and psychological capabilities as indicators of graduate readiness. Despite these shifts, Malaysia faces a persistent graduate underemployment rate exceeding 30% in semi-skilled and low-skilled positions, highlighting a deep-rooted skills mismatch. This issue is particularly critical within the specialised Islamic Banking and Finance (IBF) sector, which is undergoing aggressive technology evolution driven by Islamic fintech, artificial intelligence, and big data management. Empirical evidence indicates that IBF fresh graduates are suffering from a severe competencies mismatch, frequently failing to meet evolving banking standards and demanding technical literacy with the internal psychological self-belief required in disrupted workplaces. To address this issue, this study investigated the structural relationship of CareerEDGE predictors and multi-dimensional digital literacy (comprising digital knowledge, digital competence, and digital usage) on Graduate Employability, while evaluating the critical mediating mechanism of Self-Efficacy among IBF graduates. Grounded in a positivist paradigm and a quantitative, deductive framework, cross-sectional data were gathered via online surveys from a purposive sample of 145 recent graduates across four public and seven private universities in the Klang Valley region who completed their programs within the preceding six months. Data screening was conducted via SPSS 27, and structural path modelling was evaluated using Smart PLS 4 to accommodate non- normal data distribution. The empirical results revealed that Emotional Intelligence (EI) significantly and positively influences all three dimensions of digital literacy as well as self-efficacy. In addition, self-efficacy significantly mediated the relationships between degree subject knowledge and employability, and between generic skills and employability. Furthermore, self-efficacy demonstrated a full mediation effect on the path between emotional intelligence and employability, proving that core academic, generic and emotional assets influence market readiness primarily by bolstering a graduate's internal psychological confidence. These findings offer vital strategic blueprints for higher education institutions (HEIs) and policymakers, such as the Malaysia Qualification Agency (MQA), to overhaul current Muamalat and Islamic Finance program standards by moving away from rote learning toward educational designs that intentionally foster socio-emotional strengths and self-efficacy. Finally, this research underscores that resolving IBF skills mismatch in a digital economy demands looking past standalone hard skills, unravelling psychological self-efficacy as an indispensable key to successful graduate employability.

Key Words: Graduate Employability, CareerEDGE, Digital Literacy, Emotional Intelligence, Self-efficacy, Islamic Banking and Finance.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

The digital economy refers to economic and social activities that involve the creation and application of digital technology and platforms by individuals, businesses and the government (Malaysia Digital Economy, 2021). From an economic perspective, digitalisation is a key factor contributing to global economic growth, as evidenced by consumer behaviour that now prefers rapid and easy experiences, made possible by the internet and mobile devices. The era of the Fourth Industrial Revolution (4IR) is predicted to stimulate digital economy expansion through a technological revolution that integrates knowledge, innovation and digital technology across socioeconomic activities. Due to this, the Malaysian government has actively promoted the potential of the digital economy as part of its national development agenda, recognising it as a Key Economic Growth Area (KEGA) in realising Wawasan Kemakmuran Bersama 2030 (WKB 2030) to achieve equitable, inclusive and sustainable growth (Malaysia Digital Economy, 2021). However, the successful execution of this digital transformation does not rely solely on technological infrastructure; it hinges fundamentally on the readiness and capability of the nation's workforce. As the structural landscape of the market undergoes rapid digitalisation, the traditional parameters of workforce readiness are completely disrupted (Chacaltana et al., 2024; O. S. Pitan & Muller, 2023; Verma et al., 2025) positioning graduate employability as a critical national issue that determines whether these economic aspirations can be sustainably realised.

Driven by this macroeconomic paradigm shift, employers now expect graduates to possess digital literacy skills due to the economy's and the labour market's shift towards digitalisation. These competencies include higher analytical skills along with the capacity to learn on one's own to adjust to technology changes (Mkhize & Reddy, 2025; Mn et al., 2020). This is due to the fact that information is easier to access in an era of limitless information; rather, graduates are expected to be able to select, combine, and use information to inform their choices. Therefore, it is vital that graduates meet these evolving