



Review article

An assessment on Islamic banking ethics through some salient points in the prophetic tradition

Zulfahmi Alwi^{a,*}, Rika Dwi Ayu Parmitasari^b, Alim Syariati^b^a Department of Islamic Family Law, Universitas Islam Negeri Alauddin Makassar, Indonesia^b Department of Management, Universitas Islam Negeri Alauddin Makassar, Indonesia

ARTICLE INFO

Keywords:

Islamic banking
 Islamic business ethics
 Prophetic tradition
 Iman
 Niyah
 Amanah
 'Adalah

ABSTRACT

Indonesia is experiencing a stable and rapid Islamic economy process since the emergence of Islamic banking. Asides from the development, some scholars argued that Islamic banking does not completely comply with primary Islamic obligations, such as ethics. The use of sharia banking is preferred in Indonesia, even though it only upholds one foundation in Islamic teaching. Therefore, it is imperative to present Islamic banking's ethical foundations with strong support from early teachings and test it empirically. This research presents several original concepts of Islamic ethics in the form of prophetic messages and teaching of Muhammad (peace be upon him), namely *Iman* (faith), *Niyah* (intention), *Amanah* (trust), and *'Adalah* (justice). The confirmatory composite analysis (CCA) was used to assess the four terms to 411 Islamic banking employees in the Indonesian context. The result showed that salient points in measuring employee ethics need to be ethical in all circumstances. This movement tends to positively provide a multiplier effect in the banking management and potentially serve as the educational function to the communities.

1. Introduction

Ethics comes as a foundation of Islamic teaching, aside from faith (*tauhid*) and legal rules (*shariah*) (Moosa and Mian, 2012). Muslims must believe that God's objectives in sending His Messenger to humankind are pervasive in every activity (Ganiev, 2015; Robinson, 2013). Furthermore, they need to believe that the whole persona of the Prophet, such as faith, morals, worship, and government management, is suitable for all fields of life. Therefore, it is befitting for Muslims to make the Prophet the only role model of goodness in life. Allah the Almighty specified in Al-Ahzab 33: 21 (translated by Abdullah Yusuf Ali), that "Ye have indeed in the Messenger of Allah a beautiful pattern (of conduct) for any one whose hope is in Allah and in the Final Day, they will engage in praising Him." Besides integrating all three foundations in Allah's teaching, the Messenger pronounced the obligation to perfect human ethics and morals by stating the following, "I was given the revelation only to fulfill the highest levels of ethics and morals" (Ibn Malik as cited in Anas, 2013). Therefore, the ethical agenda need to serve as the foundation for carrying out businesses in all Islamic-based organizations, such as Islamic banking.

Islamic banking is the primary representation of the Islamic economy. However, some scholars have criticized its emergence by pointing to the

prominent absence of ethical integration by overemphasizing on faith or legal issues (Wilson, 1997, 2002). Specific multi-paradigm discussions of religion and modern firm management are needed to regulate Islamic banking operations, in accordance with the traditional Islamic jurists that always strive to accommodate moral concerns in Islamic law discourses before it becomes a positive law (Moosa and Mian, 2012). This condition poses a challenge for Islamic banking regulations. Therefore, designing Islamic banking into permissible (*halal*) service/product offerings or business administration while avoiding *haram* tends to degrade the assimilation for some arguments. *Halal* and *haram's* definition of contemporary banking products varies across strict, moderate, or flexible leans in Islamic countries (Fatmawati et al., 2020). Furthermore, it is difficult to distinguish the actual product/service offerings aside from their Arabic terms compared to conventional banking (Khan, 2010).

According to McMurrian and Matulich (2016), Pettijohn et al. (2008), and Stanwick and Stanwick (1998), the process of pursuing ethical agenda is in line with profitability goals. Abdelsalam et al. (2014) stated that socially responsible funds had displayed better performance resilience and likely to become the source of Islamic customer satisfaction (Fajriyati et al., 2020). Studies carried out in Pakistan by Khan and Rasheed (2015), and Rana and Malik (2017) revealed that Islamic work

* Corresponding author.

E-mail address: zulfahmi.alwi@uin-alauddin.ac.id (Z. Alwi).

ethics increases the project's potential success. God is the primary stakeholder of all wealth in Islam, therefore, channeling the banks' money to charity is another way to strengthen the ethical value of Islamic banking (Gilani, 2015).

Some scholars provided varying analyses in the representations of ethics in Islamic economics. For instance, Naqvi (2013) stated that Islamic economics comprised *tawhid* (God's unity), *'adalah wa ihsan* (equilibrium), *ikhthiyar* (free will), and *fard* (responsibility). Other academicians listed *khayr* (goodness), *birr* (righteousness), *qist* (equity), *'adl* (justice), *haqq* (truth and right), *ma'ruf* (known and approved), and *taqwa* (piety) (Beekun and Badawi, 2005). Rice (1999) reported that Islamic ethics serves as a moral filter in accordance with the function of *tawhid* (unity), *'adalah* (justice), *khilafah* (trusteeship), and other religious attributes. Other scholars proposed the use of *maqasid shariah* (the objectives of rule creation) as a higher ethical agenda in Islamic banking (Mergaliyev et al., 2019).

Maqasid shariah (the objectives of rule creation) presents as a unique identity in Islamic banks, hence, performance evaluation by these tenets is critically and conventionally measured. This transcendental particularity serves as the critical differentiation in performance measurement, compared to the normative means in a study carried out in multiple countries' Islamic and conventional banks (Mohammed et al., 2015). A study carried out by Kasri and Ahmed (2015) in Indonesia also supported the capability of *maqasid shariah* in reducing the poverty rate of *zakah* (alms) recipients by showcasing the capability in socio-economic enhancement. Asutay and Harningtyas (2015) proposed *maqasid shariah* dimensions as social indicators in a cross-countries study and found that Indonesia, Malaysia, and Pakistan had high compliance to the Islamic principles. In the context of biotechnology, *maqasid shariah* was able to carefully safeguard the ethical consideration to preserve mankind's faith, life, intellect, progeny, and property (Saifuddeen et al., 2014). These Islamic norms' empirical pieces of evidence provide substantial answers to Wilson's research (1997, 2002) on ethical identities in Islamic banks.

The preliminary studies on ethical identities were still in the early stage of discussions, hence, they faced scrutiny in terms of empirical applicability. Therefore, this research employed a literature investigation method to determine the primary sources of Islamic teaching and laws, such as the Quran and *Hadith*. Four elements of ethics (INAA) in Islamic banking emerged from the readings, namely *Iman* (faith), *Niyyah* (intention), *Amanah* (trust), and *'Adalah* (justice). These four elements are still in concordance with the factors highlighted by previous studies. Naqvi (2013), Rice (1999), and Saifuddeen et al. (2014) stated that *Iman* is another function of *tawhid* (God's unity). Meanwhile, Beekun & Badawi (2005) stated that *niyyah* is evaluated to determine its consistency with holy teachings or *haqq* (truth and right). According to Rice (1999), *Amanah* is consistent with trusteeship (*khilafah*) in religion. This study extends the formulation of Islamic ethics by identifying INAA from the perspective of Islamic banking employees.

The authors divided this study into several sections by aligning the theoretical and empirical reasoning in the introduction. Next, the potential literature works that positively contribute to the literature review's scale development were explored. The third section assessed the methodological aspect, while the fourth discussed the research findings. Finally, the authors presented the concluding remarks and the direction for future research in the closing section.

2. Literature development

2.1. Islamic business ethics

Islam is a religion with a strong emphasis on ethics. According to Beekun and Badawi (2005), this religion is understood because ethics governed all aspects of life in Islam, including the entrepreneurship agenda (Amar et al., 2019). The ethical system prescribed in Islam is eternally divine and forms the foundation of Islamic society (Wilson,

2002). Islamic ethics prescribe the Muslim community to fiercely guard their intentions, thoughts, words, and behavior while observing certain norms and moral codes in all spheres of human life fields. Islam also has its distinctive value-based ethical system for business dealings, explored from the daily life teaching of Prophet Muhammad (Haniffa and Hudaib, 2007). A total of 18 months of an ethnographic study carried out by Rudnycky (2009) in Indonesia discovered that the lack of spiritual ethics increases corruption, inefficiencies, and low discipline. This study proposed four elements on the prophetic pronouncements as foundations of business ethics in Islam, namely *iman* (faith), *niyyah* (intention), *amanah* (trust), and *'adalah* (justice).

Iman (faith) serves as the foundational basis of every activity in Islamic teaching because one cannot be a Muslim without a portion of belief in the presence of God. It addresses the affirmation of Islamic integrity and aligns it to the casual conscience in daily life (Turnbull et al., 2016). Therefore, a Muslim must have faith in God's revelation, either by the rules (*shariah*) or the ethical issues (*Ihsan*) (Moad, 2007). *Niyyah* (intention) is also paramount in Islam because all reasoning behind an action (good/bad deeds) is crucial in the legal-standing formulation of Islamic jurisprudence in the world or hereafter (Al-Kahntani, 2014). Hence, a person with sacred intention is deemed ethical, and the consideration associated with participating in any action is returned to the Islamic perspectives (Hashas, 2015). *Amanah* (trust) is a selected individual trait that represents good Muslims as it is always associated with the figure of Muhammad the Prophet (PBUH). This noble quality safeguards the *niyyah* and the *iman* to remain fixated in the ethical path of Islam (Shuhari et al., 2019). This further highlights the key marketing element in Islamic business identity (Tlaiss, 2015). Finally, the *'adalah* (justice) is the substantial point in safeguarding the ethical stance of Muslims, which channels the *iman* and *niyyah* into performed action. *'Adalah* ensures that every Muslim treat others fairly. This attribute goes beyond the humanities as it encompasses all living/non-living creatures without losing sound judgment under the *maqasid shariah* (the objectives of rule creation) (Al-Amin Endut et al., 2014; Kasri and Ahmed, 2015; Saifuddeen et al., 2014). The consistency between *'adalah* and daily life secures the foundation of socio-economic order by adhering to God's pleases (Jabbar et al., 2018). Figure 1 shows the four salient points with the conversation illustrated in the literature section.

2.1.1. *Iman* (faith)

Iman in Islam is not merely a conviction of the truth of a given principle, rather it is essentially the acceptance and a basis for various actions (Al-Maraghi, 1998; Ibn Kathir, 1981). According to Maududi (1985), *iman* is a firm belief arising out of knowledge and conviction. The pillars of *iman* revealed to the Prophet (PBUH) are belief in God, His Angels, Books, Messengers, the Hereafter, and *Qadar* (destiny). Robinson (2013) stated that these beliefs are the core and backbone of the Islamic faith. In Islam, *iman* is an integral element of business ethics because it encourages Muslims to do what is right and gives them the strength to face challenges (Shihab, 2008). All transactions in Islam are believed to have implications for Muslim's life in the hereafter. According to the

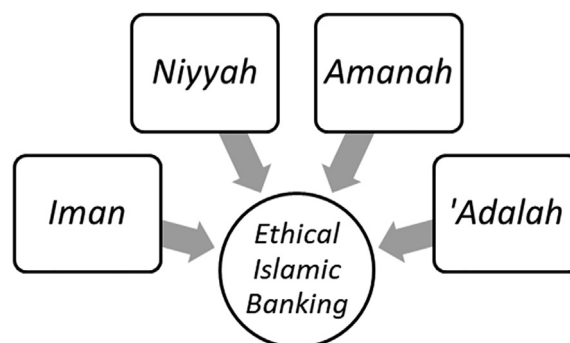


Figure 1. The Islamic business ethics.

Prophet (PBUH), every business transaction needs to be good, fair, and *halal* (lawful). Therefore, all forms of *haram* (unlawful) business are forbidden and unacceptable in Islam. The Prophet (PBUH) advised the act of abandoning *shubhat* (doubts) as preventive measures. The Prophet (PBUH) praised those that avoided *shubhat*, protected their religion, and kept their honor. According to al-Numan bin Bashir, the Prophet (PBUH) stated the following: “Both legal and illegal things are evident, however in between them, there are doubtful (suspicious) things unknown to most people. Therefore, anyone that saves himself from these suspicious things saves his religion and honor” (Al-Bukhari, n.d.).

This *hadith* is in line with the Quran's command to eat and consume whatever is lawful and suitable on earth. Otherwise, it is considered the act of following the footsteps of Satan that only orders humans to do evil and immortality (Al-Baqarah 2: 168–169). The Quran also forbids the act of manipulating every *halal* (lawful) or *haram* (unlawful) transaction (Al-Nahl 16: 116 & Yunus 10: 59). It is mandatory for believers to consume lawful and good things provided by Allah (Al-Mumtahanah 5: 88 & Al-Nahl 16: 114), and whoever manipulates it to invent falsehood regarding Allah is judged in the hereafter (Al-Ma'idah 5: 4).

The Prophet (PBUH) did not tolerate and compromise any transactions that forbid anything lawful to justify the unlawful. This was reaffirmed in another *hadith* narrated by Kathir bin 'Amr bin 'Awf al-Muzani, his father and grandfather. According to them, the Prophet Muhammad (PBUH) stated that “Reconciliation is allowed among the Muslims, except for those that make the lawful unlawful, or unlawful lawful. And Muslims are to be held responsible for their actions, except the conditions that make the lawful illegal or unlawful legal” (At-Tirmidhi, n.d.).

These references indicate that the first step to being ethical is faith (*iman*), and this is inseparable (Wilson, 2002). The uncontrolled greed in capitalist society jeopardizes the community system, and as such, faith in one religion provides a necessary “brake” (control) in carrying out various activities with wide-stakeholder involvements (Almoharby, 2011). This means that wealth is a God-given gift (Uddin, 2003). Meanwhile, faith as the Islamic foundation is supported by the initial intention (*niyyah*) in life, and this is discussed in the next section.

2.1.2. *Niyyah* (intention)

In Islam, *niyyah* refers to the spirit by which an action becomes religiously valid with the sincere intent used to allow deeds into acts of worship. Muslim jurists treat *niyyah* as a formal, taxonomic process and a mental focus that turns a given act into the specifically named duty required by religious law (Powers, 2004). *Niyyah* is formed in the heart as a sacred, spiritual, transcendent object with perfections and positive relationships before it shows up as a tangible feature (Sharaf al-Din et al., 2016). According to al-Ghazali, good *niyyah* and *iman* (faith) are the first business success criteria (Al-Ghazali, 1965). They have the ability to control business actors by preventing them from violating or exceeding boundaries. In line with al-Gazali, al-Qardawi argued that *niyyah* leads someone to carry out beneficial assignments and reject harm, both now and in the future (Qaradhwani, 1997).

The Prophet (PBUH) advised keeping sincere motives or intentions when participating in any activity, including financial transactions. The role or purpose in practice is very significant in Islam's faith since its intentions determine one's actions. Sincere intentions direct a person to run a business honestly and regarded as part of worship. According to Umar bin al-Khattab, the Prophet stated that “The value of an action depends on the intention. Men will always be rewarded for what they intended. The emigration of one for the sake of Allah and His Messenger (PBUH) and one that emigrates for gaining a worldly advantage or for marrying a woman are different” (Muslim, n.d.-b).

According to Ibn Rajab, the *hadith*'s first sentence stated that a person's voluntary acts lead to the intention to perform the needed action or bring it into existence. The next sentence is a statement of religion's judgment concerning their various acts, such as goodness, foulness, or neutrality, which are judged from the perspective of faith according to the actor's intention (Ibn Rajab, Ibn Rajab's Commentary on Imam

Nawawi's Forty *Hadith*). *Niyyah* (intention) is an essential component of a Muslim's worship and interpersonal relationships. A Muslim in all spheres of life uses *niyyah* to worship and transform secular life into a form of worship. This process reveals the role of faith in the field of Islamic ethics and its essential connection (Sharaf al-Din et al., 2016). Some scholars developed total quality management in the Islamic perspective using *niyyah* or intention (Afrin et al., 2019). Other academicians proposed the process by measuring the obedience of taxpayers (Bulutoding et al., 2020). The full applications of this construct potentially amplify the use of the context in Islamic banking. The presence of *niyyah* plays an essential role in real-life activities, one of which is in an honest attitude. The following section discusses *amanah* (trust) as an ethical factor.

2.1.3. *Amanah* (trust)

In Arabic, the term *amanah* refers to honesty, however it holds a more profound meaning and consequence in Islamic. *Amanah* has several connotations that revolve around the fundamental concept of accountability in all areas of human actions (Ibn Kathir, 1981). According to Samsudin and Islam (2015), it has the closest meaning to the fulfillment of trustworthiness and responsibility. Al-Maraghi (1998) divided *amanah* into three categories, namely man with his God, other human beings, and himself.

Ibn al-'Arabi (2010) and at-Tabari (1988) reported that a person to whom *amanah* is given the need to ensure that the assigned duty is shielded from distortion and misappropriation. Al-Mubarakfuri (as cited in Rizal, 2018) stated that there are at least three *amanah* indicators, namely professionalism in the execution of tasks, not exceeding the authority given, complete execution of duties and responsibilities. As Allah the Almighty says, “Come not nigh to the orphan's property except to improve it until he attains the age of full strength; and fulfill (every) engagement, for (every) engagement, will be enquired into (on the Day of Reckoning)” (Al-Isra 17: 34). The verse indicates that an orphan's property under one's charge is *amanah*, and Allah forbids them to go near it except in a proper way. The person in charge is responsible for taking care of the orphan property and returning it to the rightful owner after maturity (Samsudin and Islam, 2015).

One of the attitudes exemplified by Muhammad (PBUH) is honesty. He was called a trustworthy (*amin*), honest and successful entrepreneur that fulfilled all of His promises associated with the highest levels of ethics and morals, as reflected in His deeds, sayings, and decisions. According to Abu Sa'id, the Prophet (PBUH) stated that “The truthful, trustworthy merchant is with the Prophet, the truthful, and the martyrs” (At-Tirmidhi, n.d.). Prophet (PBUH) was the best example of humans to all of humanity.

Amanah (trust) is the first requirement to successfully globally, and it saves a person from dishonor and danger (Samsudin and Islam, 2015). It is in line with Allah's command to render trust to whom it is due (An-Nisa' 4: 58) and categorize those that brought it as the righteous (Az-Zumar 39: 33). The truthful are the ones that believe in Allah and His Messenger with their properties and their lives (Al-Hujurat 49: 15). On the Day of Judgment, Allah is going to reward the truthful for their truth and punish the hypocrites for their falsehood (Al-Ahzab 33: 24). Al-Qurtubi (n.d.) states that the above verses regarding the command to carry out *amanah* is “the mother” of all laws adhered to by all religions.

The Prophet (PBUH) commanded His followers to fulfill *amanah* (trust) during their daily proceedings, even when the other party is not trustworthy. He ordered the followers to respect *amanah* and avoid betrayal even to those that broke their promises. According to Abu Hurayrah, the Prophet Muhammad (PBUH) stated that the following “Pay the deposit to him who deposited it with you, and do not betray him who betrayed you” (Dawud, n.d.-b).

In another *hadith* narrated by Abu Hurairah, “Allah Most High, says: I make a third with two partners as long as one of them does not cheat the other, but when he cheats him, I depart from them” Dawud, n.d.-a. Allah and His apostles prohibited betrayal or dishonesty due to its adverse impact on

dignity and integrity. Deception is one of the worst forms of fraud. A dishonest person is always inclined to defraud others whenever and wherever possible. Among the fraudulent acts are misappropriation, embezzlement, theft of assets, trade secrets, falsification of documents, false claims or statements, removal or concealment of property, bribery, kickbacks or rebates, and conflict of commitment (Ibrahim et al., 2013).

Amanah (trust) has often been associated with the Muslim entrepreneur agenda, as the study of women from four Arabian countries (Tlaiss, 2015). It is also an integral part of the Islamic-banking spirituality requirement (Said et al., 2019) and its symbol (Triyuwono, 2004). According to Latif (2019) and Wilson (2002), symbolic marketing is still inadequate as an ethical foundation. This means that some homework needs to be carried out as a form of Islamic justice. Therefore, all prerequisite elements of faith, intention, and trustworthiness illuminate the justice (*'adalah*) function of Islamic banking.

2.1.4. 'Adalah (justice)

The word “*adl*” or “*adalah*” is commonly used for every aspect of justice in the Islamic term. Some substantial synonyms of *'adalah* are *qist* (equity), *wast* (fair), *istiqama* (straightforwardness), and *mizan* (balance). The literal meaning of justice in classical Arabic is a combination of moral and social values that denotes fairness, balance, temperance, and straightforwardness (Garner et al., 2020). According to Sa'id bin Jubayr (Khadduri, 1984), the meaning of *'adalah* takes four forms, namely justice in [1] making decisions (An-Nisa' 4: 58); [2] speech (al-Ahzab 33:70 and An-Nisa' 4:9); [3] the pursuit of salvation (al-Baqarah 2: 123), and [4] the sense of attributing equality to God (Al-An'am 6:1). Meanwhile, according to al-Maraghi (1998), *'adalah* ensures that a person's role is carried out based on the assigned duty without any shortcomings or fraud.

Before Islam, the idea of justice in Arabia was solely patriarchal in the family and tribe, thereby leading to tribal feuds and vendettas between various tribes (Syed, 2019). Therefore, Allah sent Prophet Muhammad to uphold (Al-Hadid 57: 25) justice between these tribes and spread Islam's teachings in general. In Islam, justice is one of the principles that must be upheld. For most people, the establishment of justice in society is a noble ideal. God has the character of the Most Just and must be emulated by His servants. The Quran itself repeatedly commands the establishment of justice (An-Nisa' 4:135; Al-Maidah 5: 8; An-Nahl 16: 90; Al-Hujurat 49: 9) to ensure that people enjoy their rights and meets their basic needs. The Prophet Muhammad ensured justice became an issue of public concern by firmly declaring that God would still raise a just person even when the world has only one day left. According to Ali bin Abi Talib, the Prophet (PBUH) stated the following “*If only one day of this time (world) remained, Allah would raise a man from my family who would fill this earth with justice as it has been filled with oppression*” (Dawud, 1996).

The idea of justice in business matters is comprehensible in God's command regarding wealth and financial transactions. The order to uphold justice in wealth management is mentioned in al-Hashr 59:7, “*What Allah has bestowed on His Messenger (and taken away) from the people of the townships, - belongs to Allah, His Messenger, kindred, orphans, the needy and the wayfarer; so that it may not (merely) make a circuit between the wealthy amongst you. Therefore, take what the Messenger assigns to you, and deny yourselves that which he withholds from you. Fear Allah, for He is strict in Punishment.*” Allah commands to ensure that the circulation of assets touches all levels of society to prevent it from only circulating among the rich, thereby leading to a sense of injustice among the poor. The ethical regulation also ensures that the wealth accumulated by the rich necessitates the right for the poor and displaced (Al-Ma'arif 70: 24–25). Hence, Islam requires Muslims with sufficient financial capacity to donate (*zakah*) specific amounts to those entitled.

The order to uphold justice in business transactions is understood from the prophetic pronouncement. In a hadith, the Prophet (PBUH) ordered to eliminate and prohibit any forms of usury (*riba*) and fraud to those involved in financial transactions. The Prophet (PBUH) cursed those that accept usury and interest in business transactions as well as those involved in witnesses and administrators. Jabir r.a. stated that

“*Allah's Messenger (PBUH) cursed the acceptor of interest, its payer, and the two witnesses, and stated they are all equal*” (Muslim, 1991).

The reasons are because usury results in the loss and tyranny for the borrower. Therefore, the Quran forbids any forms of usury and only permits fair commerce by transactions (Al-Baqarah 2: 275). Allah praises those that give fair balance measurement in a business transaction and promises earthly or hereafter incentives (Al-Isra 17: 35). Allah looks down on those that consume one another's wealth unjustly or send it (in bribery) to the rulers (Al-Baqarah 2:188). Az-Zuhaili (2016) stated that the principle of *'adalah* (justice) in business is for people and customers. It is recommended that a business person provide charity (*sadaqah*) as a form of preserving a human's life. Qays bin Abi Gharazah stated that the Prophet used to call the merchants in Madinah by saying: “*O merchants (tujjar)! Selling involves (false) oaths and idle talk, so mix some charity with it*” (An-Nasa'i, 1986). The charity is used as a replacement (*kaffarah*) to determine the potential mistakes of business people and their customers (Al-Buti, 2018). Some scholars supported the presence of the *'adalah* as ethical anchors in business activities, such as the research carried out by Beekun and Badawi (2005), Naqvi (2013), and Rice (1999).

Interestingly, Islamic scholars often defended Islam's justice as supreme and a divine revelation. However, the Quran argued that even under the Islamic order, such inequality was still pervasive (Ali, 2006). The Prophet then concluded that man is still subject to weaknesses. According to Wilson (2002), Islamic banking is not just a mere function of sharia or Islamic legal matters rather it is supported by ethics (*akhlaq*) and covered by all sharia activities, which acts as the foundation for good faith (*aqidah*) (Dusuki and Abdullah, 2007). The theoretical proposal above provided the philosophical foundation of ethics in Islamic banking. This study further expands this explanation by proposing the simple measurement of business ethics in Islamic banking. Furthermore, the empirical scale development descriptively tests the four salient elements on Islamic banking employees and consumers in the next section.

3. Methodology

3.1. Study design

This study aimed to identify the prophetic guidance needed to build an ethical measurement of Islamic banking. Therefore, this study mixed the traditional and contemporary literature readings with quantitative methods to present and test the proposed salient points and scales. The selection of this method was to firmly establish expressions from religious scriptures in the context of its field application to propose a new measurement model. This is in addition to its ability to be tested, imitated, or re-falsified. The application of the combined methods appeared in the research strategy's expression, consisting of several stages as shown in Figure 2.

The first step is to provide relevant scriptures as underlined in the Quran and hadith in the literature review section. Those readings led to four salient points of ethical identities in Islamic banking, namely *Iman*

1. Islamic Ethics Conceptualization

- The prophetic literature investigations and the scholarly comments.

2. Scale Development

- Prior to the *Iman*, *Niyyah*, *Amanah*, *'Adalah* (INAA).

3. Testing the Scales

- Employee as sample

4. Performing the Composite Confirmatory Analysis (CCA)

- The current factorial analysis in PLS-SEM (Hair et al., 2020)

5. Interpretation and Discussion

Figure 2. Study design.

(faith), *Niyyah* (intention), *Amanah* (trust), and *'Adalah* (justice) (INAA). Secondly, as this study strives to provide useable identities of ethical dimensions, the authors developed simplified scales to capture all proposed dimensions. Thirdly, the scales were then taken to the field research by testing them with Islamic banking employees, using a questionnaire. The sample selection is discussed in the specific section. Fourthly, the authors employed a quantitative method called Composite Confirmatory Analysis (CCA). This technique allowed an inquiry to provide a substantial basis of knowledge to develop an appropriate scale to measure employees' and consumers' perceptions regarding Islamic banking's ethical stance representing those four elements.

The items were analyzed using CCA by Partial Least Square Structural Equation Modelling (PLS-SEM) with the Smartpls software. This method stands as another option from the more popular confirmatory factor analysis (CFA), while the composite is the combination of linear weighted observed (Schuberth et al., 2018). The composite technique was first mentioned in the 90s by Goffin and Jackson (1992), which was used to support multitrait-multirater (MTMT) performance in organizations. Following the work of Schubert above, Hair et al. amplified the use of CCA in PLS-SEM with several benefits in retrospect of the exploratory factor analysis (EFA) and CCA, such as the ability to conduct exploratory and confirmatory analysis (Hair et al., 2020). This study aims to seek scale affirmation from the primary legal sources of Muslim literature sources from the quantitative means using CCA. The analysis assesses the scales' loading and significance, reliability, composite reliability, AVE, and discriminant validity. All four salient points and the developed scales are presented in appendix 1 with the specific codes. The justification for selecting these four INAA was analyzed and explained in the discussion section. The outcome of this step would justify the proposed scales, and no hypothesis testing was needed to determine the empirical relationship for future studies. The proposed model is shown in Figure 1.

3.2. Sample

This study was conducted in Makassar, one of Indonesia's largest cities, with strong attitudes toward Islamic attributions representing 82.36% of 1,508,154 citizens. The huge number of Muslim populations created a conducive condition to carry out a study in Islamic perspectives. The authors visited 6 Islamic banking, met the HRD Managers, and requested to conduct the study using questionnaires on 410 employees. This sample size is large enough, given that the responses were larger than the 200 cut-off sizes for structural-equation-modeling analysis (Boomsma and Hoogland, 2001; Kline, 1998). The Indonesia Central Banks (2020) stated that the number of commercial Islamic banking' employees is 50,212 across Indonesia, with no specific number in each region, therefore, a convenient sampling method is selected. There was no missing data because the study used google forms to ensure precision. The demographics of the employees are shown in Table 1.

3.3. Measures

This study employed a 5-point Likert scale depicting from "strongly disagree" (1) to "strongly agree" (5) for each questionnaire item. The Likert scale selection is based on its ability to capture missing data, with sufficient internal consistency (Österås et al., 2008), as well as to increase the response rate and quality (Sachdev and Verma, 2004). Those items represented the salient abstract point in Islamic banking ethics, namely *Iman* (faith), *Niyyah* (intention), *Amanah* (trust), and *'Adalah* (justice) (INAA). The authors initially extracted ten indicators reflecting those latent dimensions from several prophetic kinds of literature, which were transformed into fit employees' contexts.

These items were initially tested on a small group of university students using five times the indicators to acquire more valid and reliable signs (Hair et al., 2010). The pilot test was conducted on the Islamic mini bank laboratory students in the Faculty of Islamic Economics and Business in Universitas Islam Negeri Alauddin Makassar, Indonesia. The undergraduate students were mandated to accomplish the training in the laboratory to execute all Islamic banking operations before the thesis examination. After the scales passed the validity and reliability test, the employee setting were determined with the responses shown in Table 2.

The research indicates that most Islamic banking employees (80%) behaved according to the proposed Islamic business ethics. The employees showed ethical manners with the character of *iman* (faith), *niyyah* (intention), *amanah* (trust), and *'adalah* (justice). Table 2 indicates that 80 % of employees still act ethically with the distinctive of *amanah* or trustworthiness. On the contrary, *Iman-1* or *halal* (lawful) has the highest percentage of respondents' acknowledgment in conducting *halal* daily. It shows that most Islamic banking employees, or almost 90 %, have conducted *halal* based on *iman*. Table 2 shows that *iman* resurfaces as the most substantial predictor compared to other elements, while *'adalah* is the least strong.

Employees as a representative of Islamic banking have role models on how Islamic banking implemented *shariah* in serving consumers. Islamic banking offered products in line with Islamic law, and in addition, the employees performed Islamic teachings, including Islamic banking ethics. Approximately 78 % of respondents have worked in Islamic banking as managers, marketers, customer service personnel, and tellers with more than 3 years tenure. Im2 stated the following "When performing my job at Islamic banks, I only executed tasks accordingly to Islamic teachings," while Niy1 stated the following "I do good solely for God's acceptance." The elements of *amanah* (trust) and *'adalah* (justice) are also found in the result of Islamic banking employees. *Amanah* and *'adalah* are respondents that have worked as managers, supervisors, marketers, customer service personnel, and tellers. Approximately 90 % of customer service and teller that employees have conducted Ama1 (I keep maintaining the trust of management and customers of Islamic Bank

Table 1. Description of Islamic banking employees.

Description	N	%	Description	N	%
Gender			Age		
Male	191	46.6	18–30	74	18.05
Female	219	53.4	31–45	196	47.80
			46–60	140	34.15
Tenure			Position		
1–3	90	22	Manager	13	3.2
4–6	150	36.6	Supervisor	26	6.3
7–10	145	35.4	Marketing	87	21.2
>10	25	6.1	Cust. Service	107	26.1
			Teller	121	29.5
			Other	56	13.7

Source: Data Processed, 2020

Table 2. Employee responses in 5-point likert scale.

	Iman-1	Iman-2	Niyyah	Amanah-1	Amanah-2	'Adalah
Strongly Disagree	0,73% (3)	0,24% (1)	0,73% (2)	4,39% (18)	2,68% (11)	1,95% (8)
Disagree	0,49% (2)	1,71% (7)	1,95% (8)	3,9% (16)	1,22% (5)	2,68% (11)
Doubtful	9,27% (38)	10,73% (44)	13,66% (56)	12,2% (50)	12,2% (50)	11,95% (49)
Agree	37,07% (152)	40,98% (190)	47,07% (193)	40,49% (166)	42,93% (4)	40,73% (167)
Strongly Agree	52,44% (215)	46,34% (190)	36,59% (150)	39,02% (160)	40,98% (168)	42,68% (175)
n	410	410	410	410	410	410

in carrying out my duties) and Ama2 (All my tasks at the Islamic Bank can be accounted to the stakeholders). It is not surprising that most Islamic banking employees have performed their tasks in a trustworthy and accountable manner (*amanah*). Additionally, 79 % of respondents as managers, supervisors, marketers, customer service personnel, and tellers and age were more than 31 years and justly served their consumers (Adl1).

4. Results and discussion

4.1. Result

Confirmatory composite analysis with reflective measurement models in this study aims to explore and confirm the proposed theoretical construct and the quality of its measurement models. The assessment of the reflective measurement model would be visible by the internal consistency reliability (Cronbach's alpha and composite reliability), convergent validity (outer loadings and their significance, average covariance extracted/AVE), and discriminant validity (cross-loading) (Hair, 2017; Hair et al., 2020). The findings are shown in Table 3.

The statistical analysis reveals all items used to represent the associated element correctly. All t-value is well above 1.96, thereby suggesting a connection toward the outlined dimension. Lowry and Gaskin (2014) stated that the loading factors also satisfy the suggested standard loading of 0.7, which is the cut-off value passed from the Cronbach's alpha and composite reliability criteria. The Average Variance Extractor above 0.5 is also observed from all dimensions. This finding indicates that the proposed scales represent the suggested ethical perceptions among employees. This study also finds no collinearity-related problem, as the variance inflation factor is above 0.2 and lower than 3 (Kock, 2015; Podsakoff et al., 2003). These findings support the confirmatory composite analysis and, therefore, meet the study design's requirement.

The next process is to assess each data to determine its discriminant validity. This study employed a cross-loading test to observe the interaction of data among items. The items need to represent the data asides from other unassociated dimensions favorably. The smart pls software provides these test results in the output (Hair et al., 2019, 2020; Henseler and Sarstedt, 2013). Table 4 shows a cross-loading test of employees' responses.

The confirmatory composite analysis is carried out to assess the proposed measurement model of Islamic banking employees and consumers. The cross-loading test also supported the notion that each item only represents the outlined dimension correctly as the value is higher

than the vertical non-grayed area. This means that Islamic banking employees capture the Islamic business ethics agenda in scale development validly and reliably. The consequence includes that the person has *iman* (faith), with its ethical manner presented by conducting *halal* (lawful) and avoiding *shubhat* (doubts). Furthermore, every process needs to be initially initiated with *niyyah* (intention) in an Islamic ethical way. Muslims are categorized as possessing an Islamic ethical way when they represent the character of *amanah* (trust), which consists of trustworthiness and responsibility. Lastly, an ethical manner needs also to have the consciousness of justice or '*adalah* (justice), required to make the employees consistent with their moral values, as the legal rules of Islam advocate preserving the ethical stakeholder agenda. The discussion of the finding in each group is as follows.

4.2. Discussion

This study aims to developed specific scales to capture the ethical stance of Islamic banking employees. Previous studies have advanced the discussions by proposing the ethical agenda of Islamic business, such as Islamic *tauhid* (unity of God), *amanah* (trust), *adl'* (justice), balanced, cooperation, loyalty, honesty, *fard* (responsibility), *khayr* (goodness), *birr* (righteousness), *qist* (equity), or *haqq* (truth and right) (Beekun and Badawi, 2005; Ismael and Blaim, 2012; Mergaliyev et al., 2019; Rice, 1999). Despite the various proposals, those studies lacked empirical justification in the field testing, hence, they corresponded to the gaps and identified Islamic banking's ethical stances by four elements. Therefore, the authors proposed four dimensions of ethical Islamic banking, namely *iman* (faith), *niyyah* (intention), *amanah*, and '*adalah* (justice). The final scales represented two statements to measure *iman*, one item for *niyyah*, two scales for *amanah*, and two statements for '*adalah*. This scale development followed a different setup of statements for employees as they represented different realms of interests.

Iman (faith) performs the foundation of religious belief among worshippers. This study developed the scale representing *iman* from the report of Umar ibn Khattab which commands humankind in believing the presence of the holy entities, such as God, Angels, the Holy Book, Prophets, the hereafter, and destiny (Muslim's Collection of Hadith). The principle of firm belief to those foundations led to the consequence of holistic order, such as preserving others' rights, commitment to society, or continuous charity/benevolent loans (Haniffa and Hudaib, 2007). Therefore, the *iman* for employees upheld the value of believing the religion's commands, such as the clarity of right and wrong, following Islamic orders for employees or the firm belief in God's order, and ethical

Table 3. Confirmatory composite analysis.

Construct	Dimension	Items	t-value	VIF	Loading	α	CR	AVE			
The Ethical Perceptions of Employees	Iman	Im1	46.742	1.395	0.853	0.704	0.867	0.765			
		Im2		1.395	0.896						
	Niyyah	Ni1	34.959	1.000	1.000				1.000	1.000	
	Amanah	Ama1	24.859	1.963	0.921				0.824	0.919	0.850
		Ama2		1.963	0.923						
	'Adalah	Adl1	16.443	1.000	1.000				1.000	1.000	1.000

Source: SmartPLS Output, 2020

Table 4. The cross-loading of responses from employees.

Items	<i>Iman</i>	<i>Niyyah</i>	<i>Amanah</i>	<i>'Adalah</i>
Im1	0.853	0.443	0.397	0.423
Im2	0.896	0.622	0.472	0.561
Ni1	0.616	1.000	0.532	0.462
Ama1	0.446	0.500	0.921	0.380
Ama2	0.475	0.482	0.923	0.393
Adl1	0.568	0.462	0.419	1.000

Source: Smartpls output.

concordance of selecting Islamic banking for consumers. The Indonesian application of *iman* is derived from their praying activities and the link to performing socially responsible activities in business. A study on Islamic entrepreneurs carried out in Dutch revealed that they associated their praying activities and learned Islamic knowledge according to responsible business (Graafland et al., 2006). Other studies showed that religiosity—another representation of faith—was highly linked to university students' ethical identity (Conroy and Emerson, 2004). A qualitative exploration of Eco-Islam in middle east countries indicated an ethical perception was subject to God's strong belief in the sole reasons for everything, thereby making all action towards an ethical environment accountable (Abdelzaher and Abdelzaher, 2017).

The second dimension is *niyyah* (intention), which implies sincerity and goodwill upon carrying out a task, which originates in the heart before turning them into action (Ashraf, 2019). Its foundational basis is found in the prophetic tradition as recorded in the *hadith* book of al-Bukhari, which stated that all deeds are evaluated from the intention first. This legal statement shapes all characteristics of actions in human life, therefore, the element was proposed as an integral part of conducting ethics in Islamic banking. This study then proceeded by implementing *niyyah* in the exploration of the scale by determining whether the Indonesian Islamic banking employees performed all works according to God's command. The presence of good intention tends to render all ethically impermissible activities in leads to the direct rejection of speculation in the stock market (Naughton and Naughton, 2000). However, a study pointed toward a sound and acceptable speculation in terms of hedging the commodity market (Kalimullina and Orlov, 2020), and these logics present as the foundation of the scale development of *niyyah*.

The third ethical stance is *amanah* (trust), which represents human beings' trustworthiness and responsibility upon conducting an activity (Samsudin and Islam, 2015). The scales mimic the tradition of Prophet Muhammad, who was famous for being called *al-amin* (trusted) among followers and even haters. Hence, he advocated the presence of accountability for every activity. Therefore, honest is the attitude present in every Muslim (Tlaiss, 2015; Triyuwono, 2004). Breaking the promises due to dishonestly among two business parties is prohibited (as narrated in the collection of *hadith* of Dawud). This study took this proposition in the context of Indonesia Islamic banking by probing whether the employees fulfilled the aspiration of the management, customers, and all stakeholders (society, environment, or other concerned parties). The more *amanah* the Islamic banks, the greater the customers' put their trust as represented in the scores. A Qualitative investigation in four middle-eastern countries revealed that '*amanah* and '*adl* (justice) was performed as women entrepreneurs' ethical anchors in carrying out business (Tlaiss, 2015). Another study of Islamic work ethics revealed its positive influence on organizational citizenship and knowledge-sharing behaviors (Murtaza et al., 2016).

The final element of ethical banking is '*adalah* (justice), therefore, all activities need to adhere to the justice system of Islam. However, its establishment and preservation need to incorporate the moral and social values in the form of *maqasid shariah* (the objectives of rule creation), which is the plural of *maqsud*, a goal, a middle, fair, intentional, or a straight path. Ash-Shatibi stated at *al-Muwafaqat*: "It

is well known that the sharia (law) was created (by Allah) for the goodness of all creatures." As such, the purposes of Islamic justice were adjusted to obtain safeguarding Muslims' faith (*din*), self (*nafs*), intellect (*'aql*), posterity (*nasl*), and wealth (*mal*) (Mergaliyev et al., 2019). They were further developed into four stances, namely invigorating the value of human life, human self, society, and physical environment (Bedoui and Mansour, 2015). From these propositions, this study developed the scale representing '*adalah* for employees' as an effort to avoid harming all stakeholders because it is against the *maqasid shariah*. The interpretation of *adl*' serves as the marketing mechanism in international firms (Saeed et al., 2001). A study of accountants in Nigeria revealed religion's function to ensure ethical practices (Adekoya et al., 2020). The study showed that most Islamic banking employees have a good understanding of Hala and have admittedly implemented it daily because of the *iman* (faith).

The comprehension of the Islamic way's underlying principles influences the depth of employees' knowledge of Islamic banking products (Harun et al., 2015) and ethical behavior in delivering service to consumers (Lo and Leow, 2014). As one of the most universal and famous social institutions, religion possibly influences individuals' attitudes, values, and behavior (Alam et al., 2012). According to Saidi (2009), Islamic banking has an essential relationship with Islamic ethics in performing management systems, products, services, and conduct. This statement strongly supported the result that Islamic banking employees have conducted ethics, which are *iman* and *niyyah* (intention) (see appendix 1). The Muslim clerics support this fact by stating that Islamic banking is a standard of conducting ethics and has become an Islamic ethical banking movement (Dhumale and Sapcanin, 2006; Hamid, 2006; Saidi, 2009; Zaman and Movassaghi, 2001). This is in line with the research carried out by Gilani (2015), which stated that the implementation and involvement of Islamic banking ethics have been perceived by its stakeholders (consumers, executives, and managers) in terms of halal, legal treatment on operational banking and banking systems, as well as trustable products and services.

In the banking industry, it is essential to serve consumers ethically. Islamic banking is a kind of business that hardly pays attention to services. The employees of Islamic banking have a crucial role in influencing the performance of customers following shariah principles (Harun et al., 2015) which is used to determine the banks' competitiveness and success (Hanzaee and Mirvaisi, 2011). Ethics in Islamic firms is always present and marketed to retain loyalty and attract new customers. Therefore, it acts as another specific competitive advantage. Indonesia is considered the largest Muslim country in the world, and applauded for its ethical stance (Asutay and Harningtyas, 2015). Therefore, the country's Islamic banking employees need to uphold these ethical attributes in their daily operation, as it also serves as a marketing and education section to the customers. These efforts need to be supported by the banks' management in systematic human resource management marketed to further differentiate its position to conventional banking.

5. Conclusion

In conclusion, this study found that the proposed measurements were able to capture the ethical phenomenon of Islamic banking. The use of composite confirmatory analysis supported these findings, therefore it is accessible for future studies. The employees that exhibited ethical characteristics formed the salient Islamic points of *iman* (faith), *niyyah* (intention), *amanah* (trust), and '*adalah* (justice). The group interaction presents employees' obligation to uphold the Islamic ethical requirement in operation as the most critical factor to execute and perform such identity. Admittedly, this study is being explored as it still tries to clarify the ethics in Islamic banking' employees with minimum indicators. Furthermore, other elements of Islamic ethics are prevalent across contemporary studies and the vast traditional works of literature. This research is unable to capture all ethical dimensions within texts,

therefore, further studies need to be carried out in this field by aspiring scholars.

Further study needs to explore the empirical evidence of INAA in nomological validity tests. The investigation of employees' ethics in Islamic banking using INAA is associated with employee turnover, satisfaction, motivation. It is positively moderate with organizational citizenship behavior or work engagements and negatively moderates burnout and unethical behavior. The INAA also increases the satisfaction and loyalty of customers while negatively switching costs. The active ethics promotion attracts a specific niche market and makes it stands out compared to conventional banking. A comparison of the ethical agenda between ideological banks also contributes more to knowledge advancement.

Declarations

Author contribution statement

Zulfahmi Alwi: Conceived and designed the experiments; Wrote the paper.

Rika Dwi Ayu Parmitasari: Performed the experiments; Analyzed and interpreted the data; Wrote the paper.

Alim Syariati: Conceived and designed the experiments; Contributed reagents, materials, analysis tools or data; Wrote the paper.

Appendix 1. Scale Specifications

Employees	Questions	Codes
<i>Iman</i>	Right and wrong are clear in Islam	Im1
	When performing my job at Islamic banks, I only execute tasks accordingly to Islamic teachings	Im2
<i>Niyah</i>	I do good is solely for God's acceptance	Niy1
<i>Amanah</i>	I keep maintaining the trust of management and customers of Islamic Bank in carrying out my duties	Ama1
	All my tasks at the Islamic Bank can be accounted to the stakeholders	Ama2
<i>Adalah</i>	My religion ensures me not to harm others in every situation	Ad11

Source: Processed literature data.

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Funding statement

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Data availability statement

Data included in article/supplementary material/referenced in article.

Declaration of interests statement

The authors declare no conflict of interest.

Additional information

No additional information is available for this paper.

Acknowledgements

The authors are grateful to the anonymous reviewers and editors for their positive comments that helped in the preparation of this manuscript.

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