

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Globalization (or globalisation) is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Globalization has influences the world economic condition, especially economic condition in Indonesia nowadays. In globalization era, the competition of organization is very crucial. The best performance of company will earn competitive advantages. Indonesia have to have the competitive advantage by improving economic sector. One of the economic sector is banking industry .The growth of banking industry is always rise year by year .

The development of the role of Islamic banking in Indonesia can not be separated from Indonesia's banking system in general. Islamic banking system is well regulated in Law No. 10 1998 where Commercial Bank is a bank conducting conventional business or activities based on Islamic principles that provide services in payment traffic. Islamic bank's role in promoting regional economic growth increasingly strategic in order to realize a more balanced economic structure.

Islamic bank is a financial institution which engages in providing financing and other services in payment traffic and circulation of money that operation is adapted to the principles of Islam (Sudarsono, 2008). With the enactment of Law 21 of 2008 concerning Islamic Banking which issued on July 16, 2008, the development of national Islamic banking industry increasingly have adequate legal

base and will accelerate the growth faster. With the impressive development progress, which reached an average asset growth of more than 65% in the last eight years, it is expected that the Islamic banking industry's role in supporting the national economy will be increasingly significant.

**Figure 1.1**

**Development of Islamic banking in Indonesia**



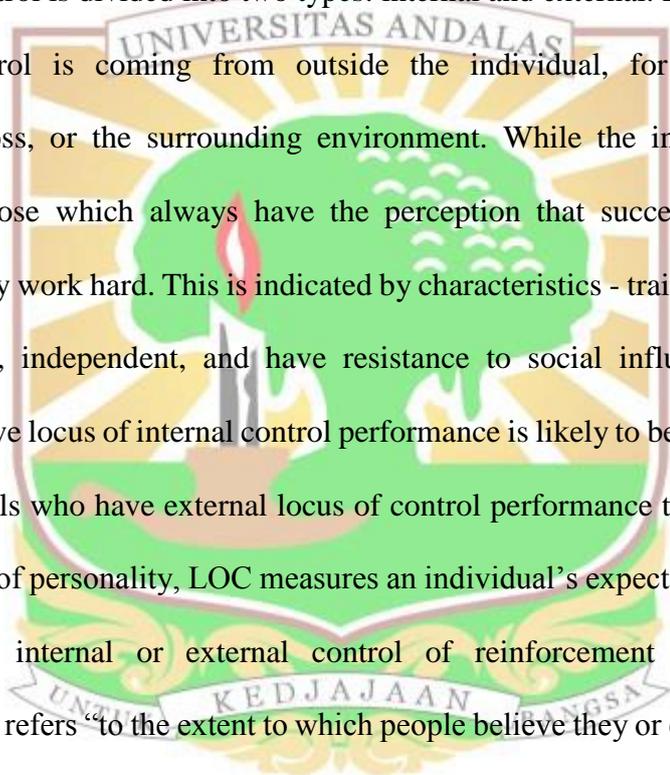
Source : *Statistik Perbankan Syariah June 2015*

In Figure 1.1 shows the development of Islamic banking in Indonesia in 2001 until 2013 has increased very sharply and the number of all the offices of Islamic banks reached from 287 until 590 units. This means that Islamic banking has been able to support the national economy that is growing significantly every year. But in January 2014 until May 2015, the growth of Islamic banking is stagnant but tend to increase.

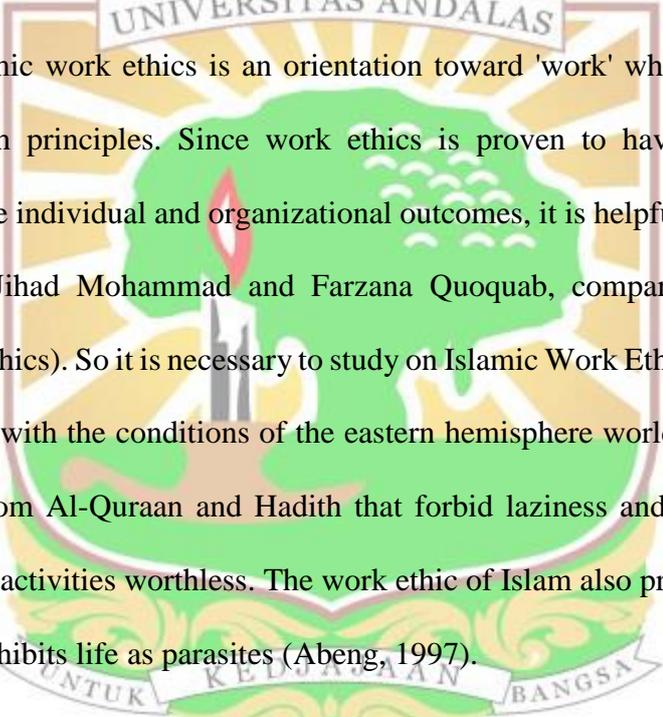
Obviously , the major factor that influences this phenomenon is human resource factor. Any organization interests in the best performance that can be generated by a series of existing systems within the organization. As Wright and McMahan (1992) drawing on Barney's (1991) resource – based theory of firm, contended that human resource can provide a source of sustained competitive advantages when four basic requirement are met. First, they must add value for the firm production processes, level of individual performance must matter. Second , the skilled the firm seeks must be rare. Since human performance is normally distributed. Wright and McMahan noted that all human resource have meet both criteria. They also point to the importance of human resource in the creation of specific competitive advantage. Human Resource Management (SDM) is one of the key factors to get the best performance, because in addition to addressing the problem of skills and expertises, human resource management as well obliged to build a conducive behavior of employees to get the best performance. As the human , employees also have the behaviour . One of the behaviour of human being is their belief what happen to them is because of something that come from themselves or from external factor. It is what we called as *locus* of control.

The existence of great confidence that every individual has direct influence as the effects substantive in the views and reaction to the environment (Spector, 1986). Confidence this is according to Rotter (1966) referred to locus of control or belief a person to control the source of the incident - events in his life. As a result, locus of control on good terms with some variables such as the role of stress, work ethic, job satisfaction, and performance. Such that proposed by Falikhatun (2003;

264) that the increase in the employee performance work will basically be influenced by the NII conditions - certain conditions, namely conditions comes from outside the individual called situational factors and conditions that originate of the so-called individual factors. Situational factors include leadership, work performance, social relationships, and organizational culture. The individual factors include gender, health, and locus of control both external and internal. Locus of individual control is divided into two types: internal and external. Locus of control External control is coming from outside the individual, for example fate, luck, power boss, or the surrounding environment. While the internal locus of control are those which always have the perception that success can only be obtained if they work hard. This is indicated by characteristics - traits of individuals more resilient, independent, and have resistance to social influences. So that individuals have locus of internal control performance is likely to be high compared with individuals who have external locus of control performance tends to decline. As one aspect of personality, LOC measures an individual's expectancies for either the need for internal or external control of reinforcement Rotter (1966). Specifically, it refers "to the extent to which people believe they or external factors, such as chance and powerful others, are in control of the events that influence their lives" (see Firth et al., 2004). Individuals with a low LOC score have an internal LOC and believe that their own behavior, capacities, or attributes determine the rewards that they obtain. Individuals with a high LOC score have an external LOC and believe that whether they receive rewards in life is generally outside of their control Rotter (1966).



As the human or employee in one company, employee should give their best contribution for company itself. In order to get good attitude, manner, traits also good commitment, employee have to have work ethic in working. According to Al-Modaf (2005), work ethics are necessary for any organization to function, make profit and maintain in the future. Moreover, work ethics contributes in economic development (Congleton, 1991), as well as it mobilizes the success of the organization and its employees (Yunus et al, 2011).



The Islamic work ethics is an orientation toward 'work' which is rooted in Islamic Shariah principles. Since work ethics is proven to have a significant influence on the individual and organizational outcomes, it is helpful to understand this concept (Jihad Mohammad and Farzana Quoquab, comparative study on Islamic work ethics). So it is necessary to study on Islamic Work Ethic (IWE) which is more in line with the conditions of the eastern hemisphere world. Islamic work ethic comes from Al-Quraan and Hadith that forbid laziness and waste time on something that activities worthless. The work ethic of Islam also prohibits begging and strictly prohibits life as parasites (Abeng, 1997).

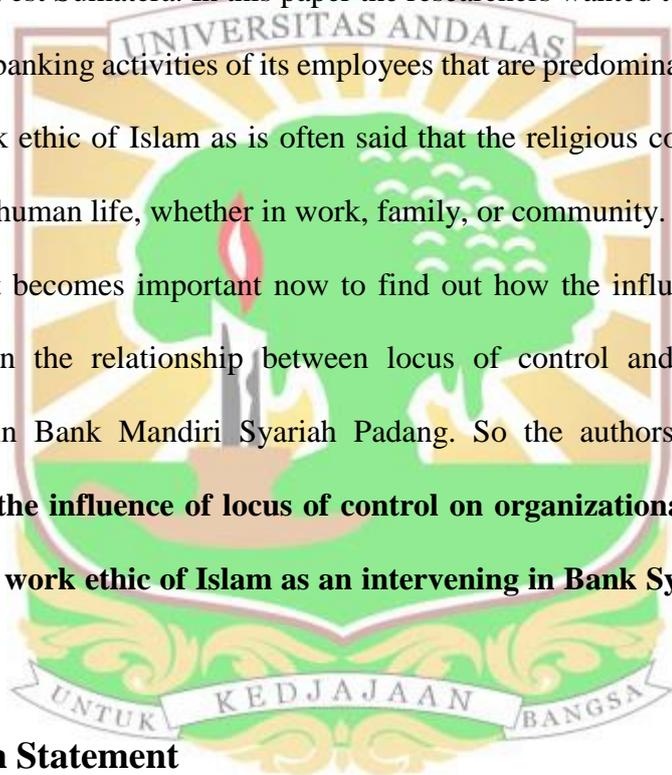
Generally, organizational commitment defined as a person attachment to the organization where he works. Organizational commitment is needed by organizations that are competent resource within the organization can be preserved and maintained. According to McNeese – Smith (1996) showed that significant organizational commitment relate positively employee performance.

Commitment is a concept of management that puts of human resource as a central figure in the company. Without the commitment of the organization is difficult to expect active participation and depth of human resources. Commitment is not something that can be present for granted, but must be born. Commitment must be maintained in order to continue to grow and exist in the heart of human resources, through appropriate and techniques (Frinelva, 2012).

Organizational commitment is loyalty to the organization and mobilization of all employees in the development of its goals, purposes and infrastructure (Kim *et al.*, 2005). There are three kinds of organizational commitment consists of affective commitment, normative commitment and continuance commitment (Aube, Rousseau and Morin, 2007). Affective commitment describes the emotional attachment and involvement of an individual with an organization, continuance means perceived cost of leaving organization and normative is perceived cost to remain in the organization (Meyer *et al.*, 2002).

Organizational commitment refers to the relative strength of an individual's identification and involvement in a particular organization (Steers,1977). In this research consider two organizational commitment components that have received substantial research attention affective and continuance commitment (Glazer *et al.*, 2004). Affective commitment is the emotional attachment and identification with one's organization (Allen and Meyer, 1990). Continuance commitment refers to commitment based on the employee's attitude towards leaving the organization. In general, an employee with high continuance commitment is less likely to leave the organization because of costs involved with such a move (Frinelva, 2012).

In Indonesia, Bank Syariah Mandiri has the higher amount of KPO (*Kantor Pusat Operasional*) or Head Operational Office, it's around 137 KPO , followed by branch office that has the higher amount of branch office is 510 than another bank. Because of this reason , I choose Bank Syariah Mandiri and also based on the information available and the data is also supported by an adequate opportunity the chosen Bank Syariah Mandiri Padang which is a one of shariah/islamic banking in Padang city, West Sumatera. In this paper the researchers wanted to know whether in the shariah banking activities of its employees that are predominantly Islamic act using the work ethic of Islam as is often said that the religious community is the foundation of human life, whether in work, family, or community. From the above explanation, it becomes important now to find out how the influence of Islamic work ethics in the relationship between locus of control and organizational commitment in Bank Mandiri Syariah Padang. So the authors take the title: **"Analysis of the influence of locus of control on organizational commitment with variable work ethic of Islam as an intervening in Bank Syariah Mandiri Padang"**.



## **1.2 Problem Statement**

1. How does the influence of *locus* of control on islamic work ethic (IWE) in Bank Syariah Mandiri Padang ?
2. How does the influence of islamic work ethic (IWE) on organizational commitment in Bank Syariah Mandiri Padang?

3. How does the influence of *locus* of control on organizational commitment in Bank Syariah Mandiri Padang ?
4. How does the influence of *locus* of control on organizational commitment mediating by islamic work ethic (IWE) in Bank Syariah Mandiri Padang?

### 1.3 Objectives of Research

Based on the problem statement above , so this research purpose for :

- To analyze and to observe the influence of *locus* of control on organizational commitment in Bank Syariah Mandiri Padang.
- To analyze and to observe the influence of Islamic Work Ethic (IWE) on organizational commitment in Bank Syariah Mandiri Padang.
- To analyze and to observe the influence of *locus* of control on islamic work ethic (IWE) in Bank Syariah Mandiri Padang.
- To analyze and to observe the influence of islamic work ethic (IWE) as mediating variable of *locus* of control on organizational commitment in Bank Syariah Mandiri Padang .

### 1.4 Contribution of Research

- For Bank Syariah Mandiri management

This research is hoped could give the benefit for Bank Syariah Mandiri management team in doing the good and effective strategy in order to increase employee's performance and organizational commitment by using the Islamic Work Ethic (IWE).

- For author

This research is also benefit for author in order to gain the accurate information about the influence of *locus* of control on organizational commitment by using the Islamic Work Ethic as a mediating variable in Bank Syariah Mandiri Padang especially the relationship among them.

- This research is also deepening on Human Resource Management study as a concentration of Management study.

### 1.5 Scope of Research

This research is direct to achieve the purpose of this research. So this research is limit in the scope for :

- This research is focused on individual locus of control, islamic work ethic (IWE) and organizational commitment in Bank Syariah Mandiri Padang.

The research context focusing to employees of Bank Syariah Mandiri especially in Padang.

### 1.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapter, they are:

## CHAPTER I : INTRODUCTION

That is containing about background of the research, problem statement, and objective of the research, contribution of the research, and scope of research.

## **CHAPTER II : LITERATURE REVIEW**

This chapter contains descriptions of theoretical variables that include the theories that support and underlie the variables used in the research and framework.

## **CHAPTER III : RESEARCH METHODOLOGY**

Explaining about research method which discussing about research design, population and sample, data collecting method, operational of variables, data processing, data analysis method and data analysis.

## **CHAPTER IV : RESULT AND DISCUSSION**

Explain about validity and reliability test, analyzing the influence of *locus* of control on the organizational commitment with islamic work ethic as an intervening on Bank Syariah Mandiri Padang.

## **CHAPTER V : CONCLUSION, LIMITATIONS, IMPLICATION AND RECOMMENDATION OF RESEARCH**

On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research, and recommendation for further research.

