



# Islamic Human Resource Management, Organizational Commitment and Employee Performance: A Case Study on Sharia Bank in South Sumatera

**Muhammad Ichsan Hadjri\*, Badia Perizade, Taufiq Marwa, Agustina Hanafi**

Faculty of Economics, Universitas Sriwijaya, Indonesia. \*Email: [ichsanhadjri@fe.unsri.ac.id](mailto:ichsanhadjri@fe.unsri.ac.id)

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## ABSTRACT

The study was conducted in South Sumatra, Indonesia, where the percentage of sharia banking assets in South Sumatra is below the average assets of national sharia banking. Research topics on the Islamic Human Resources Management (IHRM) are also very limited in Indonesia, especially in South Sumatra. Most of the research on Islamic Management deals only with Islamic finance and accounting, Islamic marketing, Islamic leadership, Islamic work ethics, gender and management in Islam. This study aims to determine the effect of IHRM on organizational commitment and employee performance. The population in this study were 245 sharia bank employees in South Sumatra, Indonesia, where the respondents were selected 136 by using Slovin formula and proportional stratified random sampling method. The instrument in measuring the variables in this study is the questionnaire distributed to the respondents. The results showed that IHRM consisting of Islamic recruitment and selection variables, Islamic training and Islamic compensation positive and significant impact to organizational commitment and employee performance.

**Keywords:** Islamic Human Resources Management, Organizational Commitment, Employee Performance, Sharia Bank

**JEL Classifications:** M12

## 1. INTRODUCTION

Indonesia is one of the countries with the largest Muslim population in the world. However, based on data from the Financial Services Authority of Indonesia (Otoritas Jasa Keuangan [OJK]), the total assets of sharia banking in Indonesia only reached 5.3% in 2016 (OJK, 2017). Some countries like Saudi Arabia and Malaysia have sharia banking assets that are much larger than Indonesia. Based on information from the Saudi Arabian Monetary Authority (SAMA), the total assets of sharia banking in Saudi Arabia reached 51% in 2016 (SAMA, 2017). Similarly, Malaysia, where the total assets of sharia banking in the country based on information from Bank Negara Malaysia (BNM) reached 27% (BNM, 2017).

One of the provinces in Indonesia that has Sharia banking assets below the national average is South Sumatra. Based on Sharia Banking Statistics Report from OJK of 2016, the total assets of

sharia banking in South Sumatra is only 4.47% or below the assets of sharia banking in Indonesia of 5.3% (OJK, 2017).

One of the causes of non-optimal organizational performance in Sharia banks in South Sumatra is due to the lack of optimal performance of human resources (HRs). HR has a very important role in the success of an organization, in which the performance of HR affects the overall performance of the organization (Mathis and Jackson, 2011). This is supported by research conducted by Ascarya and Yumanita (2008) entitled "comparing the efficiency of Sharia banks in Malaysia and Indonesia." Those outcomes demonstrated that one important factor making inefficiency in Sharia Bank in Indonesia is the low quality of HR.

Sharia banks conduct banking operations based on sharia principles, so it is logical to expect this organization to embed Islamic principles in the practice of HR management (HRM) and

their policies. Islamic HRM (IHRM) is based on Al-Quran and Hadith of Prophet Muhammad PBUH (Rahman et al., 2011).

The practice of IHRM is important but few discussed in the literature (Hashim, 2009). Branine and Pollard (2010) suggested that few studies discuss IHRM, so further study is needed. Rana and Malik (2017) also revealed that only a few studies have raised the topic of IHRM. This is supported by research conducted by Khan (2015), where there is a lack of research on HRM in sharia banking. According to Mellahi and Budhwar (2010), although in the last two decades there has been an increase in research interest on Islamic management, but most research focuses only on Islamic finance and accounting (Chong and Liu, 2009; Napier, 2009), Islamic marketing (Haque et al., 2010; Hashim and Mizerski, 2010), Islamic leadership (Ahmad, 2009; Weir, 2008), Islamic work ethic (Ali and Al-Owaihian, 2008; Kumar and Rose, 2010), as well as gender and management in Islam (Metcalf, 2006; 2007). Research on IHRM, so far, the number is still very limited (Tayeb, 1997).

This research is conducted on the basis of the research gap, which is still limited number of empirical research on IHRM conducted in sharia banking. Several previous studies on IHRM suggest that further research can be performed using more variables. Hashim's research (2008) is limited to job satisfaction, organizational justice, and turnover intentions and suggested further research on the impact of IHRM on employee performance. Further research from Hashim (2010) also suggested in conducting further research on the impact of IHRM on employee performance. This is supported by Rahman et al. (2013) who suggested that further research on IHRM can be undertaken on employee performance, job satisfaction, and organizational commitment. Fesharaki and Sehhat (2017) also examined the impact of IHRM on organizational justice and organizational commitment in Iran and suggested that further research on Islamic HRM can be possible on other variables that have not been studied.

The purpose of this study was to determine the influence of IHRM on organizational commitment and employee performance, so it can be known whether it is useful to apply IHRM to sharia banks. Previous research on IHRM has largely focused on the objects of the Arab countries, Pakistan, Iran and Malaysia. The object of research in Indonesia is still very limited and has never been conducted in South Sumatera. This research was conducted in an effort to fill the research gap and become a value for the originality of the research. This research is expected to provide insight for practitioners in sharia organizations in managing HRs based on IHRM and can be a reference for further research.

## 2. LITERATURE REVIEW

### 2.1. Islamic HR Management (IHRM)

IHRM practice can be applied to various sharia organizations, including sharia banking. IHRM is based on ethical values, beliefs, and motivation (Khan, 2016). According to Azmi (2015) and Fesharaki and Sehhat (2017) there are several dimensions of IHRM, namely Islamic recruitment and selection, Islamic training, and Islamic compensation.

### 2.2. Islamic Recruitment and Selection

Recruitment and selection are very important HRM practices. Recruitment and selection are considered complex and complicated tasks within the organization (Ali, 2005). The Qur'an provides guidance in the process of recruitment and selection of prospective employees, including ability, knowledge, specialization, experience, personal ability, potential, character, perseverance, and compliance with organizational rules and religious law (Salleh, 2012). Islamic guidelines cover five conditions that must be met for selection: (1) Competence, (2) experience, (3) responsibility, (4) organizational fit, and (5) reputation (Ali, 2005). Islam emphasizes that prospective employees are selected based on merit and competence, not influenced by friendship, blood relations, kinship, age, wealth, race or political power (Alorfi, 2012).

### 2.3. Islamic Training

Training and development in Islam include intellectual, moral, spiritual, physical development (Hashim, 2010), social, psychological (Khan, 2016), emotional (Husain and Ashraf, 1979) and human growth. Some concepts of Islam are directly related to training and development. The first concept is Etqan, awareness in self improvement, refers to efforts to improve themselves to achieve better performance (Branine and Pollard, 2010). The second concept is Al Falah, the desire to achieve excellence and perfection. Because of these values, the desire to excel in personal and professional matters becomes an ideal for Muslims. This implies that employees are required to always do better, improve the quality of their contributions and work results by learning new skills and knowledge (Siswanto, 2014). The third concept is Ihsan, where Islamic tradition shows that business and spiritual obligations must be balanced with one another (Ali, 2005).

### 2.4. Islamic Compensation

Azmi (2015) stated that compensation practice is very important in HRM. Islam encourages employers to respect their employees according to their qualifications, experience, knowledge, abilities and the amount of work they do. According to Mansor and Ghani (2005), all employees should also be given benefits, bonuses, overtime wages, salary increases, leave and medical treatment without discrimination. All compensation payment requirements must be clearly explained in the offer letter that employees must consider before they accept the offer. Islam emphasizes that the compensation offered to employees must be reasonable and sufficient. Islam instructs that compensation should be established on the basis of mutual consent and deliberation (Ahmad, 1995; Ali, 2005; Khan et al., 2010).

### 2.5. Organizational Commitment

Meyer and Allen (1997) classified the dimension of organizational commitment to the Organizational Commitment Scale into three dimensions: affective commitment, normative commitment, and sustainable commitment. Hashim (2010) has conducted research on the influence of IHRM on organizational commitment in Islamic organizations in Malaysia. The results of the study concluded that IHRM had a positive and significant effect on organizational commitment of employees in Islamic organizations in Malaysia. The impact of IHRM on employee commitment research was also conducted by Fesharaki and Sehhat (2017) with an employee

analysis unit at sharia banks in Iran. The results revealed that there was a positive and significant relationship between IHRM on employee commitment.

**2.6. Employee Performance**

According to Islamic principles, employee performance assessment must be based on fairness, accountability, caring, and can be accounted for the specified criteria (Rahman et al., 2013). Poor design in the form of employee assessment, for example, subjective judgment which leads to unfair evaluations resulting in unfair treatment of some employees, several cases of dismissal, and improper promotion (Sadeq, 1990).

Dimensions to measure employee performance individually include quality, quantity, timeliness and effectiveness (Robbins, 2008). Some previous studies concluded that employee performance is directly influenced by recruitment and selection (Bako and Kolawole, 2016), training (Athar and Shah, 2015; Elnaga and Imran, 2013), and compensation (Hameed et al., 2014; Njoroge et al., 2015).

**3. RESEARCH MODEL AND HYPOTHESIS**

The research model is illustrated in Figure 1.

Based on the literature review, the hypotheses built from this research are:

1. Islamic recruitment and Selection had an influence on organizational commitment.
2. Islamic training had an influence on organizational commitment.
3. Islamic compensation had an influence on organizational commitment.
4. Islamic recruitment and Selection had an influence on employee performance.
5. Islamic training had an influence on employee performance.
6. Islamic compensation had an influence on employee performance.

**4. METHODOLOGY**

The population in this study were employees of sharia banks in South Sumatra Province, Indonesia, as many as 245 employees. By using the Slovin formula, obtained the number of samples as many as 136 employees. Sampling technique using proportional stratified random sampling method. A sample of 136 employees became

respondents in this study. Distribution time and questionnaire collection is 5 days. Instruments used to measure research variables are as follows:

1. Islamic HR Management (IHRM): The instrument used to measure IHRM was a questionnaire developed by Hashim (2010) as many as 20 items of questions about HRM based on Al Quran and Hadith. Question items contain variables that describe IHRM, namely Islamic recruitment and selection (IRS), Islamic training (IT), and Islamic compensation (IC). The questionnaire was measured using five Likert scale points (1-5).
2. Organizational commitment (OC): The instrument for measuring organizational commitment was a questionnaire developed by Meyer and Allen (1997) as many as 10 items of questions. Question items contain indicators of affective commitment, normative commitment, and ongoing commitment. The questionnaire was measured using five Likert scale points (1-5).
3. Employee performance (EP): The instrument used to measure employee performance was questionnaire developed based on literature review from Robbins (2008) as many as 10 items of questions. Question items contain indicators of employee performance, namely quality, quantity, timeliness, and effectiveness.

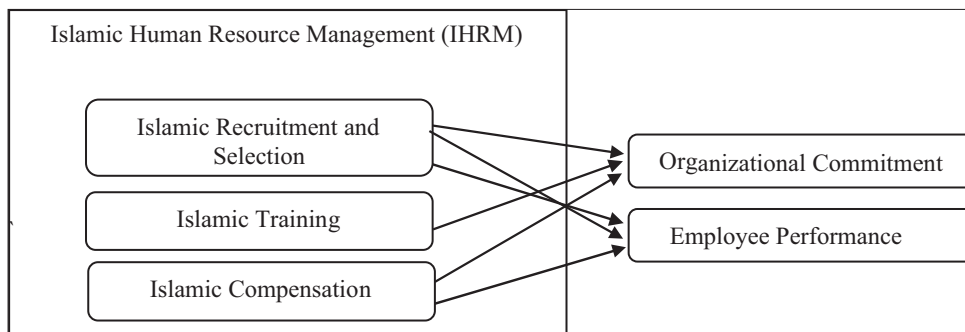
**5. FINDINGS**

From the 136 questionnaires distributed, 128 questionnaires were returned by respondents. Table 1 illustrates the profile of the majority of respondents in this research.

Table 1 shows that most of the respondents' gender is female (52.7%) with age range of 26-30 years (35.3%). The education level of the majority of respondents is bachelor level (59.4%) with a working period of 6-10 years (33.9%).

The instrument is said to be valid and reliable if it meets the requirements for validity and reliability tests. Instrument validity test is performed by comparing Pearson Correlation values with r values obtained from r table. With the number of respondents as many as 128 people, for two-way test with a significance level of 5%, obtained r table value of 0.1736. The instrument is said to be valid if the item of each question on the questionnaire has a Pearson Correlation value > r value of the table. Table 2 illustrates the results of the instrument validity test used in this study.

**Figure 1:** Research model



**Table 1: Respondent profile**

Type of demography	Profile	Percentage
<b>Gender</b>	<b>Woman</b>	<b>52.7</b>
Age range	26-30 years old	35.3
Education level	Bachelor	59.4
Working period	6-10 years	33.9

**Table 2: Results of the instrument validity test**

Question items	Pearson correlation	r table value	Remarks
IRS 1-7	0.298-0.470	0.1736	Valid
ITR 1-6	0.364-0.449	0.1736	Valid
ICO 1-7	0.240-0.466	0.1736	Valid
OC 1-10	0.281-0.323	0.1736	Valid
EP 1-10	0.270-0.325	0.1736	Valid

**Table 3: Results of instrument reliability test**

Variable	Cronbach's alpha	Remarks
IRS	0.691	Reliable
ITR	0.724	Reliable
ICO	0.680	Reliable
OC	0.711	Reliable
EP	0.747	Reliable

**Table 4: Kolmogorov-Smirnov test results on the research model**

Research model	Asymp. Sig. (2-tailed)	Remarks
IHRM on OC	0.558	Normal
IHRM on EP	0.507	Normal

**Table 5: Results of regression test on the impact of IHRM on organizational commitment**

Model	Unstandardized coefficients		Sig.
	B	Standard error	
1			
(Constant)	15.991	3.959	0.000
IRS	0.368	0.083	0.000
ITR	0.357	0.091	0.000
ICO	0.233	0.084	0.006

**Table 6: Results of regression test on the impact of IHRM on employee performance**

Model	Unstandardized coefficients		Sig.
	B	Standard error	
1			
Constant	12.240	3.631	0.001
IRS	0.515	0.076	0.000
ITR	0.339	0.083	0.000
ICO	0.225	0.077	0.004

Table 2 shows that all question items on the instrument are valid. Furthermore, reliability test was conducted to test whether the instrument used is reliable. The instrument is said to be reliable if the Cronbach's alpha value of each questionnaire item is >0.6. Table 3 illustrates the results of the reliability test conducted.

Table 3 shows that all the instruments used to measure the variables in this study are reliable. The study continued with normality test.

Data normality test was analyzed using Kolmogorov-Smirnov Test. The data is said to be normally distributed if the value of Asymp. Sig. (2-tailed) is >0.05. Table 4 illustrate the results of the Kolmogorov-Smirnov test of the built-in research model.

Table 4 show the normality test results for the influence of IHRM on organizational commitment and impact of IHRM on employee performance. The result of Asymp value. Sig. (2-tailed) in both tables are 0.558 and 0.507, respectively, where the value is >0.05. This means that all data in this research model is normally distributed.

After the data was confirmed to be normally distributed, then multiple regression test was conducted to determine the relationship between independent variables and dependent. Tables 5 and 6 illustrate the results of regression tests on the impact of IHRM on organizational commitment and employee performance.

## 6. DISCUSSION AND CONCLUSION

The research results support the hypotheses that have been formulated. The first hypothesis group stated that IHRM had an influence on organizational commitment. Based on the results of the research, all IHRM variables of Islamic recruitment and selection, Islamic training, and Islamic compensation had positive and significant effect on organizational commitment. Islamic recruitment and selection variable had the greatest influence on organizational commitment with a Beta value of 0.368, followed by Islamic training variable and Islamic compensation variable with Beta values of 0.357 and 0.233 respectively. The significance level of all IHRM variables is below 0.05 which indicates a significant influence on organizational commitment. The results of this study support the results of previous research conducted by Hashim (2010) and Fesharaki and Sehhat (2017).

The second hypothesis group formulated that IHRM had an influence on employee performance. The results showed that all variables IHRM namely Islamic recruitment and selection, Islamic training, and Islamic compensation had a positive and significant effect on employee performance. Islamic recruitment and selection variable had the most influence on employee performance with a Beta value of 0.515, while the Beta value of Islamic training and Islamic compensation variables are 0.339 and 0.225 respectively. The regression results also reveal that the significance level of all IHRM variables is below 0.05 which indicates a significant effect on employee performance. Some previous studies concluded that employee performance is directly influenced by HRM which consists of recruitment and selection (Bako and Kolawole, 2016), training (Athar and Shah, 2015; Elnaga and Imran, 2013), and compensation (Hameed et al., 2014; Njoroge et al., 2015).

This study concludes that all hypotheses that have been formulated are acceptable. IHRM which consists of Islamic recruitment and selection, Islamic training, and Islamic compensation variables had a positive and significant effect on organizational commitment and employee performance at Sharia Banks in South Sumatera Province.



This research is expected to be a reference for other researchers interested in IHRM variables. This study has limits on the number of sharia organizations that are the units of analysis and respondents. Further research is expected to involve more areas of Islamic organizations such as Islamic insurance organizations and other sharia organizations, as well as increasing the number of other variables such as organizational justice, trust, and others.

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