

# The Effect of Employee Religiosity on the Islamic Bank Performance: Its Implication for Religious Education

Aldy Mochammad Faiz Raksayudha<sup>1</sup> and Dwi Suhartanto<sup>2</sup>

<sup>1</sup>Postgraduate Program of Finance and Islamic Bank, Bandung State Polytechnic, Bandung, Indonesia

<sup>2</sup>Department of Business Administration, Bandung State Polytechnic, Bandung, Indonesia

**Keywords:** Education, Religiosity, Job Satisfaction, Job Performance, Bank Performance.

**Abstract:** Islamic banking is a dynamic segment in the banking industry. However, although having enormous potential, Islamic banks, especially micro banks, which have emerged only recently are perceived as less popular and as less experienced than conventional banking. Therefore, they need a proper strategy to compete and have a high performance compared to their competitors. This study is intended to assess the effect of religiosity on bank performance through strengthening employee job satisfaction and employee job performance as well as its implication on religion education. For this purpose, the data from 210 Islamic bank employees, was gathered using a self-administered questionnaire from Islamic banks in West Java Province, Indonesia. The data were analysed by using multiple regression. The result shows that religiosity significantly impacts bank performance through strengthening job satisfaction and job performance. This finding suggests that religious teaching should be included in their curriculum. From the point of view of Islamic managerial practice, this finding helps the Islamic micro bank managers to develop a proper strategy to improve their bank performance.

## 1 INTRODUCTION

The current industrial revolution 4.0 is known as cyber-physical. Currently, all areas of the industry begin to touch the virtual world, shaped by human connectivity, machines and data: the internet of things. In the current industrial environment, both conventional and Islamic banks are competing in providing the best service with sophisticated technology. However, technological innovation applied in the industry must be followed by qualified human resources. The Islamic banking industry has a high potential to attract Islamic customers to meet the need for banking services that comply with the religious obligations of Islam (Amin et.al, 2013). Besides attracting Islamic customers, sharia banks can also attract non-Islamic customers because they apply the principles of sharing the benefits and risks. Although opportunities are many, there are significant challenges for Islamic banks, as they are less popular and less experienced compared to conventional banks (Souiden and Rani, 2015).

Further, in line with the industrial revolution 4.0, the application of technology in the Islamic bank's industry must be accompanied by qualified personnel.

In order to continue to grow and run the business properly, Islamic banks must develop their employee capability. For this reason, providing an excellent education to equip qualified employees is a must.

Considering the important role of employee performance, the latest literature has indicated the role of employee religiosity (Osman et.al, 2013). Religiosity is also seen as a factor affecting customers in the context of Islamic banks (Souiden and Rani, 2015; Suhartanto et.al., 2018; Wahyuni and Fitriani, 2017). Although many researchers have highlighted the importance of the influence of religiosity, no studies have examined the impact of religiosity on the performance of an Islamic bank and its employees. Thus, it is not known how religiosity can affect the performance of the Islamic bank and its employees. Conducting such research allows Sharia bank managers to develop their employee potential from the religious perspective to enhance banking business performance.

This study assesses the influence of religiosity on job satisfaction and employee performance on the performance of Islamic banks. This research was conducted specifically to (1) examine the direct and indirect influence of religiosity on bank performance

through job satisfaction and job performance (2) discuss the implication of such relationships on the religious education in educational institutions where graduates intend to work in Islamic banks or finance firms. This study was conducted in the context of Islamic banking, especially the *Bank Pembiayaan Rakyat Syariah* (BPRS) of West Java due to three reasons. First, the growth of Islamic banking tends to be stagnant with a small asset base of only about 5% of the national banking assets (BI, 2017). Second, the growth in the number of employees of BPRS experienced a significant increase from 4,704 in 2014 to 5,102 in 2015 (OJK, 2017). Third, the number of BPRS assets in West Java is higher than in other provinces, with assets reaching Rp3,001,429 million (OJK, 2017). Thus, understanding the influence of religiosity on Islamic bank employees is very important for the development of human resources for any Islamic Bank.

## 2 LITERATURE REVIEW

Religiosity and religion are often used interchangeably to mean the same concept; namely respect, devotion, and individual belief in the divinity (Souiden and Rani, 2015). Religion is a gift to followers of certain beliefs, rituals, values, and communities (Mathras et al., 2016). Shyan Fam et al. argues that religion is the ideal for life, which is reflected in the values and attitudes of each follower (Shyan et al, 2016). Religiosity will affect the ethical level of a person's life so that people who are highly religious are expected to act more ethically. However, it would be a mistake to generalize for all adherents, because each has a different level of religiosity and different depths of religious commitments.

Stark et al. established an indicator of the level of religiosity, they suggest that a person's level of religiosity can be seen from the individual's religious activities (Stark and Glock, 1970). These indicators are Religious Belief, Religious Practice, Religious Feeling, Religious Knowledge, and Religious Effects. Some studies show that Religiosity determines an individual's attitude. Souiden et al. explain that a person's beliefs tend to be closely related to his religion, either directly through scripture or indirectly through individual cultures (Souiden and Rani, 2015). Hence, a person's religious identity will affect behavior and attitudes (Tang and Li, 2015).

According to Suhartanto, job satisfaction is an employee's pleasant emotional condition and the consequences of the achievement of given work standards (Suhartanto, 2018a). Lambert et al. (2007)

state that job satisfaction is an employee's reaction regarding his work and whether he enjoys the work he does. Another study indicates that job satisfaction influences the organization's goals because the organization rewards and provides a comfortable environment both physically and mentally (Gursoy and Swanger, 2007).

Employee performance is the behavior of individuals or employees who contribute to the technical organization of their place of work. Performance is essential in assessing the effectiveness of individuals who contribute to the organization (Suhartanto, 2018b; Yang and Hwang, 2014). To optimize employee performance, companies should be able to motivate and satisfy their employees. Furthermore, employee performance can be thought of as having three factors, namely individual, organization and work climate factors (Liao and Chung, 2004).

Performance is the overall achievement of an organization's operational activities and strategies. The performance measurement of an organization has several objectives, namely, for accounting records, to provide an overview of a strategy and as a benchmark achievement of an organizational goal (Al-Hawari and Ward, 2006). A performance measurement can help to clarify managerial decisions. There are two approaches to measuring financial performance. The first measurement can be done subjectively based on evaluation, expectations, and comparison with existing competitors; then the second is objectively based on financial ratios (Appiah-Adu and Singh, 1998).

Based on the discussion above, the hypothesis was formulated as follows:

- H1: Religiosity positively affects Job Satisfaction
- H2: Religiosity positively affects Employee Performance
- H3: Religiosity positively affects bank performance
- H4: Job Satisfaction positively affects Employee Performance
- H5: Job Satisfaction positively affects Bank Performance
- H6: Employee Performance positively affects Bank Performance

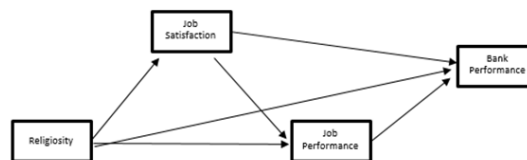


Figure 1: Research hypothesis.

### 3 METHOD

This study focuses on the religiosity of *Bank Pembiayaan Rakyat Syariah* employees so that the variable of religiosity is used in the Islamic context. The religiosity scale used is that of Stark et al. (Stark and Glock, 1970). The application of the religiosity scale is based on reliable and valid Islamic and psychometric values. Data were obtained through questionnaires distributed to 210 employees in *Bank Pembiayaan Rakyat Syariah* of West Java Province of whom 59.04 % were men and 40.96% women. The majority of respondents were under 45 years of age (94.28%) and the remainder above 45 years (5.72%). Multiple linear regression analysis was used to test the hypothesis. All variables were measured using the Likert scale (from strongly disagree to agree strongly).

### 4 RESULT

Table 1: The result of Multiple Linear Regression outputs.

	Job Performance		Bank Performance	
		t-Value		t-Value
(Constant)	1,773	7,066**	2,306	7,543**
Religiosity	0,205	3,061**	0,221	2,945**
Job Satisfaction	0,295	7,29**	0,16	3,222**
Job Performance			0,043	0,563
R <sup>2</sup>	0,347		0,191	
F	55,052		16,163	

Note: \*significant at  $p < 0.05$ , \*\*significant at  $p < 0.01$

Table 2: Mean, Standard Deviation, Validity and Reliability Check.

Construct/ Item	Loading	CR	AVE
	<b>Employee Performance</b>		0,848
- I always manage to reach the target given	0,721		
- I am often rewarded for my performance	0,682		
- I am always punctual in doing the work	0,795		
- In my work, I follow the applicable rules	0,678		
- Overall, I work very well	0,752		
<b>Job Satisfaction</b>		0,883	0,715

Construct/ Item	Loading	CR	AVE
	- Overall, I am satisfied with my work	0,805	
- In the future, I want to keep working in sharia banking	0,859		
- I never thought about quitting my current job	0,872		
<b>Level of Religiosity</b>		0,902	0,508
- I read the Qur'an every day if there is no obstruction	0,655		
- I love reading books about religion	0,672		
- I like to follow Islamic studies on TV	0,591		
- I forgive the person who hurt my heart	0,638		
- I always try to be honest	0,682		
- I feel disappointed when I leave prayer	0,791		
- I pray regularly and I feel relief	0,797		
- I believe that God sees everything I do	0,786		
- God will grant my prayer if I mean it	0,768		
<b>Sharia Bank Performance</b>		0,886	0,721
- Your bank's Financial Performance	0,839		
- Your bank's ability to satisfy customers	0,893		
- Your Bank's Competition with Other Banks	0,814		

In the hypothesis testing, the first tests conducted were validity and reliability tests. The validity test is conducted to measure the accuracy of the construct. Meanwhile, the reliability test is to measure the consistency of scores achieved, with a set of different equivalent elements. Table 1 shows that all of the constructs tested are valid and reliable. The result of testing the hypotheses is depicted in Table 1. Based on the multiple linear regression, the equation for job performance and bank performance were formulated as follow:

- (1) Job Performance = 1,773 + 0,205 (Religiosity) + 0,295 (Job Satisfaction) + Error
- (2) Bank Performance = 2,306 + 0,221 (Religiosity + 0,160 (Job Satisfaction) + 0,043 (Job Performance) + Error

Then, the F-test was used to determine the effect of the Religiosity Variable and Job Satisfaction

simultaneously on Job Performance in the first equation. Based on the output of SPSS,  $F_{\text{Calculate}}$  has a value of 55.052 with a probability of  $p < 0.01$  or  $p < 0.05$ . The test results show that  $H_0$  is rejected. So, religiosity and job satisfaction have a significant influence on job performance. Afterward, the F-test was used to determine the effect of religiosity, job satisfaction, and job performance on the bank performance simultaneously. Based on the output of SPSS,  $F_{\text{Calculate}}$  has a value of 16,163 with the probability of 0.000. The result shows that  $H_0$  is rejected. Therefore, religiosity, job satisfaction, and job performance have a significant influence on bank performance.

At the t-test stage between religiosity and job satisfaction has a value of  $t_{\text{Calculate}}$  of 3.061 with a probability of 0.000. The test results in  $0.002 < 0.05$ , so  $H_0$  is rejected. It indicates that religiosity has a significant influence on Job Satisfaction. Furthermore, in Job Satisfaction-Job Performance (Y) has  $t_{\text{Calculate}}$  of 7,290 with the probability of 0.000. So, the test result shows  $0.000 < 0.05$ , or  $H_0$  is rejected. Therefore, Job Satisfaction has a significant influence on Job Performance. Thus, job performance is not a significant factor in determining the bank performance.

## 5 CONCLUSIONS

The result of this study indicates the importance of religiosity on bank performance as well as job satisfaction. The effect of religiosity on bank performance is not only direct but also indirect through strengthening the employee job satisfaction. This finding reinforces previous research which suggests that religiosity and spirituality affect employee performance [3]. As none of the previous studies have explored such a relationship, this finding indeed provides a significant input for business practices for managing the Islamic banking industry. For an Islamic banking manager, this study offers a clue to improve their business performance through strengthening their staff religiosity.

From an education perspective, although the importance of religious education in Indonesia has been well-reported (Parker, 2017), the importance of religious education on job environment has never been explored. The importance of religiosity on Islamic bank performance offered from this study provides a new understanding of the importance of religious education. The current curriculum, especially in the high school as well as in the university, religious education is treated as an

essential subject to provide basic moral value for guiding a person behavior. This subject also has a small number of credits (normally between 2 or 3 credits). Thus the teaching of religion in those education institutions is only superficial. Considering the result of this study which highlights the importance of religiosity, the religion curriculum, especially for education institution which intends their graduate to work in Islamic banking (such as Sharia Banking Study Program, Sharia Finance Study Program etc.), needs to include more credit for religion teaching. For those study programs, this finding suggests that religion should not only be treated as a peripheral subject but it should be treated as important as any other main subject such as Banking Management and Finance. The approach to strengthening the religion education could also follow scholars (Jackson and Everington, 2017; Yada and Savolained, 2017) suggestion to use inclusive religious education. Thus, religious values are included and embedded in other subjects.

Although this study offers a meaningful contribution for managing Islamic banks and for improvement of education curriculum, this study bears some limitations. The first limitation of this research is related to data collection and the use of a single administration cross-sectional design. This design has limited ability to capture the dynamic relationship between attitude and imaginary constructs (employee performance and sharia bank performance). So if the constructs tend to change over time, the interpretation of the findings in this study is limited. To overcome this limitation, future research can use the old design and compare the results for changes. The second limitation of this research is related to the distribution of questionnaires, many questionnaires distributed were not returned. Besides, samples were selected only from *Bank Pembiayaan Rakyat Syariah*. So, in further research, selected samples could include staff from *Bank Umum Syariah*, *Unit Usaha Syariah*, and *Bank Pembiayaan Rakyat Syariah* to obtain a better number of respondents easier.

## REFERENCES

- Amin, M., Z. Isa, and R. Fontaine. 2013. Islamic banks: Contrasting the drivers of customer satisfaction on image, trust, and loyalty of Muslim and non-Muslim customers in Malaysia. *International Journal of Bank Marketing*. 31(2): p. 79-97.
- Al-Hawari, M. and T. Ward. 2006. The effect of automated service quality on Australian banks' financial performance and the mediating role of customer

- satisfaction. *Marketing Intelligence & Planning*, 24(2): p. 127-147.
- Appiah-Adu, K. and S. Singh. 1998. Customer orientation and performance: a study of SMEs. *Management decision*, 36(6): p. 385-394.
- BI, *Laporan Tahunan Bank Indonesia*. 2017.
- Gursoy, D. and N. Swanger. 2007. Performance-enhancing internal strategic factors and competencies: impacts on financial success. *International Journal of Hospitality Management*, 26(1): p. 213-227.
- Osman-Gani, A.M., J. Hashim, and Y. Ismail. 2013. Establishing linkages between religiosity and spirituality on employee performance. *Employee relations*, 35(4): p. 360-376.
- OJK. 2017. *Statistik Perbankan Syariah*.
- Jackson, R. and J. Everington. 2017. Teaching inclusive religious education impartially: an English perspective. *British Journal of Religious Education*, 39(1): p. 7-24.
- Lambert, E.G., N.L. Hogan, and M.L. Griffin. 2007. The impact of distributive and procedural justice on correctional staff job stress, job satisfaction, and organizational commitment. *Journal of Criminal Justice*. 35(6): p. 644-656.
- Liao, H. and A. Chuang. 2004. A multilevel investigation of factors influencing employee service performance and customer outcomes. *Academy of Management journal*. 47(1): p. 41-58.
- Mathras, D., et al. 2016. The effects of religion on consumer behavior: A conceptual framework and research agenda. *Journal of Consumer Psychology*, 26(2): p. 298-311.
- Parker, L. 2017. Religious environmental education? The new school curriculum in Indonesia. *Environmental Education Research*, 23(9): p. 1249-1272.
- Shyan Fam, K., D.S. Waller, and B. Zafer Erdogan. 2004. The influence of religion on attitudes towards the advertising of controversial products. *European Journal of Marketing*, 38(5/6): p. 537-555.
- Souden, N. and M. Rani. 2015. Consumer attitudes and purchase intentions toward Islamic banks: the influence of religiosity. *International Journal of Bank Marketing*, 33(2): p. 143-161.
- Suhartanto, F.N., H., Muflih, M., & Setiawan. 2018. Loyalty Intention towards Islamic Bank : The Role Of Religiosity, Image, and Trust. *International Journal of Economics and Management*, 12: p. 137-151.
- Suhartanto, D. and A. Brien. 2018. Multidimensional engagement and store performance: The perspective of frontline retail employees. *International Journal of Productivity and Performance Management*, 67(5): p. 809-824.
- Suhartanto, D. 2018. Tourist satisfaction with souvenir shopping: evidence from Indonesian domestic tourists. *Current Issues in Tourism*, 21(6): p. 663-679.
- Stark, R. and C.Y. Glock. 1970. American piety: The nature of religious commitment. Vol. 1.: Univ of California Press.
- Tang, G. and D. Li. 2015. Is there a relation between religiosity and customer loyalty in the Chinese context? *International Journal of Consumer Studies*, 39(6): p. 639-647.
- Yada, A. and H. Savolainen. 2017. Japanese in-service teachers' attitudes toward inclusive education and self-efficacy for inclusive practices. *Teaching and Teacher Education*, 64: p. 222-229.
- Yang, C.-L. and M. Hwang. 2014. Personality traits and simultaneous reciprocal influences between job performance and job satisfaction. *Chinese Management Studies*, 8(1): p. 6-26.
- Wahyuni, S. and N. Fitriani. 2017. Brand religiosity aura and brand loyalty in Indonesia Islamic banking. *Journal of Islamic Marketing*. 8(3): p. 361-372.