



Examining Issues and Challenges in Adopting Islamic Work Ethics by IFIs in Nigeria

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Received: 5th June 2020

Accepted: 30th September 2020

Published: 8th October 2020

Abstract

Islamic work ethics which is an ethical moral conduct of individual that will not only create emotional bond between workers and organization but towards society and most significantly to Allah. Besides, it will also contribute to more commitment leading to higher performance and loyalty to the institution. In Nigerian setting, Islamic work ethics is assumed to be influenced by the Islamic Financial Institutions (IFIs) who become the apparatus through which employee practice of IWEs is assessed. Presently, there are 16 IFIs who perform their role to enhance their performance through ethical conduct of their employees. Even though each of these IFIs perform their role to ensure that the best ethical conduct is practice, there are still issues and challenges faced that lead to the non-adoption of IWEs. Therefore, the purpose of this paper is to disclose the issues and challenges faced that lead to the non-adoption of IWEs by IFIs in Nigeria. A qualitative method is employed in this study using secondary data as well as semi-structured interview on the selected IFIs in the Northern part of Nigeria as a case study. The findings of the study revealed that there are issues and challenges that contribute to the non-adoption of IWEs such as lack of Islamic finance background of most of the practitioners, absence of orientation program and weak supervisory framework. The findings of this study are hoped to contribute to the existing literature on IWEs and its proper practice for enhanced performance of IFIs. Finally, the study's conclusion as well as the direction for future research are provided and discussed.

Keywords: Islamic work ethics, Adoption, Non-adoption, Islamic Financial Institutions



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INTRODUCTION

Islamic work ethics is an essential constituent to individual character that believes in performance of work to the best of one's ability as a duty to God. Implementation of Islamic work ethics at IFIs can be focused at the operational level as well as the top management level. Effective implementation from both levels of management will ensure its optimum practice in IFIs. Therefore, issues related to implementation and managing the practice of IWEs become significant. It is noteworthy that a higher level of ethical moral conduct of individual is likely to lower the chances of loss or risk (Azmin, Bakar & Ghani, 2015). However, issues such as absence of business ethics and orientation program as well as weak supervisory framework (Erundu, Sharland & Okpara, 2004), scanty studies on ethics contribute to lack of Islamic finance background of most of the practitioners (Aliero & Sokoto 2016; Attahiru, Al-Aidaros, & Yusof, 2016). These issues led to unethical dealings in the financial institutions, thus become major challenges to adoption of IWEs. Therefore, researchers' little attention to such issues and challenges regarding the application of Islamic work ethics by IFIs form the basis of consideration in the study.

The study aims at examining these issues and challenges that hinders the adoption of IWEs by IFIs in Nigeria with a view to suggest solutions in this regard. Section 2 of the paper

discusses the literature review, while section 3 provides the methodology. The paper then continues with section 4 on the findings and discussion on issues and challenges on adoption of IWEs. The conclusion of the paper is presented in section 5.

LITERATURE REVIEW

Work ethic in Islam establishes the aspirations of individual relationship with his behaviour at workplace (Mohamed, Abdul Karim & Hussein, 2014). Therefore, Islamic economy is characterized by fairness, justice and honesty translated by Islamic ethical value. The financial activities of Islamic financial institutions (IFIs) cannot be allowed to depend on the forces of market economy alone, but proper mechanisms should be installed to ensure a flexible ethical model in the financial segment (Ahmed, Ullah, Ahmed, & Rahman, 2016). Work is regarded as a necessary benefit to individual's life as society well-being which should be conducted through observing ethical Islamic values. Islamic work ethics: referred to efficient behaviours, values, norms that shape individual's conduct on a fair stewardship role dedicated to self, others, society in any setting as an obligation for optimum outcome and as duty to Allah. This study considers the Islamic critical theory as against those being western, incomprehensive and conflicted with Islamic worldview (Gilani-Williams, 2014). The theory views an understanding of Islamic character development.

Gilani-Williams defined Islamic critical theory as “recognizing, critiquing and providing normative action on any matter that oppresses the individual or the society socially, economically, scientifically, politically, psychologically or through any other medium, idea, or field”. This suits the adoption of IWEs relevant to IFIs performance and goal achievement.

According to Komari and Djafar (2013), caring for employees, keeping promise and a commitment are among work ethics in the workplace. This indicates an exemplary behaviour among top management and supervisors as models for ethical behaviour. These ethical values must be well-suited with the employee's religious beliefs and expectations to produce a strong desire for the employee to put in their best to achieve corporate values and objectives. Some earlier studies which assessed Islamic work ethics (IWEs) include (Rahman, Muhamad, & Othman, 2006), scale development (Ali, 1988, 1992); Business (Rice, 1999; Yousef, 2000; 2001; Ali & Al-Kazemi, 2007), IWEs and performance of organization (Hayati & Caniago, 2012), Ethics and performance (Ogbonna & Ebimobowei, 2011), IWEs with corporate governance (Nor, Mahaiyuddin & Rozlan, 2016). Furthermore, Athar, Shahzad, Ahmad and Ijaz (2016) assessed IWEs in relation to work efficiency and suggests organization to adopt ethical framework based on Islamic values as guide to work efficiency. This study further examines the non-adoption of IWEs by IFIs due to issues and challenges with a view to suggest solutions for an ethical workforce.

In Nigeria, few studies were conducted on Islamic work ethics. These studies involve ethics in financial services business (Wole, 1998), ethics and market forces (Ola, 1998) as well as on professional code of ethics and management excellence (Adenubi, 1999). A study on ethical behaviour in Nigeria found that absence of business ethics in the highly populated West African contribute to corruption in organizations (Erundu, Sharland, & Okpara, 2004). Their study also revealed scanty studies on ethics. Studies on Islamic ethics in Nigeria such as that of Aliero and Sokoto (2016), viewed ethics from Islamic perspective through analysis of the relevance of Islamic business ethics to Nigerian economy. The review referred to Quran and Hadith that supported the promotion of justice, equity and fairness in all dealings. Islamic work ethics upheld religiosity and Islamic culture especially with the inclusion of hisbah institution to ensure control of unethical dealings on financial activities (Attahiru, Al-Aidaros, & Yusuf, 2016)

Ethical challenges such as indecent staff dressing, poor management/staff recruitment, lapses in management control, internal granting of credit facility violates the provision of Banks and Other Financial Institution Act (BOFIA, 2002) according to Ogechukwu (2013). The study suggests self/personal ethical conduct, strong ethical orientation and training of staff, observing the virtue of honesty, hard work and fear of God. Other challenges according to Allemen and Oluwatobi (2012), include the non-adoption code of ethics and lack of proper sanctions for unethical conduct. As such, suggested that every institution in Nigeria should consider ethics as part of core management function and provide ethical training in that regard. Moreover, studies such as Festos and Temitope (2016), observed that Nigerian banking sector is riddled with ethical challenges and weak corporate governance leading to poor quality financial reports.

There is rising demand for ethics and compliance in financial institutions most especially during the global financial failures

(Abdel-Baki & Sciobolaza, 2014). Thus, Aliero and Sokoto (2016), Kumar and Rose (2010) as well as Okpara and Wynn (2008) suggested further studies on work ethics. Studies on ethics with regards to Islamic aspect were referred to as an endless journey especially for businesses (Ali, 2010). Religion stirs the believe system of human beings and importantly influence their work values (Parboteeah, Hoegl & Cullen, 2007). Therefore, Islam places high emphasis on ethical values in every aspect of human endeavour stressing the link between economic activities and religion, projecting a perfect way of life. This is explained in Quran (20:112), that the enduring nature of workers with high IWEs and their focus on goal achievement have tremendous contribution to organizational performance. Islamic financial institutions can effectively endorse IWEs, shifting organizational conventional thoughts on its management and supervision to new IWEs outlook for the successful achievement of organizational goals as this study emphasized.

METHODOLOGY

This study uses qualitative design approach. The respondents for this study are the senior managers of the selected Islamic financial institutions in northern Nigeria. It was easier to get the senior management cadre officers of Jaiz bank and Jaiz takaful being the major fully pledge IFIs in northern Nigeria. The respondents interviewed include 24 senior management cadre officers who could be responsible for ensuring that an ethical environment exist in the IFIs. There are instructions to follow so that standard approach is used from one interview to another. It involved semi-structured interview supported with past literature review to gain more information. The interview questions were designed according to a qualitative research plan followed by a final thank you statement to acknowledge the time the respondents spent during the interview (Creswell & Plano, 2007). It starts by sending the interview questions through email and followed by phone call to set the date for the interview.

The interview was conducted by the researcher in trying to examine the existing issues and challenges facing the adoption of IWEs by IFIs. The research interview was conducted in the corporate offices of these IFIs. It took the researcher two different visits to conduct the interview involving senior management lasting two hours in each IFI. Senior management cadre officers are the respondents from selected IFIs in Northern Nigeria, as presented in the Table 1. below:

Table 1: Interview Process

S/N	Areas covered	Jaiz Bank	Jaiz Takaful
1	Existing work ethics	Active conventional ethics	Less active ethics
2	Islamic finance background	Very few	Very few
3	Presence of IWEs	Not active	None
4	Provision of research and training on Islamic finance area	Rarely	Rarely

Source: Interview

From the table above, most of the respondents fall under 35 years and about 83% with only a first degree because they are considered easier in understanding work system. They express concern on the general professional code of ethics in terms of concealing institutions' dealings confidential more than considering IWEs values. Even though employees view

work ethics as embedded in their religious values, but because they have not been institutionalized as IWEs becomes a great challenge. The interviewees confirmed that few employees forming less than 20% possess Islamic finance background in an Islamic finance institution. Lack of or inactive training unit responsible for sponsoring employees for further studies on area of Islamic finance presents another challenge.

Though they admit difficulty in assessing employee personal ethical values due to lack of standards and strong supervisory framework, they emphasize the need to modify the conventional code of ethics to IWEs design specifically to meet the expectations of IFIs. Furthermore, other means of collecting data include booklets, publication and corporate plans that provide more information to allow further understanding of the issues and challenges in adopting IWEs by IFIs. They further confirmed that the supervisory framework is based on conventional setting which could be attributable to non-adoption of IWEs in IFIs. They, however, perceive that only few incidences of unethical dealings were recorded and believe that if IWEs is institutionalized could further reduce or even eliminate such issues. The interview was recorded using digital recorder to ensure information accuracy. After completion of the interview session, the interview conversation was transcribed and analysed.

FINDINGS AND DISCUSSION

From the information collected from conducting the interview with the selected IFIs senior managers, the issues and challenges facing the adoption of IWEs by IFIs were discussed. It was revealed from the interview session that the main issue and challenge faced by the non-adoption of IWEs in IFIs was because most of the employees do not possess the Islamic finance background having come from the conventional institutions. Another challenge posed on the non-adoption is scanty studies on IWEs. However, having known the mechanisms of accounting and finance in an IFIs requires further understanding of Islamic ethics for the conduct work according to Islamic principles. In addition, based on the respondents' personal view, the society in which these institutions exist is riddled with unethical behaviour which could be a contributing factor. Therefore, having known the mechanisms of accounting and finance in an IFIs requires further understanding of Islamic ethics for the conduct work according to Islamic principles.

Absence of orientation program is another challenge found from the interview. This should hold at the employment stage; however, the staff do not acquire any orientation training as to the Islamic ethical conduct required of them to display in the conduct of their assignments. Since there is no unit established responsible to conduct the orientation, it is not possible for them to understand the unique feature of Islamic ethics. In the end, this could create situations for unethical conduct. Based on the interview, it was discovered that weak supervisory framework is a serious issue that affects the overall supervision function of the IFIs, in addition to absence of documented policies on Islamic ethics with a clear line of action for unethical behaviour. As mentioned in the interview, the respondent said, there are several issues in the framework, hence, hindering the development and practice of IWEs.

The study has relevant implications for IFIs to be more effective in implementing the IWEs so that a robust ethical

working environment based on Islamic teachings exist. Moreover, the study has implication for policy makers to institutionalize the adoption of IWEs in the IFIs. The need for more studies in the area of IWEs becomes relevant to address the literature gap.

CONCLUSION

In summary, this study found three main issues and challenges faced by the IFIs in their effort to practicalized IWEs. These issues and challenges include lack of Islamic finance background of most of the practitioners as they came from the conventional institutions, Absence of orientation program and weak supervisory framework. Thus, the study's view of Islamic critical theory relates to every aspect of human life including the adoption of IWEs. It entails providing solutions according to teachings of Quran and Sunnah resulting in emancipation, transformation and a better life (Gilani-Williams, 2014). Therefore, the most crucial issues such as lack of Islamic finance background of most of the practitioners and few studies on IWEs could be address through emancipation and transformation to a sound ethical conduct. This study is therefore timely and significant in identifying the issues and challenges that hinders adoption of IWEs, hence the need to address them and ensure ethical conduct in IFIs. IFIs need to develop training program for those that do not have Islamic finance background. Even though Nigeria to date has few IFIs compared to other jurisdictions, there is the need to install an effective mechanism to ensure adoption of IWEs for improved performance according to Islamic principles. Not only that, IFIs also need to consider employing those with the right skills and education background so that IWEs will be institutionalised to ensure sound ethical conduct. In addition, more studies are suggested on understanding the practicability of Islamic work ethics in IFIs for an ethical conduct and enhanced performance.

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