

**ISLAMIC WORK ETHIC AS AN ANTECEDENT
OF WORK OUTCOMES:
A STUDY OF ISLAMIC MICROFINANCE
IN CENTRAL JAVA, INDONESIA**

Wahibur Rokhman

STAIN Kudus, Central Java, Indonesia

Wahibur@gmail.com

Abstract

Using sample 370 employees from Islamic microfinance institutions in Central Java, Indonesia, this study was conducted to examine the effect of Islamic work ethics on job satisfaction, organizational commitment and turnover intention. The empirical testing indicates that Islamic work ethic has positive effects on both job satisfaction and organizational commitment; whereas there is no significant evidence of the effect of Islamic work ethic on turnover intention. Implication, limitation and suggestion for future research are also discussed.

Keywords: *Islamic work ethic, job satisfaction, organizational commitment*

A. Introduction

The study of work ethics has gained significant interest in recent years following the failures of major corporations like Enron, Arthur Anderson, and WorldCom. However, most studies

in this area, as well as in the bigger subject area of business ethics, have been based on the experiences in the American and European countries (Lim and Lay, 2003: 321-322; Rizk, 2008: 246-254). Essentially, these studies (e.g. Furnham, 1982: 277-285, 1990; Furnham and Rajamanickam, 1992) relied on the Protestant Work Ethic (PWE) as advocated by Max Weber (Yousef, 2001: 152-165). Notwithstanding the impact of Protestantism and PWE on economic development in the West (Weber, 1930/2001), the applicability of models that are based on these elements may be limited in non-Western societies, particularly those which adhere to other religious beliefs. Islam for example has its own concept of ethics that are derived from the *Qur'an* and *Hadist*. In a manner similar to Weberian Protestantism, Islam provides the ideological foundation for a variety of personal attributes that promote economic development (Ali, 2005). Indeed, according to Ali (2005), the application of Islamic ethics brought the Muslims to the golden ages in the eighth until the fourteenth century.

The concept of work ethics in Islam, which is usually called Islamic work ethic (IWE), is a set of moral principles that distinguish what is right from what is wrong based on the *Qur'an* and *Hadist*, particularly in the work place (Ali, 2005). However, not much is known about IWE. To date, there are only a few researches that have looked at IWE (see Ali, 1988 and 1992; Yousef, 2000: 513-537 and 2001; Rahman, Muhamad, and Othman, 2006; Ali and Al-Kazemi, 2007: 366-375. Moayed, 2009; and Khalil and Abu-Saad, 2009). For example, Yousef (2001: 152-165) investigated the moderating effect of the Islamic work ethic on the relationships between organizational commitment and job satisfaction. This study used 425 Muslim employees in several organizations in the United Arab Emirates (UAE). The result of the study revealed that IWE directly affected both organizational commitment and job satisfaction and that it moderated the relationship between these construct.

Furthermore, Ahmad (1976, in Yousef, 2001: 152-165) suggested that Islamic work ethic stands not for life denial but

for life fulfillment and regards business motives as one of the priorities of life. As a result, the employees who believe in Islam and follow the Islamic ethic tend to be more satisfied with their job and more committed to their organization. Consequently, they will have low intention to leave the organization. The role of IWE on job satisfaction, organizational commitment and turnover intent has not received adequate attention in the literature and research. This is so especially in Islamic financial institutions context. Therefore, the present study is designed to investigate the effect of Islamic work ethic on job satisfaction, organizational commitment and turnover intention in Islamic microfinance institutions in Central Java Indonesia.

Indonesia, a country with the largest Muslim population in the world, has been seen rapid development in the Islamic financial system since the 1990s. This followed the issuance of Act no 7 of 1992 on banking. The Indonesian government has actively promoted Islamic microfinance. In 2002, Bank Indonesia prepared a “*blueprint of Islamic banking development in Indonesia*” in which it developed a nine-year plan for development of the Islamic finance. This plan includes support for the 105 *sharia* rural banks and Islamic microfinance called *Baitul Mal wal Tamwil* (BMT). The development of BMT has been very fast. According Seibel (2007), the number of BMTs was around 2.900 units, with total assets of more than Rp110 billion (around US\$11 million).

As a result of the rapid growing of BMTs, competitions amongst Islamic microfinance institutions are becoming tougher. It is unavoidable that BMTs should compete with conventional microfinance having more experiences and funding to respond to the ever changing customers’ needs and expectation. Having differentiation strategy in attracting customers will be of great importance. Therefore it is imperative for managers of Islamic microfinance to attract their customers with Islamic value. It can be argued; therefore, that holding up Islamic work ethics should be of utmost important for winning the competition.

B. Islamic Work Ethic

IWE may be defined as the set of moral principles that distinguish what is right from what is wrong (Beekun, 1997) in Islamic context. According to Rizk (2008), IWE is an orientation towards work and approaches work as a virtue in human's lives. IWE is originally based on Qur'an, the teachings of the Prophet, who denoted that hard work caused sins to be absolved and the legacy of the four Caliphs of Islam (Ali, 2005; Rizk, 2008). Critically, these limited studies on IWE indicate that IWE may share a number of similarities. For instance, both IWE and PWE place considerable emphasis on hard work, commitment, and dedication to work, work creativity, avoidance of unethical method of wealth accumulation, cooperation and competitiveness at the work place (Yousef, 2001: 152-165).

Islam clearly counters the Weber's thesis that Muslim societies could not develop their economy. Weber (1982) argued that Islam could not produce values such as Protestant ethics "the spirit of capitalism" due to a number of reasons (in Arslan, 2000: 13-19). First, Sufism is viewed as an otherworldly character because of its avoidance of world matter. Weber believed that Sufism is a barrier to the development of a capitalistic spirit because it encourages a fatalistic way of life. Second, warrior ethic or the spirit of conquest is regarded to be antithesis of the productive capitalist spirit because war is closely related with a destruction and assassination. Third, Weber argued that the most of Islamic empires are despotic; they restricted property rights and capital accumulation. It created laziness among the people (Arslan, 2000).

The Weber's opinion about the Islamic values in economics is rejected because faith in Islam includes work as integral component of the human life. Work and faith, according to Abeng (1997: 47-54.), are the same as a root and tree; one cannot live without the other. Research conducted by Arslan (2000 and 2001) have provided empirical support to refute Weber's thesis. Arslan (2000) compared the British and Turkish

managers using PWE. He found that Turkish managers scored higher in all characteristics in PWE than British managers. In his conclusion, Arslan mentioned that the result of his research had some impacts: first, the Weber's criticism of Islamic terms in the economic behavior is not valid, especially in the case of the Turkish. Second, religious motives had an important impact on business. Lastly, Turkish Sufi movements had the same role as Calvinism in Northern Europe in the eighteenth century. Also the Islamic ethic and heritage had an important role in business ethics. Critically, Aslan's findings mirrored the findings of an earlier research by Ali (1988), who found Arab managers to be more productive than Western managers.

C. Work Ethics, Job Satisfaction, Organizational Commitment and Turnover intention

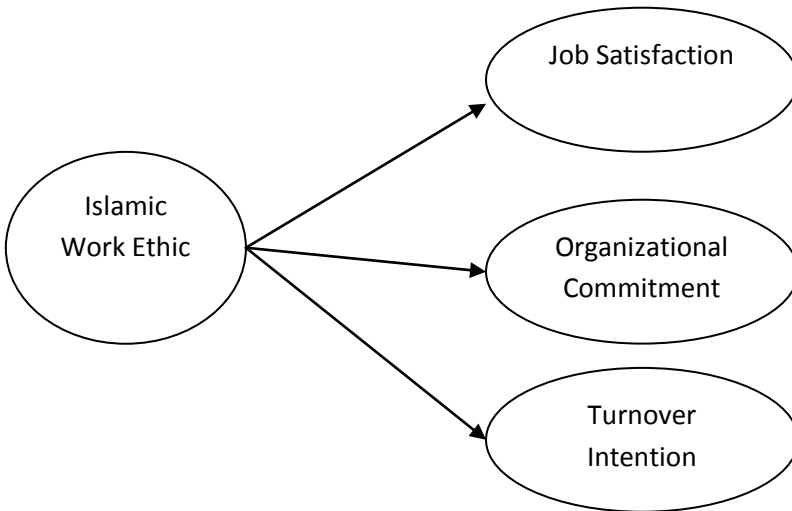
Work ethics is closely related with job satisfaction (Yousef, 2001: 152-165; Koh and Boo, 2001: 309-324, Viswesvaran and Deshpande, 1996: 1065-1069; Vitell and Davis, 1990: 489-494). Understanding the relationship between work ethics and job satisfaction is imperative. This is in the sense of in determining intervention and strategies for mitigating factors that reduce satisfaction toward the work condition (Yousef, 2000: 513-537). Robbins (2005) described job satisfaction as a collection of feelings that individual holds towards his or her job. This means that an employee who has high level of job satisfaction will hold positive feeling toward job and vice versa. Typically, job satisfaction is a person's evaluation of the overall quality of his or her present job. The evaluation measures may include either an effective orientation toward one's job or job position or an attitude one holds about the job (Spector, 1997).

Research has also shown that work ethic also is related to organizational commitment (Yousef, 2001: 152-165; Kidron, 1978: 239-247, Peterson, 2003: 557-572). For over a decade organizational researchers have been studying organizational commitment in its relations to various situational characteristics,

attitudes and behaviors of employees. Moreover, according to Allen and Mayer (1990: 1-18.), the organizational commitment is a psychological state that attaches an employee to an organization, thereby reducing the incident of turnover. Kidron (1979) further observed that work values show higher correlations with moral commitment to the organization than calculative commitment (Elizur and Koslowsky, 2001: 593-599). Putti, Aryee, and Ling (1989: 275-288) analyzed the relationship between work values and organizational commitment based on a sample of workers in Singapore. They found that intrinsic work values relate more closely to organizational commitment than extrinsic work values.

On turnover intentions, studies showed the negative relation between work ethic and turnover intention. Sager et al (1998: 1-18) suggested that turnover intention as a mental decision intervening between an individual's attitude regarding a job and the stay or leave decision. Turnover intention refers to the three elements in the withdrawal cognition process: the thinking of quitting, the intention to search for another job elsewhere and the intention to quit (Miller et al., 1979; Mobley et al., 1979). Lewis (1991) pointed to three factors that influence turnover or intention to turnover: age, amount of experience, and rate of pay. More specifically, Lewis argued that the new young employee would be least attached to a particular employer. The older employee, on the other hand, might be likely to anchor themselves in a certain job. This may be due location and given their stronger ties to the community. Turnover rates are highest for employees in their twenties and in their first few years. That is, a growing lack of loyalty has caused higher rates of turnover among employees seeking out new opportunities and larger career part (Abbasi and Hollman, 2000: 333-42).

Figure: Research Framework



The link between work ethics and job satisfaction, organizational commitment and turnover intention can be explained by the organizational justice theory (Koh and Boo, 2004: 677-693). This theory explained that the justice perception of employees effect their job attitudes and organizational outcome. Employees who perceive their organizations to be ethical are likely to perceive their organization as being fair to them. Thus, in turn, this is likely to enhance employee job satisfaction and organizational commitment, and also decrease turnover intention (Koh and Boo, 2004). Studies showed that ethical conduct in the work influence job satisfaction organizational commitment and turnover intention (Weeks et al, 2004: 199-214; Schwepker, 2001: 39-52). Furthermore, Kidron (1979) explores the link between PWE and commitment to organization. The study revealed that work ethics is more related to moral commitment than calculative involvement. Schwepker (2001: 39-52) found that a positive association between a positive ethical climate and job satisfaction. Likewise, Peterson (2003) found the relationship between ethical pressure and lower organizational commitment and higher intentions to leave the organization.

Based on the above discussion, the following hypotheses

are discernable:

H1. IWE is positively related with job satisfaction.

H2. IWE is positively related with organizational commitment.

H3. IWE is negatively related with turnover intention.

D. Results

Means, standard deviations, and correlations of the variables are reported in table 2.

Table II Means, standard deviations, correlations of the variables

No	Variables	2	3	4	Means	SD
1	Islamic Work Ethic (IWE)	.36*	.35*	.006	4.19	0.51
2	Job Satisfaction		.39**	.084	3.89	0.55
3	Organizational Commitment			-.292*	4.00	0.26
4	Turnover Intentions				2.04	0.77

* $p < .01$

** $p < .05$

Results show that overall means of Islamic work ethics is relatively high. This can be interpreted that employees in the institutions under study strongly adhere to IWE. The overall mean of the job satisfaction is above the mid-point. It means that employees in the investigated organization are not fully satisfied with their job, however they are more inclined toward being satisfied. Furthermore, the overall mean of organizational commitment is reasonably high, This indicates that the commitment of the employees in the investigated organization are committed to their organization. Overall mean of turnover intention is relatively low, meaning that employees in the Islamic microfinance institutions which were investigated have low intention to leave the organization.

In addition, table II also explained that the relationship between IWE and job satisfaction is positive significant ($r = 0.36$; $p <$

0.01) and also significantly related to organizational commitment ($r = 0.35$; $p < 0.05$). However, it is not significant correlated with turnover intentions. Likewise, table II showed that job satisfaction is significantly related to organizational commitment ($r = 0.39$; $p < 0.05$) but negatively related to turnover intention ($r = -0.292$; $p < 0.01$). Moreover, the relationship between turnover intention to both Islamic work ethic and job satisfaction is not significant.

Table III. The result of regression analysis

Variables	Independent Variable Islamic Work Ethic (IWE)					
	R	Adj R ²	R ² Change	F change	β	Sig
Dependent Variable						
• Job Satisfaction	.362	0.112	0.131	7.069	0.749**	0.011
• Organizational Commitment	.345	0.1	0.119	6.34	0.67**	0.015
• Turnover Intentions	.006	-0.21	0.000	0.002	0.17	0.967

Note: * $p < 0.01$, ** $p < 0.05$

To test the first hypothesis, the study regressed IWE on job satisfaction. The relationship between IWE and job satisfaction is highly significant, as indicated in the table III ($R^2 = 0.131$, $p < 0.05$). The null hypothesis is therefore rejected. IWE scores explained about 13.1% of variance ($F = 7.069$, $p < 0.05$) in job satisfaction. The second hypothesis was also supported, as indicated by $R^2 = 0.119$, $p < 0.05$ (see table III), therefore null hypothesis is rejected. The third hypothesis is not supported; the effect of IWE on turnover intention is not significant. The null hypothesis is

therefore accepted.

The result that employees in the organizations investigated scored high on the IWE scale, as indicated by the mean, might show that they are highly supportive of the Islamic ethic. That overall mean of job satisfaction is slightly below commitment, implies respondent were not fully satisfied with their current jobs. The high score on organizational commitment indicate that employees in the institutions investigated have high commitment to their current organization. In contrast, the overall mean of turnover intention has low score (2.04) below scale midpoint, which indicate that the employees have less intention to leave their current organization.

For the first and second hypothesis testing, the results indicate that the relationships between the IWE to both job satisfaction and organizational commitment are positive and significant. These are in line with the prior research (Yousef ,2001: 152-165; Koh and Boo, 2001; Viswesvaran and Deshpande, 1996; Vitell and Davis, 1990: 489-494), which demonstrated the positive effect of work ethic on job satisfaction and organizational commitment. The result suggests that those who strongly support IWE would be more satisfied with their job and committed to their organization.

Interestingly, however, the third hypothesis is not supported as the result indicated that the effect IWE on turnover intention is not significant. This finding was supported by Pettijon, et al (2008) who reached similar conclusion. These result indicated that IWE has no direct impact on employee turnover intention. However, it may be mediated by job satisfaction or organizational commitment. This confirms the finding in Mulki, Jaramillo, and Locander (2008: 559-574) that the relationship between ethical climate and turnover intention was fully mediated by role stress.

E. Conclusion

This study examines the effect of IWE on job satisfaction, organizational commitment and turnover intention. It was evident

that the effect of IWE on job satisfaction and commitment is positive and significant. In contrast, the effect of IWE on turnover intention is not significant.

The finding of this study has some implications. The results present the theoretical and empirical research regarding the effect of Islamic work ethic, since there have been few researches in this regard. As expected, the study revealed the importance and impact of Islamic work ethic on employee's perception on job satisfaction and organizational commitment. Thus, this study provides a basis for further research in Islamic work ethic area.

For practical implication: it offers some interesting guidelines for manager in Islamic microfinance organizations in formulating their human resource policies and strategies. This is more so, as it relates to the importance of developing ethics in the organization. In addition, in order to enhance job satisfaction and organizational commitment managers need to support the Islamic work ethic in their organizations. Thus, manager can ensure that every employee join training and educational programs that place more emphasis on the application of Islamic morality and values in work.

Finally, there are some limitations to this study which need to be considered. First, the number of sample and organization is small, further study should use bigger sample size and involve more institutions in order to get better result. Second, the generalization of the findings of the present study might be questionable due to the nature of the sample. Third, the limited number of variables may effects the findings. It is better for the next study, therefore, to include performance, job stress and other work outcomes in relation with Islamic work ethic to give better explanation.

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