

CHAPTER II

LITERATURE REVIEW

2.1 Literature Review

In modern competitive job market, education is crucial in strengthening the potential of students and graduates to succeed in their professional careers. As more students pursue higher education aiming for a higher chance of employability, understanding the link between academic performance and employability becomes increasingly important.

Academic performance, often measured by Grade Point Averages (GPA), serves as an indicator of a student's academic competence and outcome. In the other hand, employability, consist of variety of attributes and skills that effectively a candidate attracts and retain the attention of employers. These two elements are connected through the Human Capital Theory, which views education as an investment made to enhance a person's career opportunities and overall life quality. From this perspective, academic performance is not only a sign of educational success but also a valuable asset that can increase an individual's competitiveness in the labor market.

The following subsections will explain each component in more detail. These include Human Capital Theory, academic performance, and employability, which together form the basis for understanding how

academic performance can influence students' perceptions of their employability.

2.1.1. Human Capital Theory

The Human Capital Theory, first introduced by Becker (1964) is often used to explain the connection between academic performance and employability. The theory proposes that individuals make deliberate investments in their education and training to enhance their future career prospects, earning capacity, and quality of life. According Fei et al. (2025) the knowledge, skills, and values gained through such investments can significantly improve productivity and increase an individual's chances of securing employment.

Fei et al. (2025) further highlight that elements in human capital theory, including academic performance, skill development, and work experience, have a strong and positive impact on both perceived employability and actual employment outcomes. Academic performance, in particular, reflects the extent of theoretical understanding that students acquire during their studies. This knowledge base not only equips them to meet workplace demands but also fosters motivation and confidence, enabling them to stand out in a competitive job market and achieve better career outcomes.

These insights reinforce the relevance of Human Capital Theory in understanding employability and academic performance, as it illustrates how academic performance serves as a key driver of professional growth and career success.

2.1.2 Academic Performance

Academic performance reflects a student's success in meeting academic goals, typically evaluated through standardized metrics such as final grades and cumulative academic scores (Al Matalka & Al Dwakat, 2022). One of the most commonly used indicators is the Grade Point Average (GPA), which is used to quantify a student's academic performance in educational institutions, particularly in higher education (Merritt, 2021). This theoretical view is supported by Papadogiannis et al. (2023), who found that a student's GPA, particularly in their first year, can be a strong predictor of future academic performance, which indicates that GPA works as a key measure to indicate long-term educational outcomes.

GPA is calculated as the weighted average of a student's grades, commonly on a four-point scale in many countries. In this system, letter grades are converted to numerical values (A=4, B=3, C=2, D=1, F=0). Each grade is multiplied by the number of credit hours for the course, and the total is divided by the number of credits attempted, with the final result usually rounded to one decimal place (Green, 2022; Merritt, 2021). A GPA

of 4.0 is typically the highest possible score, representing exceptional academic achievement.

Related to this, Tomkin & West (2022) observed notable trends where GPA can differ based on a student's majors. Their findings indicate that students in STEM fields often produce lower GPAs compared to those in non-STEM majors, with the average difference being approximately 0.4 grade points. This disparity is attributed to more stringent grading practices in STEM courses, programs, and departments.

Other factors also contribute to a student's academic performance. Hongjun et al. (2024) states that multiple elements can shape students' academic success and learning outcomes, including gender, age, teaching faculty, previous schooling, father or guardian's socioeconomic status, school residential area, access to private tutoring, daily study hours, and student's accommodation. Al Matalka & Al Dwakat (2022) further add that external factors such as financial strain and social challenges, including adjustment issues and even racism, can also significantly affect their academic outcomes. Lastly, Sereda et al. (2024), also mentioned how internal motivation plays a vital role, where students who are driven by clear goals and personal ambition are more likely to engage deeply with their studies, which in turn positively impacts their academic performance.

Within the framework of Human Capital Theory, academic performance serves as a tangible reflection of the theoretical knowledge students acquire during their educational studies. As explained by Fei et al. (2025), this knowledge base strengthens a graduate's capacity to meet job market demands at a conceptual level. Therefore, improving access in education quality and enhancing student's academic outcomes is essential for producing graduates whose skills align with evolving labor market requirements (Fei et al., 2025)

2.1.3 Employability

Employability refers to a person's capacity to engage in the workforce, encompassing various factors essential for securing employment. These required abilities, known as employability skills, play a key role in improving an individual's knowledge and competencies (Thapa, 2024). According to Huang et al. (2022), these skills extend beyond the technical skills necessary for a position, incorporating attributes that make individuals seen as a qualified candidate to employers, such as academic abilities, advanced thinking skills, and personal attributes.

From the employer's perspective, high academic achievement, soft skills, professional skills, practical experience, and personal attributes are key factors commonly used to assess a graduate's employability (Huang et al., 2022; Hongjun et al., 2024). Supporting this view, survey data from the

National Association of Colleges and Employers (NACE) in Job Outlook 2024 Survey indicates that, in addition to GPA, employers often prioritize work experience and career readiness when screening candidates. Career readiness is typically assessed through skills such as communication, teamwork, critical thinking, and a strong work ethic, all of which are regarded as essential attributes in potential hires.

In addition to individual qualities, institutional and structural factors also contribute to employability. Elements such as curriculum design, teaching approaches, extracurricular involvement, and partnerships between universities and industry play important roles in preparing graduates for the workforce. Therefore, early exposure to real working environments through internships, training programs, and other similar projects will allow students to develop practical abilities, build professional networks, and improve their competitiveness when seeking employment (Huang et al., 2022).

The advancement of emerging industries has altered and created new demands for human resources and employability became a more pressing need for society rather than just employment rates (Hongjun et al., 2024). Therefore, as the job market continues to change, it is crucial for educational institutions and policymakers to enhance employability through innovative training and collaboration with industry partners. By adopting this approach, it will ensure that graduates are equipped to meet the demands of the current workforce situation (Elsy et al., 2022; Thapa, 2024).

Within the framework of Human Capital Theory, employability is closely linked to other human capital factors, such as academic performance, work experience, and skill development. Fei et al. (2025) note that perceived employability, which is students' self-assessment of their own capacity to secure and succeed in employment, plays a critical role in bridging the gap between human capital factors and actual employment outcomes. This perception influences confidence, decision-making, and job-seeking behaviors, and it can mediate or moderate the relationship between an individual's human capital and their eventual career success.

2.2 Prior Research

Table 2.1 Prior Research

	Title/Author/Year	Variable	Research Methods	Results
1	The Influence of Students Academic Performance on Their Employability in the Field of Education (Hongjun et al., 2024)	Independent: Students' Academic Performance Dependent: Employability in the Field of Education	Quantitative Research	This study finds that although both academic performance and employability show moderate average scores, they still significantly influence each other in a consistent manner. In other words, students with moderate academic performance and engagement tend to also lead to a moderate level of perceived employability. This means that student employability will increase or decrease in line with changes in their academic performance.
2	The Impact of Academic Performance on Employability – A Study Manjunath (2021)	Ho: Academic Performance has no significant impact on employability of students undergoing university programs. Ha: Academic Performance has a significant impact on employability of students undergoing university programs	Analytical Study	The study highlights a clear link between academic performance and employability. The result indicates that students with higher academic results are more likely to secure employment, with 74% of those scoring above 60% in their final graduation already recruited by companies.

3	Grade point Averages Versus Experience (Boto-García & Escalonilla, 2024)	i) A dummy for whether the graduate was working in the second quarter of the graduation year ii) Dummies for the quartile of the distribution of Grade Point Average (GPA) where the graduate is located.	Descriptive Evidence and Empirical Strategy	The study reveals that higher GPA does contribute to increased employability among tourism graduates. However, its impact is relatively lower compared to the influence of practical skills and work experience. The researchers also found that a higher GPA significantly boosts employability prospects for female graduates, whereas employers tend to prioritize practical experience more for male graduates. As a result, in situations where both male and female candidates lack prior work experience, females are generally required to demonstrate stronger academic performance than males.
---	--	--	---	--

2.3 Hypotheses Development

Previous research from Hongjun et al. (2024) suggests that individuals with strong academic achievements often exhibit higher levels of discipline and deeper knowledge in their fields, making them more desirable to employers. This idea aligns with their findings, which indicate a significant influence of academic performance on students' perceived employability. The notion that employers view students with stronger academic performance as more employable is further supported by the findings of Manjunath (2021), which reveals that employability scores are significantly influenced by academic grades. When academic performance is categorized into three groups which are below 60%, between 60% and 70%, and above 70%, the data show that 74% of participants who scored above 60% secured employment by the time they graduated.

In line with these findings, research from Madonna University (2023) highlights that graduates with a GPA of 3.0 or higher are more likely to receive multiple job offers immediately after graduation compared to their peers with lower GPAs. Further evidence comes from the study from Boto-García & Escalonilla (2024) employability in the first-year post-graduation increases with higher academic performance. However, their study also uncovered unique gender differences, where it is found that while academic performance significantly impacts employability for females without work experience, it does not affect males the same way. This suggests that employers may place greater pressure on academic performance for females due to potential gender biases or stereotypes. Consequently, securing a job may require stronger academic requirement for female than for male when both genders lack experiences.

In the long term, findings from Steindórsdóttir et al., (2024) indicate that university GPA is a crucial factor influencing career success over time, even more than personality traits. Therefore, even though GPA may not immediately impact a student's initial career, its positive impact will accumulate gradually. This reinforces the idea that academic performance could be a beneficial investment and work as a favorable outcome for their careers. This supports the concept within Human Capital Theory by Becker (1964) which suggests that individuals who invest in education improve their skills and productivity, thereby increasing their employability.

Adding to this argument, Fei et al. (2025) emphasizes the importance of perceived employability in shaping actual employment outcomes. Their research reveals that perceived employability acts as a vital link between the accumulation of human capital, such as academic performance, and success in the job market. In other words, when students view themselves as capable and ready for the workforce, it further reinforces the value of their academic achievements and strengthens the pathway to employment.

These studies collectively suggest a consistent pattern where academic performance positively influences employability. Accordingly, this study puts forward the following hypothesis:

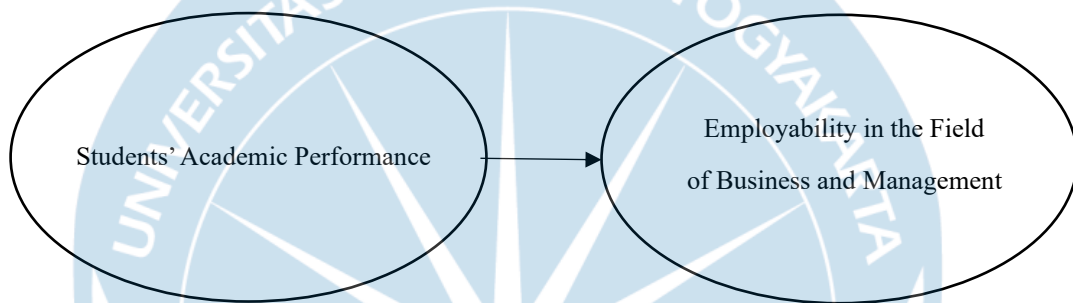
H1: Academic performance significantly influences employability in the field of business and management.

2.4 Research Framework

The conceptual framework of this research shows a direct relationship between students' academic performance and their employability in the field of business and management. Academic performance, which represents the independent variable, reflects the student's overall learning achievement throughout their studies. This variable is assumed to influence how students perceive their employability in professional settings. On the other hand, employability in the field of

business and management represents the dependent variable, as this outcome depends on and is shaped by the student's academic performance. This framework serves as the main foundation for examining whether academic performance significantly influences students' employability in the field of business and management.

Figure 2.1 Research Framework



Source: Hongjun et al. (2024)