

**THE INFLUENCE OF RELIGIOSITY AND PERCEPTIONS  
OF UNETHICAL BUSINESS PRACTICES:  
AN EMPIRICAL INVESTIGATION OF THE MALAYSIAN MUSLIMS\***

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**Abstract**

Culture is often cited as one of the powerful determinants in shaping personality and behavior of individuals. Religion, being an important element of culture, is seen as playing an important role in determining how people behave in certain situations. Various authors have considered the Islamic religion as a way of life and not as mere ritual. Hence, it is argued Islam may significantly influence the way the believer behaves, particularly, the individual who strictly follows and observes the **shariah** law in every aspect of his/her life. This study explores whether religiosity influences the Malaysian Malay Muslims' perceptions on various unethical business practices in Malaysia.

Authors' note: Academic references to Malaysian names are problematic. For example, Rusnah Muhamad would generally be referred as "Muhamad R." in a Western academic journal. However the last name refers to the father of Rusnah, not Rusnah herself. At the same time, many Malaysian names are compound names. Wan Sabri Wan Hussin is "Wan Sabri son of Wan Hussin", not "Wan, son of Sabri". To avoid misunderstanding Malaysian journals prefer to give the full name rather than a "surname" followed by abbreviation. We have followed this norm in the text.

**INTRODUCTION**

Various authors have suggested a relationship between the cultural environment and ethical perceptions (see for example Hunt and Vitel, 1986; Ferrel, Gresham and Fraedrich, 1989; Choi, 2001). It is contended that culture, through its components, elements and dimensions, dictates the organizational structures adopted, the micro-organizational behavior, and the cognitive functioning of individuals, in such a way as to ultimately affect the judgment or decision made (Choi, 2001).

This study investigates the influence of religiosity on the perceptions of unethical business practices in Malaysia. In particular, this study explores the relationships of the degree of religiosity among the Malaysian Malay Muslims as measured by the Muslim Attitudes towards

Religiosity Scale (MARS) and their perceptions on various unethical business practices in Malaysia. This study highlights the impact of Islam on the behavior of the Malaysian Malays and further reinforces the findings from previous research on business ethical judgments in Malaysia (see for example, Sarachek, Aziz and Zakaria, 1984; Goodwin and Goodwin, 1999; Md. Zabid and Ho, 2003).

The paper is organized as follows. First section discusses the impact of culture, religion, religiosity and the Islamic ethical philosophy. It further espouses attempts to measure religiosity as drawn from the literature.

## **BACKGROUND**

### **Culture, Religion and Religiosity**

Hofstede (1980) defines culture as the norms, values and beliefs of a particular group or community in a particular area or geographic location, and shared by its members. Hence, values are viewed as the deepest level of culture and the most difficult to change, and in turn would affect social systems and institutions in a particular country. Values are defined as the core set of beliefs and principles deemed to be desirable (by groups) of individuals (Andrews, 1987; Mason, 1992). Furthermore, values are considered to be general beliefs that define right or wrong (Md. Zabid and Ho, 2003). Arguably, therefore, values could affect how individual perceives the form of behavior considered appropriate and effective in any given situation.

Religion has been identified as one of the critical elements in the cultural environment (Hunt and Vitel, 1986; Sood and Nasu, 1995) since religion affects the way in which people behave (Sadler, 1970), and it is perceived that it may affect an individual's perception. Religion, it is claimed (Sood and Nasu, 1995), would affect individual behavior directly through the rules and taboos it inspires (Harrell, 1986) and indirectly through classification of all phenomena, development of code of conduct, and establishment of priorities among these codes (Sood and Nasu 1995). More specifically, one of the basic elements<sup>i</sup> of the Islamic religion is *Akhlaq* (moral and values) representing a code of ethics to be observed by a Muslim in the conduct of all aspects of the conduct of his/her life (Abd. Halim, 1990). More importantly, it is observed that the Holy Quran<sup>ii</sup> clearly provides Muslims with a stable and flawless set of values that remain unchanged under all circumstances, unlike other cultural factors that may be influenced by changes in the economic and political environment (Abdullah and Siddique, 1986).

### **Measures of religiosity**

Religiosity is a difficult construct to measure (Scutte and Hosch, 1996) since there are large several definitions of religiosity. Caird (1987) proposes three different measures of religiosity: cognitive (focus on religious attitudes or beliefs), behavioral (evaluate church attendance or private prayer), and experiential (query as to mystical experiences). Mookherjee (1993) defines religiosity in terms of public or participatory (based on church membership and the frequency of church attendance) and private or devotional religious behavior (based on the frequency of prayer, bible reading, and a cumulative score of devotional intensity). In examining religiosity in the context of the Malay Muslims society, religiosity measures adapted from Wilde and Joseph

(1997) and Khashan and Kreidie (2001) that are specific for the Muslims are considered appropriate.

### **The Islamic Ethical Philosophy**

Naqvi (1981) summarized the Islamic ethical philosophy into four ethical axioms namely Unity (or *Tawheed*), Equilibrium, Free will and Responsibility. Chapra (1992) and Syed Osman (1994), outline that there are three principles underlies the Islamic value system namely *Tawheed* or Unity of God, *Khilafah* or vicegerency and *al-adl* or justice.

Unity is the vertical dimension of Islam (Naqvi, 1981). Bashir (1998) note that *Tawheed* entails the unity of life on earth and in the hereafter, and the unconditional surrender by all to the will of God. *Khilafah* or vicegerency is a special duty of man on this earth<sup>iii</sup> *Khilafah* defines man's status and role and specifies his responsibilities (Bashir, 1998). *Adalah* is the rendering of trusts where it is due. Trusts in this case refer to all aspects of human life including economics, social and legal both at the individual as well as at the societal levels. In a situation where conflict arises between individual and societal interest, the later should prevail (Syed Osman, 1994). *Al-Adl* or Equilibrium, on the other hand constitutes the horizontal dimension of Islam (Naqvi, 1981). Equilibrium is an important concept in contributing harmonious environment in a society. Equilibrium is closely related with the concept of justice. The rendering of trusts where it is due is one of the criteria needed to achieve equilibrium. Free Will according to Naqvi (1981) is the freedom to choose either to become God-like by realizing his theomorphic character or to deny God. However, man's freedom is not absolute, only God is absolutely free. Responsibility is closely related to Free Will (Naqvi, 1981) in a sense that it sets limits to what man is free to do by making him responsible for what he does as explicitly stated in the Quran "Every soul is a pledge for its own deeds" (Quran, 74:38<sup>iv</sup>).

In summary, among the positive values applicable to form a basic framework of Islamic business ethics will be *iqtisad* (moderation), *adl* (justice), *ihسان* (kindness par excellence), *amanah* (honesty), *infaq* (spending to meet social obligations), *sabr* (patience) and *istislah* (public interest). These values should be guiding the Muslims businessmen in defining the extent and nature of their business activity (Susela and Rusnah, forthcoming; Rahman, 1994). Lewis (2001) espouses further values that are negative and thus to be avoided: *zulm* (tyranny), *bukhl* (miserliness), *hirs* (greed), *iktikar* (hoarding of wealth) and *israf* (extravagance). Business activities and pursuits within the positive parameters are *halal* (allowed and praiseworthy) and within the negative parameters is *haram* (prohibited and blameworthy) and must be moderated. Production and distribution that are regulated by the *halal-haram* code must adhere to the notion of *adl* (justice). Collectively, these values and concepts, along with the main injunctions of the *Quran* provide a framework for a just business and commercial system.

### **Unethical Business Practices in Malaysia**

Malaysia is a multiracial country, comprising three major ethnic groups namely the Malays, Chinese and Indians. It is regarded as a Muslim country<sup>v</sup> since the Malays<sup>vi</sup> account for nearly 60 percent of the total population of 22 million peoples (Md. Zabid and Ho, 2003). This section discusses briefly the different phases of the business environment and draws on the literature on unethical business practices in Malaysia.

Prior to independence from the British in 1957, the Malaysian business sector was largely monopolised by the Chinese and foreign business interests (Susela et.al, forthcoming). The Malays survived as farmers in rural areas and the Indians were mainly confined to the rubber plantations (H. Osman, 1991). According to Firdaus, (1991) the bloody tragedy of May 13<sup>th</sup>, 1969 was a catalyst for Bumiputras<sup>vii</sup> entrepreneurial development. The tragedy led to the establishment of the New Economic Policy (NEP: 1970-1990) aimed at narrowing the economic gap among the races and restructuring the involvement of different ethnic groups in various economic sectors. The NEP successfully produced established Malay businessmen such as Matshah Safuan of Safuan Holdings, the late Tan Sri Yahya Ahmad of DRB Group, Tan Sri Dato' Azman Hashim of Arab Malaysian Group, Tan Sri Dato' Haji Basir Ismail of Maybank Berhad and the like (Sally, 1993).

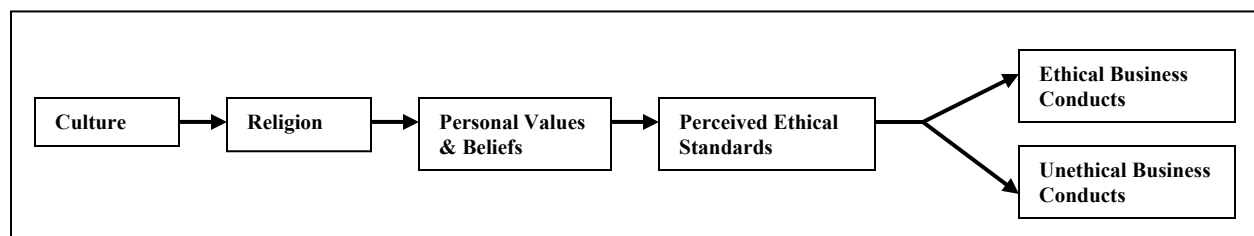
The nature of unethical business practices changes over time. In the 1960s, the investors and businessmen (mostly the Chinese) took advantage of those poor farmers and fishermen by practising monopoly-monopsony<sup>viii</sup> system (Ungku Aziz, 1964). This system basically involves unethical business practices with respect to weighing and measuring. The unethical problems in business become more complex and sophisticated<sup>ix</sup> in the 1980s and in some cases have involving serious crimes. For example, the murder of Jalil Ibrahim, the chief auditor of Bumiputra Bank Berhad in Hong Kong in 1983 is a result of severe unethical event in Malaysian business arena (Zakry, 1983).

Increasingly white collar crimes involving some prominent Malay businessmen occurred in the 1990s. For example, Datuk Haji Matshah Safuan was remanded for breach of trust in June 1990 (Sally, 1993). In another occasion, Tan Sri Ibrahim Mohamad appeared before the court for short selling the shares of the Union Paper Holdings (Sally, 1993).

Wan Sabri (2001) observes Malaysians perceive the present business practices by the Malaysian businessmen as being tolerable even though huge numbers of wrongdoings were reported in the media. The Muslim businessman is considered to be involved in unethical business practice the moment he is involved in businesses that are not allowable (*haram*) in Islam such as dealing with liquor, gambling, financial activities involving *riba* (Wan Sabri, 2003). It is observed that many Malaysians are involved in these types of businesses.

## THE RESEARCH FRAMEWORK

**Figure 1: Research Framework** Adapted from Hunt and Vitel (1986) and Stajkovic and Luthans (1997).



The framework for this study is developed based on Hunt and Vitel (1986) and Stajkovic and Luthans (1997). As shown in Figure 1, the model indicates that perceived ethical standards of an

individual and resulting ethical behavioral conduct is grounded in the unique characteristics of a specific culture of a society. And in particular this study focuses on religion (in this context the Islamic religion) as the main element of culture in shaping personal values and belief of members of a society.

### **Hypothesis development**

Prior research suggests that the degree of religiosity is a possible influence on ethical judgments of individuals. However, it is difficult to build up on the findings of previous studies of the relationship between religion and ethical judgments in the Muslim society context, because there is almost no research done in this area. Works on religiosity has tended to focus almost exclusively on Christianity (Wilde and Joseph, 1997). For this reason the nature of the study is exploratory, and is aimed to investigate if there is a difference between the perceptions on unethical business practices of the devout and the casually religious Malay Muslims in Malaysia. Thus, the hypothesis examined is:

*H1: The perception of the devout Malay Muslims on unethical business practices is significantly different from the casually religious Malay Muslim.*

### **RESEARCH DESIGN, DATA COLLECTION AND METHOD OF ANALYSIS**

The perceptions on unethical behavior collated in the survey for this study are mainly related to the basic elements of business ethics such as involvement of the Malay Muslims businessmen in *haram* (prohibited) businesses, cheating, bribery and profiteering. If the respondents perceive these practices as not harmful then, we can speculate that the personal values in the society are deteriorating. The perceptions will also be correlated against the religiosity score.

This hypothesis is been tested using independent samples t-test by running the Statistical Package for Social Sciences (SPSS) software. For this purpose, the respondents were categorized into two groups: the devout and casually religious. Regression analysis was also conducted to identify the correlation between the religiosity score and the perceptions on unethical business practices.

### **Research design**

The questionnaire for this study is divided into three parts. Section A is related to the personal background of respondents, Section B is related to the perceptions of the Malay Muslims towards the unethical business practices. Finally, Section C measures the religiosity score of the respondents. Questions on unethical business practices (section B) were presented in a 7-point Likert scale, while the religious questions (Section C) were presented in a 5-point Likert scale and the behavior question in a semantic differential scale<sup>x</sup>. The samples were selected using a convenience sampling method<sup>xi</sup> 200 sets of questionnaires were been distributed to the Malays around Klang Valley<sup>xii</sup> by approaching them at their work places, at informal gatherings and also in the mosques. A total of 149 completed questionnaires were used for this study. Once gathered, the data were tested for normality and reliability. An examination of the histogram output

indicates that all items are reasonably normally distributed. The Cronbach alpha coefficient for the perceptions on unethical business practices and religiosity items are 0.7713 and 0.8984 respectively. Thus, these levels of reliability are sufficiently high<sup>xiii</sup>. The data for religiosity items were also checked for consistency among similar items by cross-tabulating items of similar contents (Khashan and Kreidie, 2001). In summary, the cross-tabulation were done on the following items: 1 and 2; 4 and 8; 3 and 11; 4 and 12; 5 and 9; and 5 and 10 (refer to appendices for the details on items). The process indicated that the number of contradictory response were negligible as high percentage in one item will also followed by high percentage in another item being tabulated. For example, 96.1 % of the respondents who indicated that Allah helps them also indicated that Allah helps people.

## FINDINGS

**Table 1: Personal Bio-Data of Respondents**

Description		No.	%	Description		No.	%	t-test	
<b>Employer</b>	Government	73	48.3	<b>Gender</b>	Male	77	51	t=3.882	
	Private	64	42.4			Female	74	49	p=0.001
	Others	14	9.3		N	149		Group's mean:	
	N	149		<b>Qualification</b>	Non-tertiary education	64	42.4	Casual rel.=50.7176	
<b>Age</b>	21 – 30	73	41.7			Bachelor & Master	79	52.3	Devout=40.7978
	31 – 40	59	39.1			Ph. D & Others	8	5.3	<b>Regression</b>
	41 – 50	21	13.9		N	149		R <sup>2</sup> = 7 %	
	51 and above	8	5.3	<b>Religious Education</b>	Formal	66	43.7	Significant = 0.001	
	N	149				Informal	85	56.3	
					N				

Table 1 shows the personal background of the respondents. Nearly 51 % of the respondents are male, while the rest are female. 48.3 % of them work in the public sector, while 42.4 % in the private sector and the rest are either students or housewives. In terms of age, 41.7 % of the respondents are 30 years and less; 39.1 % are between 31 to 40 years; 13.9 % are between 41 to 50 years; and 5.3 % are between 50 and above. Nearly 42.4 % of the respondents possess non-degree qualification; 52.3 % Bachelor/Master degree; and 5.3 % have Ph. D or other qualification. 43.7 % of them have formal religious education during their primary and secondary school while 56.3 % of the respondents obtain religious education informally through talks, lectures and various media.

### Religiosity and Business Perceptions



The religiosity of the respondents was determined by calculating the median of the religiosity scores for the entire sample (Sood and Nasu, 1995). Thus, respondents with scores of lower than the median of 72 were labeled casually religious and those with scores of 72 and above were considered devout. 59.7 % of the respondents were devout while 40.3 % were casually religious.

The result from independent samples t-test shows that there is significant difference between the devout Malay Muslims and the casual religious Malay Muslims in their perceptions towards unethical business practices. The Levene's test (0.543) indicates equality of variances. Therefore, we can use the t-value, degree of freedom and two-tail significant for the equal variance estimates to determine whether differences exist between the devout and casually religious. Table 1 shows that the t value was 3.882 and the significant value (p) was .000. Thus, there was a significant difference between the devout group and the casually religious group towards the perception on unethical business practices. The analysis reveals that the casual religious group has more positive perceptions on unethical business practices compared to the devout group. In other words, the devout group is more concerns with unethical activities practiced by businesses.

The result of the correlation analysis reveals that there is a significant relationship between religiosity (Tot. Ril) and the perceptions on unethical business practices (Tot. BPr). The authors acknowledged that correlation of determination ( $R^2$ ) is low (7%) due to diverse definition of religiosity in Malaysian context. There are possibly of pertinent variables been omitted during construct development. Subsequently the authors are modifying the religiosity measurement for the future research to enhance its scales.

## CONCLUSION

The findings of this study suggest that the degree of religiosity has significant influence on the perceptions of unethical business practices among the Malaysian Malay Muslims. However, it only contributed 7 % towards the respondents' perceptions. The Malays uphold strongly the value of self-respect or preserving face as one of the important values (see for examples Asma, 1992; Asma, 1996; McLaren and Md. Zabid, 2002). As such they would not willingly disclose information regarding unacceptable religious behavior. Thus, they may not want to admit that they are not strong believer and do not perform the obligatory duty for Muslims such as the five daily prayer, fasting in the month of *Ramadan* and *zakat*. Also, the results of the findings may possibly reflect the personal values of the middle-age group (which form 60 percent of the respondents) of the Malay Muslims. Generally, they are deeply embedded in the various systems inherited from the British colonial that are incompatible with the Islamic values (Hussin, 1990). Particularly, the secular education system that do not emphasize on the integration of knowledge has produced a secular society whereby worldly matters (such as business and commercial pursuits) are treated separately from religious matters. The findings reported in this study are consistent with Mohd Kamal's (1986) observation of Malaysian Muslims. According to him, Islam does not influence all aspects of the behavior of Malay Muslims in Malaysia.

In the early 1990s, there are initiatives taken by individuals and organizations to provide integrated education to the younger generation that emphasized on the integration of world and religious affairs. As such, more studies should be conducted to examine the perceptions and attitude of the younger generation in relating unethical business practices in Malaysia. Also, further studies should be done to investigate the influence of other factors on unethical business practices such as intensity of religious education, age, income and gender.

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<sup>i</sup> The others are Tawheed (Unity of God) and shariah (Islamic law).

<sup>ii</sup> Quran is the main source of shariah; others are Sunnah (exemplary conduct of the Prophet Muhammad S.A.W.) and the jurisprudence (in the form of ijtiḥad, ijma' and qiyas by the Muslim scholars).

<sup>iii</sup> Quran (2:30; 6:165; 35:39; 38:28; and 57:7).

<sup>iv</sup> Sura (pl. surat) is a chapter of the Holy Quran. There are 114 suras of varying length and in all references to the Holy Quran (eg. 2:275), the first number refers to the sura and the second to the aya or verse (Lewis, 2001).

<sup>v</sup> According to Al-Buraey (1990) a Muslim country is one that has a predominantly large Muslim population even though its way of life may or may not strictly follow the tenets of Islam.

<sup>vi</sup> The Federal Constitution (Article 160 [2]), states that one of the main criteria in the definition of a 'Malay' is that he or she must be a Muslim (Mutalib, 1990 and Mohamed Suffian, Lee and Trindade, 1978).

<sup>vii</sup> Bumiputra means son of the soil. In Malaysia, the Malays and the indigenous people of Sabah and Sarawak are considered Bumiputra.

<sup>viii</sup> Monopoly is a system whereby there are a lot buyers demanding goods or services from one producer. A monopsony is a system whereby a lot of producers selling their products to a buyer (Colander, 1995).

<sup>ix</sup> Generally involving the white-collar crime such as short selling of shares, mismanagement of assets, fraud and insider trading.

<sup>x</sup> The semantic differential scale are either in the form of strong believer – strong disbeliever and very religious – very unreligious (the detail of items are given in appendices).

<sup>xi</sup> According to Sood and Nasu (1995) peoples are quite reluctant to participate in research relating to religious issue, as such convenience sampling rather than random sampling were used.

<sup>xii</sup> The central part of Peninsular Malaysia (West Malaysia) where Kuala Lumpur and Putra Jaya and other satellite town located – highest population density in Malaysia.

<sup>xiii</sup> According to Nunnally (1967) coefficient of 0.6 or 0.5 will suffice.

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## Appendices

### Religiosity Items

<p>Do you believe, beyond a shadow of doubt, that Islam is God's religion and that Prophet Muhammad is His Messenger?</p> <p>Do you consider yourself religious?</p> <p>I read the Quran for inspiration and motivation.</p> <p>Allah helps me.</p> <p>Saying my prayers helps me a lot.</p> <p>Islam helps me lead a better life.</p> <p>I will continuously seeking to learn about Allah.</p> <p>I believe that Allah helps people.</p>	<p>The five prayers help me a lot.</p> <p>The supplication (dua') helps me.</p> <p>Quran is relevant and applicable to modern day.</p> <p>Allah listens to prayers.</p> <p>Muhammad (peace be upon him) provides a good conduct for me.</p> <p>I pray five times a day.</p> <p>I fast the whole month of Ramadan.</p> <p>I perform the obligation of zakat annually.</p>
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### Perceptions On Unethical Business Practices Items

<p>Employment in conventional banks or financial institutions.</p> <p>Investment in liquor production business.</p> <p>Investment in Islamic banks or financial institutions.</p> <p>Involvement in film producing companies.</p> <p>Involvement in pawnshop business.</p> <p>Honesty in product pricing.</p> <p>Trusts people.</p> <p>Fulfilling promise.</p> <p>Full disclosure about the product sold.</p> <p>Honesty in commercial advertisement.</p> <p>Zakat payment.</p> <p>Expectation for rewards/returns for any donation made.</p> <p>Bribery to get business license</p>	<p>Bribery to bid for tender or contract.</p> <p>Receiving riba.</p> <p>Tolerance with slow payment debtors.</p> <p>Paying interest on any loan.</p> <p>Should be selling at the highest possible price.</p> <p>Dealing with the insane.</p> <p>Telling lies to customers.</p> <p>Regret for any wrong doings.</p> <p>Competitions &amp; do anything for survival.</p> <p>Can cheat customers in terms of pricing.</p> <p>Act of defaming other businesses.</p> <p>Operating liquor business related.</p>
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