

Understanding the Work Ethics and Corporate Governance in Bank Muamalat Malaysia Berhad.

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ABSTRACT: *Ethical claims have the power to motivate, delineate principles, duties and responsibilities for achieving goals. The ethics of governance is about the incorporation of moral conditions and requirements in the management, governance, and control structures of the companies. The responsibility can either be taken by the professional level of the companies or it can be imposed by regulating authorities or by a combination of both. This paper is the study of work ethics and corporate governance in Bank Muamalat Malaysia Berhad (“BMMB”) as the second full-fledged Islamic bank in Malaysia. The findings of this study indicate that Bank Muamalat Malaysia Berhad have a great understanding of their vision to become the preferred Islamic financial services provider by ethically implementing work ethics and a good corporate governance towards social responsibility. The study discuss and emphasis on the characteristics or elements of a strong work ethics in Islam to the Islamic Financial Institutions.*

KEYWORDS – *Business ethics, corporate governance, ethics, governance, Islamic bank*

I. INTRODUCTION

How can a companies be managed with appropriate attention to ethical concerns? What is ethically responsible management? Corporate governance is to ensure that the companies take responsibilities for directing and controlling their affairs in a manner that is fair to their stakeholders. There is a connection between corporate governance and business ethics that is between the management, governance and control regimes of a firm and its ethics as an organization. In practice these are interrelated: codes of ethics, ethics management systems, and corporate ethics programs can be understood as governance structures by which firm control, protect, and develop the integrity of their transactions (Wieland, 2001)[1].

In corporate governance is strict adherence to business ethics on a professional level. Ineffective governance compromises the ability of the management to succeed (Arnwine, 2002)[2]. Therefore, it is the responsibilities of corporate managers to understanding and concern about the rules and regulations along with societal and personal expectations of ethical actions. However, neither can it be denied that the phenomenal growth in social power and influence of corporations equally contributed to them taking responsibility for balancing their own interests with those of the societies and the natural environment in which they operate (Rossouw, 2005)[3].

Islam gives a very much emphasis on the importance of ethics. Ethics involves learning what is right or wrong, and doing the right thing. To Muslims, the term “ethics” means “God’s commands”. Muslims derive their ethical systems, approaches, principles and teachings of ethics directly from the Holy Quran and Sunnah. A Muslim is subject to God’s punishments if they deviates from the moral principles and ethical rulings in the Quran, but also to His blessings and rewards if they adheres to the ethical principles. An Islamic banking and financial system exists to provide a variety of religiously acceptable financial services to the Muslim communities (Mervyn K Lewis, 2007)[4].

In order to be able to understand the definition and application of business ethics, the stakeholders need to be identified as the individuals, the organization, and the system (Enderle, 1999)[5]. Good individual will produce a good society at large The Qur’an mentions, “Let there arise out a group of people inviting to all that is good enjoining what is right and forbidding what is wrong. They are the one who attained success” [Qur’an: 5:44]

To deliver best value to the stakeholders is the mission of Bank Muamalat Malaysia Berhad. The bank is owned by the DRB-HICOM Group, which holds 70 percent of shares in the bank while Khazanah Nasional Berhad holds the remaining shares. The Board of Directors, Board Committees and individual director of Bank Muamalat Malaysia Berhad (BMMB) aim is to streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities. They shall refer to the Board Charter that serves as a structured guide and conformed to the Shariah principles. The Charter incorporates the Guidelines on Corporate Governance by Bank Negara Malaysia (“BNM”), the Principles and Recommendations of the Malaysia Code of Corporate Governance 2012 (“MCCG”), certain aspects of the Bank’s Articles of

Association and relevant sections of the Islamic Financial Services Act 2013 (“IFSA”) and Companies Act 1965 as the duties and responsibilities Directors are concerned[6].

Good implies the whole Islamic value system, its belief, ideas, ethical principles and all aspects of life (Adibah, 2013)[7]. This paper aims to understand how BMMB calling others to all that is goods, and enjoining what is right and forbidding what is wrong.

II. WORK ETHICS AND CORPORATE GOVERNANCE

A strong work ethics is vital to a company in achieving goals. It will energizes every people in the company to face the challenges head-on, to be the best and keep themselves at the top of the job. Any bad press or bad experience will effects the business, bottom line and the reputation. The solution is to foster and maintain a strong work ethics. Here let discuss some components of a strong work ethics and its implementation in Bank Muamalat Malaysia Berhad (BMMB).

1. Responsibility

Responsible is to do something because of care. To have a control and authority over something or someone. Responsible is as part of one’s job or role. Responsibility is the job or duty to deal with or accountable for something within one’s power. When the employees feels personally responsible for the job, they will shows up on time, puts in the best way and effort to complete the job to the best of his ability. Fulfilling responsibilities can lead the formation of a well-established individual and where the utmost purpose (the pleasure of Allah) is obtained. Religion and religious traditions are built by people and influences their everyday lives. Work ethics of Muslim managers in Turkey and compared them with the Protestant and Catholic managers in Britain and Ireland, Muslim showed the highest Protestant Work Ethic (PWE)(Graafland, J., 2006) [8].

Everyone is responsible for his role and must act in accordance to his position. Referring to the BMMB Board’s charter, the Board is responsible for the proper stewardship of the Bank’s business and the creation of long term shareholders value. They are expected to conduct business legally and ethically. They should ensure to promote Shariah compliance in accordance with expectations set out in the policy document on Shariah Governance Framework for Islamic Financial Institutions.

The Shariah Governance Framework for the Islamic Financial Institutions (the Framework) is designed to meet the following objectives:

- (i) Sets out the expectations of the Bank on an Islamic Financial Institution’s Shariah governance structures, processes and arrangements to ensure that all its operations and business activities are in accordance with Shariah;
- (ii) Provides a comprehensive guidance to the board, Shariah Committee and management of the Islamic Financial Institution in discharging its duties in matters relating to Shariah;
- (iii) Outlines the functions relating to Shariah review, Shariah audit, Shariah risk management and Shariah research (Bank Negara Malaysia, 2010) [9].

BMMB is require to adopt the Financial Services Professional Board’s Code of Ethics and consistently adhere to a high standard of professionalism. Financial Services Professional Board’s Code of Ethics outlines a set of five broad fundamental principles to which institutions and individuals in the financial services industry should adhere to. It is drafted in manner that makes it easy to use and accessible to all. The five principles are competence, integrity, fairness, confidentiality and objectivity. This will enhance trust and confidence in the sector and the overall reputation in the industry.

2. Honest

A firm behaves ethically or unethically, have a significant influence on customers. Honesty will be doing the right thing in the right way at the right time. Honesty is also define as telling the truth in all situations and under all circumstances. Islam commands Muslims to be honest to himself and to others. Islam orders the Muslims to tell the truth even if it is against the one’s own interest and not to cheat or betray people.

Honesty likewise suggests satisfying someone’s trust, if in writing or orally, in content and soul. Truthfulness in explaining the products and services is the ultimate objective in ensuring appropriate messages to customers in reducing the confusion. A Muslim needs to adhere to the Shariah principles, commits to the Islamic lifestyle and refrains from committing sins. To implement this, practitioners of Islamic advertisements need to convert the Islamic ethical guides and codes into precise screening steps that ensure advertising campaigns adhere to the Shariah principles. Below are some of BMMB recent advertisements that are based on the Holy Quran and the Sunnah [10].

No	Name of the products	Incentives	Shariah specification with verses of Quran	Comments under assessment
1.	Takaful Nasional's product (motor vehicle, fire, house owner, personnel accident, marine cargo, etc.)	Strategic alliance with comprehensive Islamic banking facility	"O mankind! We created you from a single (pair) of a male and female, and made you into nations and tribes, that you may know each other" (Quran 49:13)	Teamwork, international business workforce diversity and co-operation to achieve any business or investment which is highly encourage by Islam
2.	MEPS Inter-Bank GIRO, electronic fund transfer payment system	Only RM2.00 charge for each transaction, transfer possible in any bank in Malaysia Interbank Giro crediting time is faster than cheques. It can be held without physical attendance of customer.	"[...] don't outbid one another in order to raise the price" "Wear your beautiful apparel at every time and place of prayer, eat and drink: but waste not by excess" (Quran 7:31)	Common facility should not be presented as extra facility to the customers. Some facilities endeavor to make the customer draw more that their savings.
3.	Muamalat Cash Line Facility-I (Mcash)	Seven years duration with renewable facility, irrespective of base lending rate fluctuation, profit rate is fixed, effective cash flow under fixed payment regime.	"Allah does not like those who are self-deluding and boastful, the vainglorious (nor) those who are niggardly, enjoin niggardliness on others" (Quran 4:36-37)	Islam prohibited hoarding. Encourage to spend logically, for the circulation of wealth.
4.	Muamalat Personal Financing-i	Provided to 18-55 years range customer, 60 percent market value of the property is financed, as a collateral Mudarabah Investment Certificate provided	"If you are on a journey and cannot find a scribe, then a security deposit (should be) taken" (Quran 2:283)	Security deposits or collaterals are not encouraged in Islam unless the agreement held on journey or cannot find scribe in such a situation.
5.	MuamalatIstisna' AsetTetap Financing	Flexible payment to suit the cash flow. There will be no additional cost even when there is a rise in their base financing (fixed profit rate)	"O you who have believed, fear Allah and speak words of appropriate justice" (Quran 33:70)	Truthfulness and directness should be more precise in case of advertisement from Islamic organization
6.	Muamalat Trade Finance-i	Comprehensive Islamic trade finance facilities for local and global transactions irrespective of the conventional or Shariah-based banks of the world	"O People of the Scripture, why do you mix the truth with falsehood and conceal the truth while you know?" (Quran 3:71)	Concept of "Halal" (authenticated by ethics) transaction should be mixed with conventional transactions.
7.	Muamalat Commercial & Industrial HP-I. Flexible, simple, and reliable	Duration seven years. High margin of finance attractive rates, fixed monthly installment, open to all types of vehicles/machinery and equipment.	"Those who consume charged rates (like interest) beaten by Satan into insanity. That is because they say, Trade is just like interest." (Quran 2:275)	The price will be higher than the actual cash purchase (for attractiveness and capturing a competitive rate) which is about two times higher, but the promised incentive kept it ambiguous.
8.	Electronic Share Application Service	Low charge, fastest trading, ATM slip considered to be as drive of transaction	"[...] and spend of your substance in the cause of Allah, and make not your own hands contribute to its destruction; but do good" (Quran 21:195)	Common services should not be exposed in a way that may tempt the consumer to spend unwisely.

Source: Shariah Observation Advertising practices of Bank Muamalat in Malaysia (Ahasanul, 2010) [11]

3. Cleanliness and Purity

According to a hadith, "Purity is half of faith". God is clean and loves cleanliness. Cleanliness and purification is one of the great privileges of Islam. Cleanliness is an essential part of Islamic life. It is one of the most important practice for a clean and healthy environment.

Bank Muamalat Malaysia Berhad on 20th January 2016 held the Health Screening Program & Blood Donation Campaign at Menara Bumiputra, Kuala Lumpur. It aims to educate Bank staff to adopt a healthy lifestyle. In addition, it provides an opportunity for staff to conduct a medical examination and blood donation as well as exposing to the staff about the importance of maintaining good health. It is important to follow certain good practices like keeping our surroundings clean, eating healthily, avoiding littering in public places, refraining from spitting on the road, and many more good habits[12].

4. Ikhlas

Discipline is the practice of training that makes people more willing to obey rules or code of behavior or more able to control themselves, using punishment to correct disobedience. Employers should establish guidelines for work-related conduct, including what time to arrive and leave the workplace, whether smoking is allowed on the premises, how customers are to be treated, and how quickly work should be done.

Ethics impact various aspects of management and operations, including human resources, marketing, research and development, and even the corporate mission. Linda and Katherine (2010) [13] defined ethics as “the principles, norms, and standards of conduct governing an individual or group” –focuses on conduct.

People needs and wants are more than satisfied from legitimate sources of income; and hence there is less need or desire to indulge in activities which may be illegal, risky, and demeaning. People are only corrupt because they have to be corrupt in order to basic physically survive(Mujtaba, G., 2013) [14].

Islam requires that people satisfy their needs through proper means. It is possible for individuals in a business setting with different moral values and code of ethics to agree, through a decision process, on specific actions that are to be taken and what presides in business dealings. Islamic Ethics is being defined as akhlaq (plural of khuluq) which means character, nature and disposition. The word akhlaq has a very close relationship with the word Khaliq (the Creator) and makhluk (the creature) and between makhluk (the creature) and makhluk (the creature) (Adibah, 2013)[15]. Members of management, functioning as “corporate business diplomats” who promote not only their business products but also relationship through building trust and understanding (Danon-Leva et al, 2010)[16].

In relating to that, Bank Muamalat Malaysia Berhad has initiative by planning to launch products that are competitive not only in terms of returns, but also in terms of corporate social responsibility, its CEO said. “Our depositors don’t just want returns, they sometimes want to do good deeds,” Datuk MohdRedza Shah Abdul Wahid, the bank’s CEO, explained to Islamic Business & Finance on the sidelines of the Global Islamic Finance Forum in Kuala Lumpur. He explained that ethical banking is more profitable long term, because it wins customers’ loyalty, and irresponsible lending to maximize profits is not sustainable [17]. Besides, the other corporate social responsibility held by Bank Muamalat Malaysia Berhad include Waqaf Selangor project, Corporate Social Responsibility – Spot My Bank programe within departments, and “LambaianKaabah” programmed for BMMB staffs.

III. CONCLUSION

The implementation of Islamic elements in work ethics play important roles to achieve a good corporate governance. Despite of the facts that conventional elements commanding the scenario in our financial institutions, the values outline by Islam shall not be relegate and tangential. The effort brought by entity in harmonizing the concept has giving us alternative not just to maximize profits and wealth in long term, but to achieve al-falihin our life and in the afterlife. From this study, we can conclude that, the foundation for ethical banking and good corporate governance in financial institutions is in place, however, further refinement of the understanding, concept, and implementation is needed. In becoming a preferred Islamic financial service provider in Malaysia, few challenges like suitability to the Malaysia market and also acceptability to the society naturally. It does not weakened us there. Therefore, work ethics and a good corporate governance according to Islam should be broaden to not only for financial institutions but to public or privatize company as whole.

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