



THE IMPACT OF ISLAMIC WORK ETHIC ON ORGANIZATIONAL COMMITMENT IN FINANCE INSTITUTIONS

Sadaf ESTANESTI

Instructor and Faculty member, Department of management, University of Velayat, Iranshahr, Iran.

***Corresponding Author**

Email: sadafestanesti@gmail.com

ABSTRACT

Islamic work ethics is a concept of ethics that is based on Islamic teaching and principle which rely on faith. There has been an increasing interest on the work ethics and its various aspects among the academicians and practitioners.. This study examined the impact of Islamic work ethics on organizational commitment in Finance institutions in public sector of Iran. The study used random sampling technique to collect data of 96 respondents from two public banks in Iran. The empirical testing indicates that Islamic work ethics has positive impact on organizational commitment. Implications, limitations and suggestions for future research are also discussed.

Keywords: *Islamic Work Ethics (IWE), Organizational Commitment, Finance Institutions.*

INTRODUCTION

There are number of studies that recognized the actual information on human behaviors, values and attitudes at workplace. Ethic has been one of the most widely discussed and researched topic in the recent years. Sharbatoghlie et al. (2013) stated that business ethics experienced many transformations to improve ethical behaviours and encouraging more transparency to avoid repetition of scandal and economic crisis. KPMG survey on fraud, bribery and corruption 2013 in Malaysia shows that there is an increase by 16 percent of documented satisfactory ethical behaviours in organization as well as an increased in communicating ethics. Jalil et al., (2010) argued that ethic and ethical behaviour are in the centre of arguments in business community worldwide. The interest in business ethic come from the fact that recent years has witnessed several scandals that are attributed to the lack of or insufficient ethical standards in business community (Hodgetts and Luthans, 2000; Alhyasat, 2012). Practicing ethic at organizational level creates a number of benefits to the organizations and this in turn creates an interest in work ethics. Jalil et al. (2010) argued that ethical practices could help organization to create good relationship with other organizations and long-term relationship with future potential customers. The worldwide ethical scandals and increasing the importance and advantages of work ethics in the workplace have stimulated work ethic research across the world (Alhyasat, 2012). Yet, the studies regarding the work ethic mainly come from USA and Europe (Ahmad, 2011; Kumar and Rose, 2010). Relatively few studies are conducted in developing countries and thus further research is needed.

Apart from that the government aimed at developing the banking sector to improve the country's economy. Consistent with the vision, the the Central Bank of Iran has developed a strategy to strengthen and modernize the Iranian banking sector. To implement this strategy, Central Bank of Iran has already launched specific initiatives aimed at increasing transparency, supervision and governance within the Iran financial sector (estanesti, 2009). Previous studies have looked at the role of Islamic work ethic on mainly HRM practices, work and individual related outcomes such as change, commitment, job satisfaction and turnover (Haroon et al. 2012; Awan and Akram. 2012), innovation (Abbasi et al. 2012; Awan and Akram, 2012; Kumar and Rose, 2010) and firm performance (Abbasi et al. 2012). Some studies were also dedicated to scale development (Ali, 1988) as well as literature review (Ahmad, 2011; Ali and Al-Owaihan, 2008). Considering the lack of work ethic studies in developing countries, especially in banking sector, (except the studies of Awan and Akram, 2012 and Kumar and Rose, 2010), This study examined the impact of Islamic work ethics on organizational commitment in Finance institutions in banking sector.

Islamic Work Ethics:

Islamic ethics is a principle of right and wrong which designate to demonstrate what human ought to do taught Quran and shown in the great life of Prophet Muhammad (Hashi, 2011). It views work as a ways to promote selfinterest economically, socially and psychologically in order to sustain social prestige, to increase societal welfare and reaffirm faith (Ali and Al-Owaihan, 2008).

The study on work ethic and its links with individual and organizational factors has received significant attentiveness in the literature (Ali and Al Qwaihan, 2008; Ali, 2005; Yousef, 2001, 2000; 1991; Zainudin, 2012).

According to Al-Aidaros et al. (2013) Islamic work ethics is comprehensive, realistic and moderates. Ethics in islam is not only religious morality in certain acts but cover all facet of life either in physical, spiritual, moral or even in worldly form such as intellectual, motional, individual and collective (Yaken, 2006).

IWE may be defined as the set of moral principles that distinguish what is right from what is wrong (Beekun, 1997) in the 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 the 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 (Assar, 2005).

Previous researches examine IWE and its influence on job satisfaction and commitment (Yousef, 2000, 2001; Rokhman and Omar, 2008). This research expanded IWE by testing its effect on intrinsic motivation, job satisfaction, organizational commitment and job performance.

Organizational Commitment

Commitment can be defined as a force that connects an individual to a step of relevance action to certain target or targets and it involves 'behavioural terms' that explain an act of commitment (Meyer and Herscovitch, 2001). Meanwhile, organizational commitment is a employees' psychological attachment to an organization, and can be seen in employees' loyalty towards the organization, motivation to incorporate goals of the organization and commit oneself to the organization (Cook and Wall, 1980). Based on a study by Mowday et al. (1982), there are four factors that can influence organizational commitment such as personal



characteristics, role characteristics, structural characteristics and work experience. Another research by Meyer et al. (2002) found that it is related to three background characteristic like personal variable, job and role characteristics and structural factors.

Research has also shown that work ethic is also related to organizational commitment (Yousef, 2001; Kidron, 1979; Peterson, 2003). Yousef (2001) conducted a research in United Arab Emirates found that Islamic work ethics are strongly correlated to organizational commitment. Another study by Othman et al. (2004) in Malaysia shows that every dimension of organizational commitment is indeed correlated to Islamic work ethics. Ali and Al-Kazemi (2007) research in Kuwait found that the Islamic work ethics correlated to loyalty.

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), the organizational commitment is a psychological state that attaches an employee to an organization, thereby reducing the incidence 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). Putti, Aryee, and Ling (1989) 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.

The results of Nithyanandan (2010) showed that the group has a high PWE also have a high intrinsic motivation. Based on some of the views and the results of these studies indicate there is a relationship between the work ethic to intrinsic motivation.

Intrinsic motivation has significant relationship with job satisfaction (Karatepe & Tekinkus, 2006; Ahmed et al, 2010). Intrinsic motivation affects organizational commitment (Karatepe & Tekinkus, 2006; Mohsan et al, 2011). Intrinsic motivation also affects the job performance (Mundhra, 2010; Oluseyi and Ayo, 2009).

Theoretical Model and Research Hypotheses:

Research has also shown that work ethic is also related to organizational commitment (Yousef, 2001; Kidron, 1979; Peterson, 2003). Yousef (2001) conducted a research in United Arab Emirates found that Islamic work ethics are strongly correlated to organizational commitment. William (2000) examined the relationship between leadership practices and organizational commitment in the fire service. The results indicate a positive relationship between the leadership practices of challenging the process, inspiring a shared vision, enabling others to act, modeling the way and encouraging the heart and the organizational commitment levels of fire service personnel. In this range Naser (2007) in his study “Exploring Organizational Commitment and Leadership Frames within Indian and Iranian Higher Education Institutions” found significant and positive relationships between all the three components of organizational commitment (affective, normative and continuance) and three out of four frames of leadership (structural, political and symbolic).

Nor (2010) referred to some scholars who have examined the extent to which leader behavior (transactional or transformational style) relate to work alienation. Results showed that transformational leadership was associated with lower work alienation.



Shacklock et al, (2006) have pointed out that leaders at all levels, who can drive organizational direction create and sustain an ethical climate and provide major incentives or disincentives for organizational and employee ethical behavior.

The leader influences the employees through empowerment rather than control strategies. In such strategies, the leader inculcates self-efficacy beliefs by seeking employees participation in goal-setting, problem solving and decision making, providing helpful feedback on task performance, and taking steps to remove deficiencies through coaching, counselling, training, guidance and monitoring the assigned tasks. Gradually employees develop and function as autonomous persons (Khuntia et al, 2004).

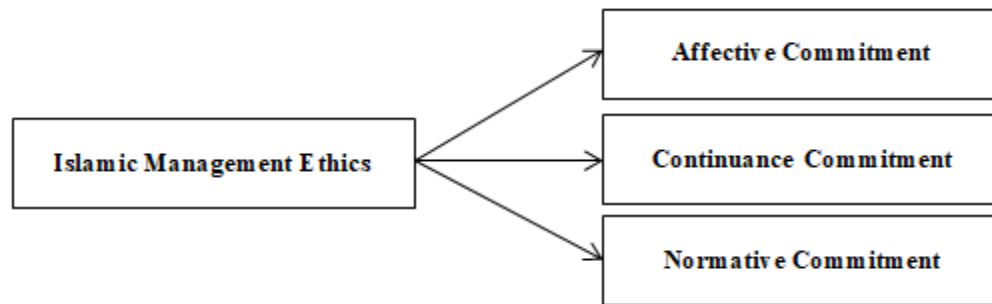


Figure 1: Theoretical Model

Source: Naser (2007) & Yousef (2001).

Based on the review of prior research, this study attempts to test the following hypotheses:

1. HO .There is no relationship between Islamic work ethics and affective commitment.
Ha .There is a relationship between Islamic work ethics and affective commitment.
2. HO. There is no relationship between Islamic work ethics and continuance commitment.
Ha. There is a relationship between Islamic work ethics and continuance commitment.
3. HO. There is no relationship between Islamic work ethics and normative commitment.
Ha. There is a relationship between Islamic work ethics and normative commitment.

METHODOLOGY

Population for this study is employees two of public banks in Iran. The two instruments were used in this research and both instruments were measured using five points Likert scale with one indicating strongly disagree and five indicating strongly agree: (Islamic Work Ethics Scale by Ali and Al-Kazemi (2007) and Organizational Commitment by Sersic (1999)), The Cronbach's alpha for Islamic Work Ethics is 0.93 and Cronbach's alpha for organizational commitment is 0.86. The study used random sampling technique to collect data. 154 questionnaires were distributed and 96 collected. Considering purposes of this study, correlation, T-test, ANOVA and regression analysis in SPSS were used.

FINDINGS

Table (1) gives details of the respondents participating in the administration of the questionnaire.

Table 1: Sample Demographic Characteristics

demographic Characteristics	Frequency	Percent (%)
Male	50	52
Female	46	48
Age		
20-30	15	16
31-40	48	50
41-50	28	29
51 >	5	5
work experience		
Less Than 5 Years	20	21
Less Than 10 Years	42	44
Less Than 15Years	20	21
15 Years and More	14	14
Education Level		
Diploma	5	5
Bachelor	52	54
Master's	38	40
phd	1	1

Hypothesis Testing

Hypothesis 1:

HO: There is no relationship between Islamic work ethics and affective commitment.

Ha .There is a relationship between Islamic work ethics and affective commitment.

**Table 2: the first Hypothesis Testing**

	R	R Square	Std	t	sig
	0.945	0.901	0.4826	64.763	000
	anova				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.560	1	7.560	3851.341	0.000
Residual	0.752	158	0.002		
Total	8.721	159			

The result of correlation analysis in table (2) above shows that there is a positive correlation coefficient of 94.5% between Islamic work ethics and affective commitment and it is significant at .01 levels. In addition, a simple linear regression was performed on data to determine if there is a significant relationship between Islamic work ethics and affective commitment. The t-statistic for the slope was significant at the .05 alpha level, $t=64.763$, $p=.00$. The F value is also significant $p=.00$. Thus, we reject the null hypothesis and conclude that there is a positive significant relationship between Islamic work ethics and affective commitment. Furthermore, 90.1% of the variability in affective commitment volume could be explained by Islamic work ethics

Hypothesis 2:

HO: There is no relationship between Islamic work ethics and continuous commitment.

Ha: There is a relationship between Islamic work ethics and continuous commitment

Table 3: the second Hypothesis Testing

	R	R Square	Std	t	sig
	0.926	0.881	0.3196	47.589	000
	anova				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.518	1	8.518	2231.593	0.000
Residual	3.412	158	0.013		
Total	9.991	159			

The result of correlation analysis in table (3) above shows that there is positive correlation coefficient of 92.6% between Islamic management work and continuous commitment and it is significant at .01 levels. In addition, a simple linear regression was performed on the data to determine if there was a significant relationship between Islamic work ethics and continuous commitment. The t-statistic for the slope was significant at the .05 alpha level, $t=47.589$, $p=.00$. The F value is also significant $p=.00$. Thus, we reject the null hypothesis and conclude that there is a positive significant relationship between Islamic work ethics and continuous commitment. Furthermore, 88.1% of the variability in continuous commitment volume could be explained by Islamic work ethics.

Hypothesis 3:

HO: There is no relationship between Islamic work ethics and normative commitment.

Ha: There is a relationship between Islamic work ethics and normative commitment.

Table 4: the third Hypothesis Testing

	R	R Square	Std	t	sig
	0.845	0.672	0.13200	27.150	000
	anova				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.011	1	13.011	763.441	0.000
Residual	5.321	158	0.14		
Total	16.531	159			

The result of the correlation analysis in table (4) above shows that there is a positive correlation coefficient of 84.5% between Islamic work ethics and normative commitment and it is significant at .01 levels. In addition, a simple linear regression was performed on the data to determine if there is a significant relationship between Islamic work ethics and normative commitment. The t-statistic for the slope was significant at the .05 alpha level, $t=27.150$, $p=.00$. The F value is also significant $p=.00$. Thus, we reject the null hypothesis and conclude that there is a positive significant relationship between work management ethics and normative commitment. Furthermore, 67.2 % of the variability in normative commitment volume could be explained by Islamic work ethics.

CONCLUSION

This research found that there is a positive relationship between Islamic work ethics and three dimensions of commitment. All hypotheses are accepted thus consistent with previous research by Yousef (2000) and research by Othman et al. (2004). This finding is consistent with the findings of other researchers (e.g. Nor; 2010, Abbas et al; 2007) who found that there is a positive relationship between employees ethics and organizational commitment.

The results also prove that Islamic work ethics is accepted and dominant among employees in Iran public banks. The employees will have more trust on managers, and managers are more likely to protect employees from external criticism, involve employees in goal setting and decision making, work with employees in a satisfactory way, give all employees equal chance to make a contribution to the bank and therefore might not worry about employees' commitment.

As a conclusion, It proves that high Islamic work ethics will result in high organizational commitment and indicates that the implementation of Islamic work ethics can help achieving great commitment among employees towards the organization. Jaros (2007) stated that affective commitment is an emotional bond between employees and organization while from Islamic work ethics perspectives, emotional bonds are not only developed towards the organization but also towards the society and mainly towards Allah, the Creator. The result also suggested that people with great Islamic work ethics also high in continuance commitment. Based on the theory, employees keep working with the organization because they need to, due to limited alternative employment and cost incurred. From Islamic work ethics viewpoint, work fulfilled the needs of man for self-respect, satisfaction and realization and help man to be independent. Many people choose to stay in employment rather than being unemployed so that they can be independent and able to contribute to society. According to Cho and Huang (2012), normative commitment is an employee moral obligation to maintain in organization. It parallels with the meaning of commitment in Islamic work ethics in which staying with organization is part of obligation and the obligation to contribute to the society drives the commitment to work. Based on the result, employees with high Islamic work ethics show a greater loyalty to the organization.

This research found that there is a positive relationship between Islamic work ethics and three dimensions of commitment. Specifically, affective and continuous commitment correlates highly with Islamic work ethics compared to normative commitment.

The results also prove that Islamic work ethics is accepted and dominant among employees in Iran public banks. In other words, employee who strongly support Islamic work ethics will have more effect on employees' commitment. This is because the employees will have more trust on managers, and managers are more likely to protect employees from external criticism, involve employees in goal setting and decision making, work with employees in a satisfactory way, give all employees equal chance to make a contribution to the bank and therefore might not worry about employees' commitment. This finding is consistent with the findings of other researchers (e.g. Ferryer; 2005, Hooijberg et al; 2005, Jordan; 2005, Abbas et al; 2007) who found that there is a positive relationship between employee ethics and organizational commitment. All together, the arguments and empirical findings suggest that organisations need to embrace the ethical values and act upon them. Then, organisations are easily able to



accomplish their goals and realise better performance outcomes and researcher recommends that employee adopt Islamic values in their decision making process

References

- Abbasi, A. S. Ghulam, M. M. & Muzammil, H. (2012). Islamic work ethics: How they affect organizational learning, innovation and performance, Actual Problems of Economics, Accepted for Publication in December 2012. Retrieved from: <http://www.citflahore.edu.pk/Papers/Abstracts/539-8588666007891963308.pdf>
- Ahmad, H. & Ahmad, K. & Shah, I. A. (2010). Relationship between Job Satisfaction, Job Performance Attitude towards Work and Organizational Commitment. *European Journal of Social Sciences*. Vol: 18, Number 2. pp: 257-267.
- Ahmad, M. S. (2011). Work ethics: An Islamic prospective. *International Journal of Human Science*, 8(1), 851-859.
- Al-Aidaros, A., Shamsudin, F. and Idris, K.M, 2013. Ethics and Ethical Theories From an Islamic Perspective. *International Journal of Islamic Thought* 4.
- Alhyasat, K. M. K. (2012). The role of Islamic work ethics in developing organizational citizenship behaviour at the Jordanian Press Foundations. *Journal of Islamic Marketing*, 3(2), 39-154.
- Ali, A. (1988). Scaling an Islamic work ethic. *Journal of Social Psychology*, 128(5), 575-83.
- Ali, A. J. & Al-Owaihian, A. (2008). Islamic work ethic: a critical review. *Cross Cultural Management: An International Journal*, 15(1), 5-19.
- Ali, A.J. & Al-Kazemi, A.A., 2007. Islamic Work Ethic in Kuwait. *Cross Cultural Management: An International Journal* 14(2), 93-104.
- Allen, N.J., and Meyer, J.P. (1990) "The measurement and the antecedents of affective, continuance and normative commitment to the organization". *Journal of Occupational Psychology*, Vol. 63, pp. 1-18.
- Asaar, F., 2005. The impact of functional ethics in reducing the corruption in government jobs. *Journal of Humanitarian*, 4: 29.
- Awan, K. Z. & Akram, M. (2012). The Relationship between Islamic Work Ethics and Innovation Capability and Knowledge Sharing Plays Moderation Role. *International Journal of Economics and Management Sciences*, 1(8), 34-48
- Beekun, R. (1997). *Islamic Business Ethics*. IIIT, Herndon, Virginia, U.S.A.



- Cook, J. and Wall, T., 1980. New York attitude measures of trust, organizational commitment and personal need nonfulfillment. *Journal of Occupational Psychology* 53, 39-52.
- Elizur, D. and Koslowsky, M. (2001). "Values and organizational Commitment", *International journal of Manpower*, Vol. 22 No. 7, pp. 593-599.
- Haroon, M., Zaman, H. M. F. & Rehman, W. (2012). The Relationship between Islamic Work Ethics and Job Satisfaction in Healthcare sector of Pakistan. *International Journal of Contemporary Business Studies*, 3(5), 6-12.
- Hashi, A.A., 2011, Islamic Ethics: An Outline of its Principles and Scope. *Revelation and Science* 1(3), 122-130
- Hodgetts, R. M. & Luthan, F. (2000). *International Management*. New York: The McGraw-Hill
- Nithyanandan, D. V. (2010). Work Value as Motivation among software professionals. *Management Prudence Journal*, Vol. 1, Issue 1, pp: 23-27.
- Jalil, A., Azam, F. & Rahman, M. K. (2010). Implementation mechanism of ethics in business organizations. *International Business Research*, 3(4), 45-151.
- Jaros, S., 2007. Meyer and Allen Model of Organizational Commitment: Measurement Issues. *The Icfai Journal of Organization Behavior* 6(4), 7-25.
- Karatepe, O. M. & Tekinkus, M. (2006). The effects of work-family conflict, emotional exhaustion, and intrinsic motivation on job outcomes of front-line employees. *International Journal of Bank Marketing*, Vol. 24, Iss: 3, pp.173 193.
- Khuntia, R., S. Damodar, 2004. A scale to assess ethical leadership of Indian private and public sector managers. *Journal of Business Ethics*, 49: 13-26.
- Kidron, A. (1978) "Work values and organizational commitment", *Academy of management Journal*, Vol. 21 No. 2, pp. 239-247.
- Kumar, N. R. & Rose, R. C. (2010). Examining the link between Islamic work ethic and innovation capability. *Journal of Management Development*, 29(1), 79-93.
- Meyer, J.P, Stanley, D.J, Herscovitch, L., Topolnytsky, L., 2002. Affective, Continuance and Normative Commitment to the Organization: A Meta-analysis of Antecedents, Correlates and Consequences. *Journal of Vocational Behavior* 61, 20-52.
- Meyer, J.P. & Herscovitch L., 2001. Commitment in the workplace: Toward a General Model. *Human Resource Management Review* 11, 299- 326.



- Mohsan, F. & Nawaz, M. M. & Khan, M. S. & Shauka, Z. & Aslam, N. (2010). Are Employee Motivation, Commitment and Job Involvement Inter-related: Evidence from Banking Sector of Pakistan. *International Journal of Business and Social Science*, Vol. 2, No. 17, pp: 226-233.
- Mowday, R.T., Porter, L.W., and Steers, R.M., 1982. Employee-Organizational Linkage: The Psychology of Commitment, Absenteeism and Turnover. Academic Press, New York, NY.
- Mundhra, Wg Cdr. D. D. (2010). Intrinsic Motivational Canvass in the Indian Service Sector: An Empirical Study. *Vision: The Journal of Business Perspective*, October, Vol: 14, No. 4, pp. 275-284.
- Naser, S., 2007. Exploring organizational commitment and leadership frames within Indian and Iranian Higher Education Institutions. *Bulletin of Education & Research*, 29(1): 17-32.
- Nor, N., 2010. Islamic work ethics, organizational culture and organizational commitment: A study of employees at Majlis Amanah Rakyat. Retrieved May 31, 2010, from http://ep3.uum.edu.my/1640/1/Nor_Nazliyah_Binti_Zainol.pdf.
- Oluseyi, A. S. & Ayo, H. T. (2009). Influence of Work Motivation, Leadership Effectiveness and Time Management on Employees Performance in Some Selected Industries in Ibadan, Oyo State, Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, Iss: 16, pp: 7-17.
- Othman, A.S., Rahman, N.K, Malek, Z., and Osman , A.R., 2004. Organizational Commitment and Work Ethics: An empirical assessment in a Malaysian context.
- Peterson, D.K. (2003) "The relationship between ethical pressure, relativistic moral beliefs and organizational commitment", *Journal of Managerial Psychology*, Vol. 16 No. 6, pp. 557-572.
- Putti, J.M., Aryee, S. and Ling, T.K. (1989) "Work values and organizational commitment: a study in the Asian context", *Human Relations*, Vol. 42, pp. 275-288.
- Rokhman, W. & Omar, A. (2008). The Effect of Islamic Work Ethics on Job Satisfaction, Organizational Commitment and Turnover Intention: A Study on Islamic Microfinance Institutions in Central Java, Indonesia. *Journal Bisnis & Manajemen*, Vol. 4, No. 1.
- Sersic, D., 1999. An empirical test of Meyer and Allen's three-component model of organizational commitment in a Croatian Context. *Review of Psychology* 6(1-2), 17-24.



- Shacklock, A.H., M.J. Lewis, 2006, April. Leading with integrity': ethical leadership — a fundamental principle of integrity and good governance. Retrieved May 13, 2010, from http://www98.griffith.edu.au/dspace/bitstream/10072/18843/1/45987_1.pdf
- Sharbatoghlie, A., Mosleh, M., and Shokatian T., 2013. Exploring trends in the codes of ethics of the Fortune 100 and Global 100 Corporations. *Journal of Management Development* 32(7), 675-689.
- William, C., F. Lowe, B. Barry, 2000. An examination of the relationship between leadership practices and organizational commitment in the fire Service. Retrieved May 31, 2010, from www.huizenga.nova.edu/jame/AnExamination.../AnExamination.htm William M.K.
- Yaken. 2006. *What is the Meaning of My Belong to Islam?* Beirut: Darul Al-Ressalh Publication.
- Yousef, D.A., 2000. Organizational Commitment as a mediator of the relationship between Islamic work ethic and attitudes toward organizational change. *Human Relations* 53 (4), 513-37.
- Yousef, D.A., 2001. Islamic work ethic-A moderator between organizational commitment and job satisfaction in a cross-cultural context. *Personnel Review* 30(2), 152-165.
- Zainudin, A., 2012. *Structural Equation Modelling Using Amos Graphic*. Shah Alam: Universiti Teknologi MARA Publication Centre (UPENA).

