

# Islamic Work Ethics as an Antecedent of Employee Satisfaction and Commitment in the Islamic Banks of Pakistan

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## Abstract

The purpose of this study is to find the impact of Islamic work ethics on employee satisfaction and employee commitment. For this purpose, data was collected from two hundred and eight employees working in Islamic banks of Pakistan. SPSS was used to analyse the data. The factor analysis and Cronbach's Alpha confirmed the validity and reliability of the data. The correlation and regression analysis provided the significant relationship among Islamic work ethics, employee satisfaction and employee involvement. More specifically, Islamic Work Ethics have positive and significant impact on employee satisfaction and employee commitment.

**Keywords:** Islamic work ethics, employee satisfaction, employee commitment, Islamic banks of Pakistan

## 1. Introduction:

Organizational issues such as unethical behaviour, fraud, corruption and sexual harassment have highlighted the importance of ethics in the organizational context. Work ethics play vital role in making the organizational functions efficient and effective.<sup>1</sup> Similarly, the adoption of ethical framework leads the upturn the competitive abilities of the business organizations in this competitive business world.<sup>2</sup> The work ethics improves the individual and organizational performance. Organizational researchers are focusing their attention to understand the ethics in the work place. The perception of employees of business ethics is shaped by their cultural values and religious beliefs.<sup>3</sup> The area of business ethics has been explored in variety of dimensions including Islamic work ethics.<sup>4</sup>

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<sup>1</sup> Al-Modaf, O. A. "Islamic work ethic code: a conceptual study, Umm Al-Qura University Journal of Education." *Social Sciences and Humanities, Special issue on the occasion of celebrating Makkah Al-Mukarramah as the capital of Islamic culture for the year 1426* (2005), 9-28.

<sup>2</sup> Michaelson, Christopher, Michael G. Pratt, Adam M. Grant, and Craig P. Dunn. "Meaningful work: Connecting business ethics and organization studies." *Journal of Business Ethics* 121, no. 1 (2014), 77-90.

<sup>3</sup> Murtaza, Ghulam, Muhammad Abbas, Usman Raja, Olivier Roques, Afsheen Khalid, and Rizwan Mushtaq. "Impact of Islamic work ethics on organizational citizenship behaviors and knowledge-sharing behaviors." *Journal of Business Ethics* 133, no. 2 (2016), 325-333.

<sup>4</sup> Khan, Khurram, Muhammad Abbas, Asma Gul, and Usman Raja. "Organizational justice and job outcomes: Moderating role of Islamic work ethic." *Journal of Business Ethics* 126, no. 2 (2015), 235-246.

Islamic work ethics are rooted in Quran and Sunnah. These ethics are generally derived from Islamic Shariah Principles. Islam put forward ideological foundation to guide the individual behavior at work place which results into economic development.<sup>5</sup> Moreover, Muslims enjoyed golden era in every aspect of life -including trade and business- by following the Islamic work ethics in the eighth to fourteenth century.<sup>6</sup>

Islamic work ethics are set of moral principles which differentiate what is right and what is wrong based on Quran and Hadith, especially in the workplace.<sup>7</sup> As it is established that work ethics have impact on individual and organizational performance<sup>8</sup>, therefore understanding the Islamic work ethics is important to study in explaining the employee's performance. Work ethics affect the attitude and behaviours of the employees. Work ethics affect the feelings of employees toward the work environment. The employee satisfaction is upturned when they are working under ethical framework. In the same way, the literature provides that work ethics enhance the employee's commitment. Work ethics develop the sense of moral obligations toward work and organizations when employees.<sup>9</sup> Organizational justice theory and cognitive dissonance theory provides the theoretical foundation of the relationship between ethics and employees positive attitudes such as employee satisfaction and employee commitment.<sup>10</sup>

A significant amount of work has been done on work ethics and employees outcomes, but there is scarce evidence on the relationship between Islamic work ethics and employee performance. Similarly, according to best knowledge of the authors of this study, the impact of Islamic work ethics on employee performance has not been studied in the Islamic banks of Pakistan. Therefore, this study aims to answer the following key questions:

1. What is the impact of Islamic work ethics on employee satisfaction in the Islamic banks of Pakistan?
2. What is the impact of Islamic work ethics on employee commitment in the Islamic banks of Pakistan?

## **2. Theory and Hypotheses:**

### **2.1 Islamic Work ethics:**

Islamic work ethics are set of moral principles which differentiate what is right and what is wrong based on Quran and Hadith, especially in the workplace.<sup>11</sup> Islamic work ethics are rooted in Quran and sayings and actions of Prophet. Islam

<sup>5</sup> Ali, Abbas J., and Abdullah Al-Owaidan. "Islamic work ethic: a critical review." *Cross cultural management: An international Journal* 15, no. 1 (2008), 5-19

<sup>6</sup> Ali, Abbas J. "The Islamic work ethic in Arabia." *The Journal of psychology* 126, no. 5 (1992), 507-519.

<sup>7</sup> Ali, Abbas J., and Ali A. Al-Kazemi. "Islamic work ethic in Kuwait." *Cross cultural management: An international Journal* 14, no. 2 (2007), 93-104

<sup>8</sup> Rokhman, Wahibur. "The effect of Islamic work ethics on work outcomes." *EJBO-Electronic Journal of Business Ethics and Organization Studies* (2010).

<sup>9</sup> Treviño, Linda Klebe, Kenneth D. Butterfield, and Donald L. McCabe. "The ethical context in organizations: Influences on employee attitudes and behaviors." *Business Ethics Quarterly* 8, no. 3 (1998), 447-476.

<sup>10</sup> Chye Koh, Hian, and El'fred HY Boo. "Organisational ethics and employee satisfaction and commitment." *Management Decision* 42, no. 5 (2004), 677-693.

<sup>11</sup> Ali, Muhamad. "The rise of the Liberal Islam Network (JIL) in contemporary Indonesia." *American Journal of Islamic Social Sciences* 22, no. 1 (2005), 1-27.

provides guidelines to individuals about ethical behavior at work place by emphasizing on avoidance of unethical mean of wealth accumulation, secrecy of information, hard work, commitment and dedication to work.<sup>12</sup> Similarly, Islamic work ethics consider work as essential part of human life. It places considerable emphasis on efficient use of resources and contribution to societal welfare. This Islamic work ethics enable the organization to maintain gainful working relations with both inside and outside stakeholders of the organization and achieving long term success of the organization.<sup>13</sup>

## 2.2 Employee Commitment:

Organizational commitment is the level of psychological attachment of employees with the organization.<sup>14</sup> Similarly, organizational commitment is the association formed between employees and organization.<sup>15</sup> In this; an employee identifies him or herself with a certain organization and its goals and want to remain part of the organization. The literature provides that organizational commitment is associated with high level of productivity and less turnover intentions. Work ethics are associated with organizational commitment. Employee commitment is upturned when they are working under ethical framework.<sup>16</sup>

## 2.3 Employee satisfaction:

Employee satisfaction is an important positive attitude and it is resulted from evaluation of the job characteristics. Job satisfaction is described as the positive feeling toward the job.<sup>17</sup> A highly satisfied employee has positive feelings of job whereas dissatisfied employee has negative feelings of the job. Research has provided that employee satisfaction is associated with positive attitudes and behaviours such as employee commitment and employee performance.<sup>18</sup>

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<sup>12</sup> Yousef, Darwish A. "Islamic work ethic—A moderator between organizational commitment and job satisfaction in a cross-cultural context." *Personnel review* 30, no. 2 (2001), 152-169.

<sup>13</sup> Rokhman, Wahibur. "The effect of Islamic work ethics on work outcomes." *EJBO-Electronic Journal of Business Ethics and Organization Studies* (2010).

<sup>14</sup> Allen, Natalie J., and John P. Meyer. "The measurement and antecedents of affective, continuance and normative commitment to the organization." *Journal of occupational and organizational psychology* 63, no. 1 (1990), 1-18.

<sup>15</sup> Awais, Mustabsar, Muhammad Shaukat Malik, and Amina Qaisar. "A review: the job satisfaction act as mediator between spiritual intelligence and organizational commitment." *International Review of Management and Marketing* 5, no. 4 (2015).

<sup>16</sup> Cullen, John B., K. Praveen Parboteeah, and Bart Victor. "The effects of ethical climates on organizational commitment: A two-study analysis." *Journal of Business Ethics* 46, no. 2 (2003), 127-141

<sup>17</sup> Robbins, Stephen P., Tim Judge, and Katherine Breward. *Essentials of organizational behavior*. Vol. 7. Upper Saddle River: Prentice Hall, 2003.

<sup>18</sup> Harter, James K., Frank L. Schmidt, and Theodore L. Hayes. "Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis." *Journal of applied psychology* 87, no. 2 (2002), 268.

#### 2.4 Impact of Islamic work ethics on employee performance:

Business ethics are intended to influence and guide the actions of the employees working in the organization. Plethora of studies linked the business ethics with employee's performance. Ethics shape the perception of the individuals. Organizational justice theory put forward the theoretical underpinning of the impact of ethics on the employee's attitudes and outcomes.<sup>19</sup> Ethics leads to equality and justice in the organization. And this justice perception affects the attitude and behaviours of the individuals including job satisfaction and employee commitment. In the similar manner, the employees who feel that their organizations are following ethical practices are more likely to feel that their organizations are being fair. The employee's perception about fairness in the organization triggers employee satisfaction.<sup>20</sup>

Cognitive dissonance theory provides that people try to lessen the environmental dissonance.<sup>21</sup> Basically, individuals want to have consistency between organizational ethical climate and their internal standard of ethics.<sup>22</sup> Employees possess positive attitudes when the dissonance is minimized. And this consistency leads to organizational favourable attitudes such as employee satisfaction and employee commitment.

On the other side, the inconsistency between their ethical value system and organizational ethical climate leads to cognitive dissonance. This cognitive dissonance triggers moral conflict which reduces job satisfaction.<sup>23</sup> As perception of employees of business ethics is shaped by their cultural values and religious beliefs, therefore the ethics should be considered from religious aspect. Islam being one of the major religion in the world, like other religions, provide ethical values.<sup>24</sup> Therefore, work ethics or

<sup>19</sup> Greenberg, Jerald. "Organizational justice: Yesterday, today, and tomorrow." *Journal of management* 16, no. 2 (1990), 399-432.

<sup>20</sup> Lind, E. Allan, and P. Christopher Earley. "Procedural justice and culture." *International Journal of Psychology* 27, no. 2 (1992), 227-242.

<sup>21</sup> Festinger, Leon. "A theoretical interpretation of shifts in level of aspiration." *Psychological Review* 49, no. 3 (1942), 235.

<sup>22</sup> Schwepker Jr, Charles H. "Research note: The relationship between ethical conflict, organizational commitment and turnover intentions in the salesforce." *Journal of Personal Selling & Sales Management* 19, no. 1 (1999), 43-49.

<sup>23</sup> Dozier, Janelle Brinker, and Marcia P. Miceli. "Potential predictors of whistle-blowing: A prosocial behavior perspective." *Academy of Management Review* 10, no. 4 (1985), 823-836.

<sup>24</sup> Gambling, Trevor, and Rifaat Ahmed Abdel Karim. *Business and accounting ethics in Islam*. New York, 1993.

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particularly, Islamic work ethics affect the employee satisfaction and employee commitment.

From the above discussion we propose the following hypotheses:

H1: Islamic work ethics affect the employee satisfaction.

H2: Islamic Work ethics affect the employee commitment.

### **3. Methodology:**

This study targeted the employees of Islamic Banks in Pakistan. The study is quantitative in nature in which a survey questionnaire was used to collect data for assessing the impact of Islamic work ethics on employee satisfaction and employee commitment. A total of 250 questionnaires were distributed to the employees of Islamic banks located in the five big cities of Pakistan. Out of two hundred and fifty questionnaires, two hundred and twenty were received filled back. However, eight questionnaires were containing improper information and therefore were excluded from final selection for data analysis. And therefore, two hundred and twelve questionnaires were used for data analysis.

Measures of the variables were followed from the previous studies. To assess the Islamic work ethics a shorter version of Islamic work ethics developed by Ali<sup>25</sup> was used. Similarly employee satisfaction was measured by 3 items by following Dubinsky and Harley.<sup>26</sup> Finally, employee Commitment was measured with three items of Bozeman and Perrew.<sup>27</sup>

The data was analysed using SPSS. The validity and reliability were confirmed of the measures before finding the relationship among variables.

### **4. Data Analysis:**

#### **4.1 Factor analysis:**

Before assessing the relationship between variables, the validity of the measures were confirmed with the help of factor analysis. The validity means the items of variable

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<sup>25</sup> Ali, Abbas J. "The Islamic work ethic in Arabia." *The Journal of psychology* 126, no. 5 (1992), 507-519

<sup>26</sup> Dubinsky, Alan J., and Steven W. Hartley. "A path-analytic study of a model of salesperson performance." *Journal of the Academy of Marketing Science* 14, no. 1 (1986), 36-46

<sup>27</sup> Bozeman, Dennis P., and Pamela L. Perrew. "The effect of item content overlap on Organizational Commitment Questionnaire–turnover cognitions relationships." *Journal of applied psychology* 86, no. 1 (2001), 161

exactly measure the variables. The feasibility of data for factor analysis is assessed through KMO. And thereafter, rotated component matrix was generated to assess the validity of measures.

The Value of KMO is 0.848 which ensured the feasibility of collected data for further factor analysis. Additionally, the three factors solution is generated from the rotated component matrix which confirmed the validity of creative leader, creative role identity and employee creativity.

**Table 1: Factor Analysis**

	<i>Leadership Creativity</i>	<i>Creative Role Identity</i>	<i>Creativity</i>
IWEs 16	0.828		
IWEs 11	0.816		
IWEs 5	0.813		
IWEs 14	0.796		
IWEs 3	0.787		
IWEs 10	0.774		
IWEs 4	0.772		
IWEs 15	0.752		
IWEs 12	0.747		
IWEs 8	0.734		
IWEs 1	0.729		
IWEs 17	0.725		
IWEs 7	0.698		
IWEs 13	0.666		
IWEs 2	0.612		
IWEs 9	0.596		
IWEs 6	0.524		
JSat. 2		0.868	
JSat. 3		0.832	
JSat. 1		0.646	
EComt. 1			0.874
EComt. 2			0.761
EComt. 4			0.742
EComt. 3			0.720
KMO= 0.848			

#### 4.2 Reliability and Correlation:

After considering the validity of the measures, the reliability is found with the help of Cronbach's Alpha. Additionally, the relationship amongst Islamic work ethics, employee satisfaction and employee commitment was measured with the help of correlation analysis. The following table provides that all the measures are reliable and variables are positively and significantly correlated. Moreover, the mean and standard deviation of the measures prove that all the variables are highly loaded.

**Table 2: Reliability and Correlation**

	<i>Alpha</i>	<i>Mean</i>	<i>S.D</i>	<i>IWE</i>	<i>Employee Satisfaction</i>	<i>Employee Commitment</i>
IWE	0.882	3.64	0.72	1		
<i>Employee Satisfaction</i>	0.898	3.95	0.56	0.54**	1	
<i>Employee Commitment</i>	0.764	3.86	0.58	0.25**	0.44**	1

#### 4.3 Regression Analysis

The impact of Islamic work ethics on job satisfaction and employee commitment is observed with the help of regression analysis, which provides that Islamic work ethics significantly regress job satisfaction. In the same way, Islamic work ethics has positive and significant impact on employee commitment.

**Table 3: Regression Analysis**

<i>Ind. Var.</i>	<i>Depend. Var.</i>	<i>Beta</i>	<i>T</i>	<i>p</i>	<i>R Square</i>
IWE	Employee Satisfaction	.40	7.13	.000	0.301
IWE	Employee Commitment	.28	5.29	.000	0.063

#### 5. Discussion and Conclusion:

This study found the relationship between Islamic work ethics, employee satisfaction and employee commitment in the Islamic banks of Pakistan. Islamic banks are struggling to compete with conventional banks and employees' involvement is the key to improve performance and gain competitive advantage. The satisfied employees can work proactively and contribute to the success of the organization. The satisfied employees are the source of customer satisfaction. In the same way, when employees identify themselves as a part of organization then they put extra efforts to improve organizational performance and provide better services to the organization. To line with

this, this paper has investigated the impact of Islamic work ethics on the employee satisfaction and employee commitment in the Islamic banks in Pakistan.

This study provides a framework to improve the employee satisfaction and employee commitment in the Islamic banks of Pakistan. More specifically, this study found that Islamic work ethics improves the employee satisfaction. Ethics in the organization shapes the perception of the employees. Similarly, the ethical perception about the work environment triggers positive attitudes in shape employee satisfaction.

Additionally, the findings of study suggest that Islamic work ethics upturn the employee commitment. Employees identify themselves with the organization and goals of the organization when they are working under ethical framework. Similarly, employees want to be the part of the organisation and their intention to quit is lessened.

The study contributes in the literature by providing empirical evidence on business ethics in the Islamic banks of Pakistan. The study put forward that Islamic work ethics can improve the employee performance by removing unethical practices in the organization. The study suggests direction for future studies on this issue. As the Islamic work ethics are important in explaining the performance of employees, therefore it is important to find the antecedents of Islamic work ethics. Similarly, future studies may consider the other dimensions of employee performance in shape of employee productivity, employee creativity and organizational citizenship behaviour.