

Islamic Work Ethics Impact on Employee Performance

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Abstract: *This universe was developed by Allah and there are many sources and resources are developed for the betterment and provide life to the human. The purpose of this study is to analyze the features that are associated with the working style of human in the corporate sector (organization). Researcher has considered the religious values and human living in the society along with the other aspects of life. As far as the Muslims are concern; Islam provide the code of conduct for life and historically it is considered as a complete code for the human life. Researcher has used the previous researchers work by focusing upon the phenomena of Islamic work ethics and its influence on the employees (human). As studies suggested that there are two main constructs of Islamic ethics such as; Islamic Recruitment and Selection, Islamic Compensation System and Employee Performance are used as the dependent variables in the said study. For the purpose of sampling; researcher has used 100 employees from the Islamic Bank in Karachi, (Pakistan). The bank selection is based upon the AA rating as per PACRA. The selected statistical tools that are used for the purpose of analysis are: correlation, regression, and cronbach's Alpha in order to test the developed hypotheses.*

1.Introduction:

In this Universe; religions provide the code of conduct to pass the life accordingly to the religious values which includes; birth, childhood, young, professional, working as an employee till death. Allah has provided the Islam as a religion that provide ultimate benefit to the existing life and life after death as well. In regard to this notion; researcher aim is to investigate the Islam and its association with the business or corporate world (Sadozai, 2013). Internationally business, entrepreneurs and industrials are trying to avail the services of Islamic Financing. This shift in the mindset of these professional are not because it is having a different thing or area of financing but it includes the fair and transparent financial transaction under Islamic code of conduct. Similarly; these features are also being implemented in the other areas of corporate sector (Marri, 2012).

Organizational operations require some measures that can be helpful for the purpose of conduction that are: Implementation, Controlling, Alterations, Reviewing, Redesign and Restructuring the Human capabilities and skills adequately. Researcher is also focusing upon human factor as well. Every individual has different ability and mental capacity therefore; they behave differently from each other. Allah has the power to know about the every human nature and behavior how he or she is going to behave to act or using its abilities at workplace. This feature is provided by the Islam that there is someone that control and provide different abilities and capabilities to different humans or individuals. There are different features of life that are faced by the human in their routine life (Rehman, 2013). Almighty has given direction and guidance in every walk of life including the professional life as well.

Islam preaches that human have two areas of responsibilities that are: first is Allah and second is the other humans. It is

the obligation of the humans to develop a balance between both responsibilities; but in real it is adverse; human are not fulfilling the duties of responsibilities towards Allah and not dealing adequately to the fellow human that is a biggest question for the lack of society harmonization and lack of understanding among the humans; that creates imbalance in the society and restrict each other towards communicating and interaction with each other (Noor et al, 2017). Duties towards the humans are highly important which are not being fulfilled adequately. Therefore; current society is missing true sense of social compatibility with the individuals and in the corporate sector as well. The history and literature of Islamic studies reveals about the story that in the rule of Caliph Hazrat Umar (R.A.) a person came and identified about an individual that He is a having kind nature; so, the Caliph asked him that did you ever talk or deal with that person but the response was negative; then the Caliph advised that do not be pre-judgmental about the human until and unless you deal with him. It identifies and provide the evidence that interaction, communication, dealing, society values exist among the society member; therefore; social values are the best feature for judging its people (Awais et al, 2013). This discussion suggest that society is the most important factor for the human life and also for the development of economical features that is having financial influence as well. Islamic economic system allows the personal belongings in the certain parameters and having restrictions as well but as far as the capitalist approach is concern it is highly unethical which promote the culture of investing money into system and human are focused and performed in order to generate revenue; this concept is highly condemned (Khan, Rasheed, 2014).

1.1 Problem Statement:

The paper is developed in accordance to investigate the impact of Islamic work ethics on the employee performance.

It is evident that ethics are the important feature for the society and in the case of Islamic country such factors are required to be focused particularly but on the large scale there are lack of employees awareness about it. The study focuses upon the question that organization can increase their performance by using the Islamic values in the organizational culture.

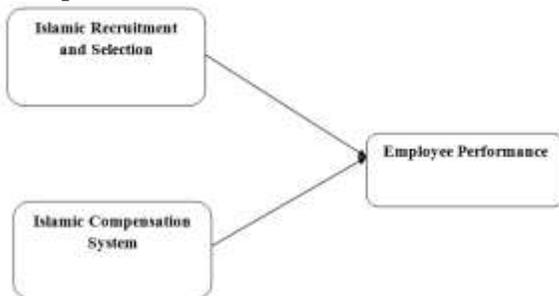
1.3 Research Question:

Reesarcher has developed the following research questions:

Question 01: What is the role of Islamic Values and its awareness among the employees at the workplace?

Question 02: What is the level of employee motivation and their participation towards the increased performance in view of the Islamic work ethics?

1.4 Conceptual Framework:



Conceptual Framework of the Study

1.5 Hypotheses:

H1: Islamic Recruitment and selection system is having positive relation with the employee performance.

H2: Islamic Compensation System is having positive relations with the employee performance.

2. Literature Review:

Islamic Human Resource Management is a new concept; it is a most widely used concept in the Muslim world. The evidence of the implementation of Islamic Human Resource Management can be seen in the Malaysia and Indonesia which has been enhanced to the Morocco and even in the North of UK as well. In the past there are number of researchers are conducted different studies in order to establish a strong base or foundation of the Islamic HRM.

The Islamic Recruitment and Selection phenomena have been discussed in the past in order to compare with the traditional approach of human resource management R&C process (Razimi, 2017). This research is having qualitative feature because the data collection is being done through the library resources. The findings of the study suggested that in the western part of the world the Islamic Human Resource Management system is prevailing also with the perspective of material development on the concept of Islamic HRM; that suggest it is having huge impact upon the humans.

It is suggested that it is a complete guide for the humans in their life. Islam promotes the concept of equal rights to the every individual in the society and promotes the high living standards to everyone. The Prophet Muhammad (PBUH) and their companion provided the based for the society to conduct the business that are; Wisdom, Trust, Truth, and

Promotion (Advocacy); these features are having equal and easy practices in the routine life (Alorfi, 2012). The research suggested that the method of recruitment has been mentioned in the Holy Quran Surah Nisa (Verse 58); that state employer has the responsibility to judge or assess the other on the basis of their best ability. The Holy Prophet strictly discourage that any individual that has powers should not be using it for its own benefits. The traditional HRM selection and recruitment process is based upon the conducting test and interviews to assess the individual or candidate while in the case of IHRM focused upon the behavior and moral values (Practices by Second Caliph Hazrat Umar R.A.) and thorough observation of the candidate (Practices by Fourth Caliph Hazrat Ali Karam Ullah Wajhu). The overall conclusion of the study suggested the IHRM focuses upon moral and ethical perspective while the HRM focuses upon abilities and skills only (Razimi, 2017).

The study was conducted on the impact of Islamic values on employee performance (Noor et al, 2017). The Islamic concept based upon the ONE Allah (Tawheed) and it is evident that every human being in the world is responsible of their deed in front of him. Islam preaches to human for working hard to earn money and strictly abandoned the laziness. In other words; Islam suggests that human should not only work but should be accountable of their deeds in front of Allah hereafter life (Alkahtani, 2014). The Islamic Laws Practicing was being implemented in the Institutions of Malaysia; Islamic Sharia is being developed and used. The selected sample size for the study was 150 and questionnaire were distributed among them from which; 61 were received and used for the analysis purpose. The findings of the study suggested that Islamic Work Ethics is having high impact upon the employee performance where gender is having minor distinctions in terms of performance assessment (Awais et al, 2013).

Another research was conducted on the Islamic Work Ethics and its impact upon the employee performance; the findings of the study suggested; it is highly required that employee should be having complete awareness and information about the Islamic values for practicing; that will help them to become productive and effective at the workplace through their Islamic beliefs and it is being followed appropriately (Awais et al, 2013).

The study of organizational efficiency in perspective of Islam was conducted; the findings of the study suggested international strategies or regulations are being executed in the organizational setup that are not cope up with the organizational processes or culture. It is evident that eastern culture is highly soft from the employees concern; in view of the capitalist perspective they are highly focused upon productivity and revenue generation (Rana Malik, 2017). The Islamic Finance features have admired the western think tanks and urged them to use the Islamic concept or modules of finance for their economy. There is a question rasied that Islamic countries are not prominently using the Islamic rules and regulations; the main reason is the lack of research or

literature in the Islamic countries about it; the main source of learning is the Holy Quran and Sunnah of the Prophet (PBUH) which has not been undertaken adequately which reduces the influence of Islamic rules and regulation in the Islamic countries. Therefore; entrepreneurs and even managers are not aware about the fact of rules and regulations of the Islamic teaching. The other essential feature that is associated with the Islamic rules and regulation that Islamic practices are being used as an option that concept should be eliminated from the practitioners mindset; because it is the obligation to be used in any case and implemented it; it is to remember that everyone is accountable in front of Allah at the day of judgment (Rahman, 2013). At that day human will be repenting upon their deeds and there will no opportunity provided to re-do it. If the practices of Islam have been implemented effectively then it is likely possible the employee performance will be highly effective and simultaneously organizational performance will be increased. Islamic concept of employees suggests that they have equal rights and having the accountability feature as well.

The study was conducted in order to bridge the gap in the Muslim Countries regarding the Islamic Human Resource Practices (Ilhaamie, 2015). This feature will be effective and beneficial here and after life as well. The focus of the study was upon the IHRM on employee performance in Malaysia. Islamic shift was being observed in Malaysia since early 80s. it is being influenced that Muslim Society should be working to implement the Islamic practices into the system that will not only bring the performance but provide the mental and spiritual satisfaction considerably. The study of Khan and Rasheed, (2014); on the development and extended features of project management and identifying the factors that can make is successful. It is required for the start up business or growing business to develop their planning effectively. The planning should be based upon SMART objectives then the project management role will be effective; but the findings of the study have adverse results that are not supportive that bring the reason that planning and situation are not effective to make the project successful.

In the Pakistani context; researchers have studied the HRM practices that are traditional and conventional in nature which are being established back in 50s and 60s. Slow penetration of Islamic practices prevails in the HRM practices. It is evident that HRM advocate the values association with the employees similarly; IHRM also advocate the same practices. Employees are considered as the main stream source for the organizational success so; it is required to deal with them through value and beliefs adequately (Sadozai, 2013). It is observed that those organization are successful that highly regards the value and ethics at their workplace. The findings of the study suggested that there is a strong relation of Islamic work Ethics with the recruitment and selection and other features such as; training and development, performance management and compensation are highly insignificant (Alorfi, 2012).

For every society; culture is highly important; similarly; if the managers consider Islamic Values of transparency, equality and accountability while recruiting the candidate that will impact upon the success of the organization as well. In the current world; organizations are not having religious values therefore; no religious values are in practices and since then these religious values are not part of the organization culture; the organizations have adopted the western culture and used their practices to conduct their operations that are not effective and against the Islamic values. It is evident that once the western culture is not a part of the organization culture then the organizational culture will be effective and consistency will prevail in those organizations or countries (Alkahtani, 2014). There is no doubt that Islamic practices can meet the demands of the current culture or practices around the world (Rahman, 2013). It can be possible if the organization or the management should consider the employees as their brother in the organizational capacity. It is required that employees should be given the powers to exercise their skills and capabilities then they will become more productive and effective for the organization in the long run. With the passage of time as the employee start to communicate and experience grows the trust of the organization will also grow which will be effective for the organizational development. Top management has the responsibility to implement the Islamic values in the light of Holy Quran and Hadith which are the most reliable sources for the Muslim to practice accordingly around the world.

the study was conducted by the Sadozai, (2013); in order to focus upon employee turnover phenomena; that associate with the organizational moral and ethical values. Those organizations that are having lack of ethical values such as Enron and WorldCom become ineffective and unsuccessful; similar kind of practice were used in the Pakistani context such as; Pakistan Steel and PIA. The findings of the study suggested that Islamic practices encourage balance approach in the society. Then the working style of people of the society will be according to the standards and ethical values that are in practice develop the effectiveness and support for others (Ahmed, 1976). Similar findings were extracted from the study of Marri, (2012); The study of Alorfi, (2012) suggested that Islamic Values should be the part of the society and human daily life because every Muslim should be working according to the Islamic belief and ethics in view of that concept that he or she is accountable in front of Allah of his own doing. The Islamic values are highly visible and practicable that is: Intention, Trusteeship, Truthfulness and Consultation; it is evident that majority of the Muslim community is not aware about these concepts in their routine life.

3. Methodology:

This section illustrates the research design, data collection, sample size and population along with the sampling technique in orders to collect the data and used for the analysis purpose.

3.1 Research Design:

This study has used the quantitative approach to conduct the study (Robson, 2011); where researcher has developed the questionnaire in order to get responses from the selected sample size or respondents from three different banks that are: Meezan Bank, Bank Islami and Dubai Islamic Bank (on the basis of AA credit rating by PACRA, 2017). The quantitative research approach is justified from the research problem because in the Pakistani context there are only banks that are conducting the Islamic banking services to facilitate the commercial activities; therefore; it is necessary to collect the responses from the employees of the banks to know how these banks are using the Islamic practices in their organization.

3.2 Data Source:

Researcher has used the questionnaire in order to collect the primary data that will be used for the analysis and different statistical tools are applied to get the results or statistics about the study (Sekran and Bougie, 2013). That will be interpreted adequately to relate with the research problem of the study. The secondary data has been collected from other sources such as: research article, journals, books and other sources of information that are authentic and reliable according to the selected research problem (Saunders et al, 2016).

3.3 Population, Sample Technique and Sample Size:

The Islamic Banks of Private Sector of Pakistan is the population of this study. In Karachi, Pakistan there are only six banks are operating in the Islamic Banking system. Researcher has selected the three banks from six on the basis of high AA Credit Rating according to the PACRA, (2017);

that were: Meezan Bank, Dubai Islamic Bank and Bank Islami. For the purpose of sample size researcher has selected the population of 200 employees; from which 100 employees participated in the survey of these three Islamic Banks of Pakistan operating in Karachi. These employees are targeted as the knowledge worker; that includes three layers of management (lower, middle and top management). Researcher has used the random sampling technique to select the respondent because it reduces the biasness in collecting the response during the survey.

3.4 Plan of Analysis:

Analysis of data includes three major features that are: reduction of data, presentation of data and conclusion which is based upon the findings and testing of the hypotheses. It is a procedure of inspecting, transferring, cleaning and modifying the data in the shape that enable the researcher to make decision about the findings of the results (Saunders et al, 2016). Researcher has used the SPSS for the purpose of analyzing the data and presented the results in the form of tables.

4. Findings and Analysis:

Researcher received 100 employees’ responses in the form of filled questionnaire from the selected three banks. The sample includes the three layers of management (lower, middle and top management) participated in the survey. During the survey; most of the employees were not aware about the IHRM and researcher has given them knowledge about it in order to give their responses adequately and without having biasness. The data findings are as follows:

4.1 Exploratory Factor Analysis:

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.336	24.790	24.487	7.205	24.142	24.078
2	6.901	22.658	47.658	6.564	22.201	46.274
3	1.918	6.430	53.854	1.841	6.654	52.832
4	1.750	5.740	59.984	1.745	5.365	58.185
5	1.479	4.987	64.845	1.563	4.732	62.940
6	1.376	4.563	69.174	1.254	4.452	67.438
7	1.245	4.210	73.545	1.347	4.358	71.812
8	1.069	3.630	76.960	1.289	4.321	76.124
9	1.018	3.578	80.321	1.250	4.054	80.312

Extraction Method: Principal Component Analysis.

Rotated Component Matrix^a

	Component			
	1	2	3	4
ISLAMIC RECRUITMENT AND SELECTION 1	.992			
ISLAMIC RECRUITMENT AND SELECTION 2	.992			

ISLAMIC RECRUITMENT AND SELECTION 3	.992			
ISLAMIC RECRUITMENT AND SELECTION 4	.992			
ISLAMIC RECRUITMENT AND SELECTION 5	.992			
ISLAMIC RECRUITMENT AND SELECTION 7	.621			
ISLAMIC RECRUITMENT AND SELECTION 10	.854			
ISLAMIC COMPENSATION1		.801		
ISLAMIC COMPENSATION3		.710		
ISLAMIC COMPENSATION5		.870		
ISLAMIC COMPENSATION6		.889		
ISLAMIC COMPENSATION7		.882		
ISLAMIC COMPENSATION8		.870		
ISLAMIC COMPENSATION9		.880		
ISLAMIC COMPENSATION10		.841		
EMPLOYEE PERFORMANCE 1			.715	
EMPLOYEE PERFORMANCE 4			.992	
EMPLOYEE PERFORMANCE 5			-.545	
EMPLOYEE PERFORMANCE 7			.605	
EMPLOYEE PERFORMANCE 9			.914	
EMPLOYEE PERFORMANCE 10			.945	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

After Removal of Same Loading:

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.981	32.974	32.945	6.506	31.365	31.351
2	6.423	29.874	62.623	6.745	30.214	61.504
3	1.745	8.207	70.568	1.785	8.978	70.478

4	1.148	5.645	76.198	1.321	5.963	76.321
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Extraction Method: Principal Component Analysis.

Reliability Statistics

Cronbach's Alpha	N of Items
.621	8

It is being observed that cumulative factor loading of three variables are higher than the 50% that develop the significant level of the selected factors. As far as the loading in the rotation matrix is having higher than 75% on average that suggest variables are having correlation with each other. It is to be noted EFA was used preceding the Malhanobas Test that have deleted the 25 item in processing.

Reliability Statistics

Cronbach's Alpha	N of Items
.809	30

4.2 Reliability Testing:

Reliability Statistics

Cronbach's Alpha	N of Items
.724	10

In the above mentioned tables reliability model is overall 81%. Where Islamic R&S reliability is 71%; Islamic Compensation reliability is 91% and Employee Performance reliability is 61.8%. The figures of Cronbach's Alpha advocate that model is fit for the study.

Reliability Statistics

Cronbach's Alpha	N of Items
.920	10

4.3 Regression Analysis:

Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.513 ^a	.263	.248		.38741

a. Predictors: (Constant), IC_t, IRS_t

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.974	.280		10.060	.000
	IRS_t	.398	.070	.545	5.741	.000
	IC_t	-.135	.051	-.284	-3.025	.003

a. Dependent Variable: EP_t

R square is about 26% that suggest 2 independent variables such as: Islamic Recruitment and Selection; Islamic Compensation illustrates 26% of employee performance (dependent variable). It might be having the low value because of the cleaning of data or having small sample size. The value of P is less than 0.05 that suggest hypotheses of the model are accepted that was H1 and H2. Or in other words; H1: Islamic Recruitment and Selection is having positive relation with the employee performance is accepted. H2: Islamic Compensation System is having positive relation with the employee performance is accepted; that illustrates the suggested conceptual framework is a fit model for the study.

The study suggested that IHRM is the effective and efficient human resource system that can benefit the organization; therefore; it is required by the HR managers and HR professional to use the IHRM in their organizations. The HR practices are adopted or developed by the multinational organizations that might not be compatible or adjustable with the local environment. It is evident that employees or humans are not compatible with the Bureaucratic management system therefore; IHRM allows them to have the appropriate code of conduct which is balanced and supportive on the equality basis. Those organizations that are having justice and procedural advocacy then they are having high potential to adopt the Islamic value and ethics. Islam did not allow earning through illegal means and in general the employees are also having the same perception because it is against the ethical values of the organization. The lack of reward system develop the inequality among the individuals which Islamic HRM rejects this concept and focus upon the

5. Discussion:

equal distribution of rights. In the organizations there are numbers of employees that are not efficient or lazy in their approach conventional HR system can tolerate but in the Islamic value system laziness is strictly prohibited and working hard is highly appreciated; that suggest IHRM develop the effectiveness and commitment with the organizational goals and can be helpful in enhancing the employee performance.

6. Conclusion:

In the study; researcher have observed that employees are having high tendency towards the Islamic values and ethics to be inducted in their life which include personal and professional life as well. The findings of the study suggested that both alternative hypotheses are being tested and accepted adequately which means Islamic R&S and Islamic Compensation System is significant to improve employee performance in the banking sector. It is also evident that recruitment and selection along with the compensation system is the important area of human resource department that build the organizational effectiveness and employee performance. Islamic values urges the employees or humans to act according to the legal way because they are accountable in front of Allah at the day of judgment and at that time all the deeds will be questionable and non compliance will result in punishment.

6.1 Recommendations for Future Researcher:

In this study researcher has selected two major functions of human resource. It is recommended that future researcher can use the Islamic performance management system which is considered as the essential feature along with the job analysis to be considered. The researcher has selected the Islamic banks for the analysis but in the industry there are certain organization that are highly influenced and using the Islamic values and practices will be a beneficial feature for the future researcher to include and analyze it accordingly. The qualitative research can also be selected through conducting the semi structured interviews and selecting the Islamic views about the human resource management from the Holy Quran and Hadith. It is also suggested that large sample size will be effective for the future researcher to generalize the results in the perspective of Pakistan business market.

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