



The Moderating Role of Hisbah Principles on the Relationship between Islamic Culture and Islamic Business Ethics

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The excessive immorality being played out by businessmen all over the world has become alarming in most communities especially in relation to the masses. This may not be unconnected with a weak practice of Islamic culture in business dealings by some of the traders. This necessitates the need for rules and guidelines for the conduct of businesses to avoid exploitation and people taking advantage of one another. Using Islamic theory, the study aimed at assessing how the *Hisbah* principles moderate the relationship between Islamic culture of Muslim traders and Islamic Business Ethics (IBE). The study is quantitative in nature and therefore a questionnaire was used for data collection. The data was analysed using PLS-SEM 2.0. Respondents consisted of 155 Muslim traders and 243 customers in Sokoto, Nigeria. Empirically, this paper provides insights on how *Hisbah* principle moderates the relationship between Islamic culture and Islamic business ethics. The study found that application of *Hisbah* principles in businesses significantly moderates the relationship between Islamic culture and Islamic business ethics. The study also found that abominable and immoral acts in the businesses occur because of non-application of *Hisbah* principles in business transactions. The findings suggest that greediness and selfishness is an important factor influencing business ethical judgments. Thus, there is need for effective control based on authentic principles to build a strong economy in the society. The paper contributes to the literature on Islamic business ethics as there was an identified lack of empirical



studies that use *Hisbah* principle as moderator between Islamic culture and Islamic business ethics.

Key words: *Islamic business ethics, Islamic culture, Hisbah, Traders, Customers.*

Introduction

There is a growing concern amongst society with regards to the dominant unethical behaviours being played out by market players all over the world. These include indecency in advertising, reduction of weight and measures (cheating) that affects all types of essential commodities, different ways of hoarding when there is high demand of essential commodities, overpricing at various levels due to monopolistic attitudes, sell of expired, rotten and counterfeit items and misleading customers, among others (Adamu, 2003; Attahiru, Al-aidaros, & Yusof, 2016). This is as a result of excessive greediness of traders together with their weak understanding and practice of religious values. With the perfect Islamic guidelines and practices of fair play, it is very significant to empirically examine the level of Islamic culture practice by Muslim traders regarding the Islamic ethics of business.

In this regard, this study intends to discuss the Islamic teachings regarding the ethical practices of trade. This study also examines the relationship between Islamic culture and Islamic business ethics. The role of *Hisbah* principles in moderating the relationship between Islamic culture and Islamic business ethics will also be examined. This study uses the Sokoto Central Market, Nigeria as a case because of the renowned position of Sokoto as the centre of learning and seat of the Islamic Caliphate in the West African sub-region since the year 1804 (Idris, 2014). This paper is divided into five sections: Section one in this introduction, section two is the literature review, section three is the theoretical framework, section four discusses the methodology and section five highlights the results, with discussion, research limitations and directions for future research concluding the paper.

Literature Review

The word ethic is derived from the Greek word “ethos” which means decency, character or custom (Nawawi, 2013). Ethics is the combination of moral codes and rules of conduct. It refers to a collection of ideals for evaluating a relationship of a person with others in identifying whether a choice is right or wrong in accordance with justice and truth (Suahib, 2009). The ethical system of Islam is part of the Islamic life view derived from divine law (Hassan, 2016). No business activity can be organised and managed in a best manner without



the knowledge of Islamic business ethics especially for Muslims (Hashim, 2012). Many business transactions in the world have been affected by unethical practices which lead to revenue losses, low efficiency and bankruptcy (Marri, Sadozai, Zaman & Ramay, 2012; Hussain et al., 2018). Islam emphasises ethical values because ethics govern all aspects of life (Azmi, 2010). These religious driven ethical reflections accordingly play a significant role in influencing business conduct and priorities (Ali et al., 2015). To a Muslims, Islam is more than a religion, it is a way of life (Aldulaimi, 2016; Albasu & Nyameh 2017). Therefore, ethics and business remain inseparable in the daily life of a Muslim (Beekun & Badawi, 2005). Thus, Islam, has its own business instructions just like other religions. Some of these instructions are general, while others are specific and tackle problems that relate to daily activities in the marketplace (Ali, et al., 2015)

Islamic Business Ethics

Business ethics is a branch of ethics that examines ethical principles and rules within a commercial context. In other words, it is a normative discipline, whereby specific ethical values are formulated and then applied (Azmi, 2010). It makes specific judgments about what ought to be done or what ought not to be done. Abeng (1997) argued that, Islam not only permits people to engage in business, but also encourages them to do it, emphasising that the prophet of Islam was himself a full-time businessman for a considerable period (Abeng, 1997). Ismaeel and Blaim (2012) stressed that though the tools and mechanisms of applying Islamic business ethics changes over time, the fundamental concepts of Islamic ethical system are constant because they were derived from revelation of God.

Thus, Islamic business ethics need to remain congruent with its underlying concepts when trying to develop its application (Ismaeel & Blaim, 2012). Abuznaid (2009) emphasised that, although ethics prescribe what one should do or abstain from doing, Islamic business ethics as highlighted by Qur'an and Sunnah and affects Muslim traders in different ways that include: increased effectiveness and efficiency, requiring a Muslim businessperson to abstain from cheating and deceit, lead to integrity, prevent corruption and abuse of power, lead to consistent consultation and cooperation, lead to better care of business partners and their rights, create initiative and lead to better quality. God the creator has imposed obligations on mankind that comprised rights of man (*huqūq al-,ibād*) which control the associations between two parties according to their wills, and the rights of God (*huqūq Allāh*) in which the law provides duties owed generally to other persons (Karim, 2016). These two obligations according to Karim (2016) "have been outlined in such a way so as to protect the consumers in all occasions whether they are the parties to the transactions or not" (Karim, 2016,p.184).



Al-Masri (2005) declared that, all the requirements of business ethics are captured in the Quran (16:90).

“Allah commands justice, the doing of good, and liberality to kith and kin, and He forbids all shameful deeds, and injustice and rebellion: He instructs you, that ye may receive admonition” (Quran 16:90)

In his comment on the above verse, Abdullah Yusuf Ali said “Justice is a comprehensive term and may include all the virtues of cold philosophy. However religion asks for something warmer and more human, the doing of good deeds even where perhaps they are not strictly demanded by justice, such as returning good for ill, or obliging those who in worldly language "have no claim" on you; and of course, a fortiori the fulfilling of the claims of those whose claims are recognised in social life. Similarly, the opposite are to be avoided: everything that is recognised as shameful, and everything that is really unjust and any inward rebellion against God's law or our own conscience in its most sensitive form” (Ali, 2016; Ale, Akter & Islam 2018).

Shahwan and Mohammad (2013) state that the general objective of Islamic business ethics is *Falah* (Success). It covers all activities of mankind for the sake of Allah to be fulfilled through the accomplishment of the operational-based objectives. Mohamad (2014) reported that *Shari'ah* emphasises fulfilment of contracts, promises and unilateral agreements because businesses and financial agreements result in rights and liabilities for the parties. In this regard, a business partner has the right to be compensated for the actual loss he suffered because of breach of promise by his fellow business partner. Al-Quran (5:1) encourages Muslims to fulfil their promises: *“O you who believe, fulfil (your) obligations”*.

Islam discourages Muslims from causing or bringing any harm to the people in their business dealings. Al-Masri (2005) stated that Prophet (PBUH) clearly warned not only traders but all Muslims against causing any hardship to any individual or the public as reported by Ibn Majah (784). The Hadith indicates that a man should not harm or cause hardship to his brother in any way, neither start to harm nor avenge (Al-Masri, 2005). Similarly, the pictures and images displayed in some advertisements completely differ from the original product, and that misleads customers (Ahamedullah, 2015). This act and all sorts of misleading are condemned by Islam because of the saying of the Prophet (PBUH) “one who cheats is not among us”



Islamic Culture

Culture is defined as “all that human beings learn to do, to use, to produce, to know and to believe as they grow to maturity and live out their lives in the social groups to which they belong” (Tischler, 2011, p.51). Ferris and Stein (2010) argued that culture involves every aspect of social life of a group of people that forms basic beliefs and assumptions about the world and the way things work and defines the moral parameters of what is right and wrong, good and bad. Hofstede (2010) reported that culture has more than one meaning which emerges from a Latin source ‘tilling of the soil’, but the common notion of culture in the western world is civilisation. From the viewpoint of Islam, culture refers to the customs and traditions that develop from the daily practices of people following true Islamic guidance (Philips, 2006). Islamic culture is also seen as the reflection of Islamic standards in the development of human potential, actions and their environmental expressions (Mughal, 1984). Islam creates principles and morality that develop good culture and human quality and also makes man different from animals in his business dealings based on *Shari’ah* guidelines (Qutb, 2006). Al-Qaradawi (1995) said that Islamic culture provides peace of mind and security in peoples’ business. The reason is that *Shari’ah* of Allah means every law that He predetermines that touches the order of human life which comprises the code of beliefs, human relationship, administration and justice, knowledge and morality (Qutb, 2006). Therefore, Islam as measure of good culture, accepts any culture that does not contradict Islamic guidance in any business transactions and at the same time rejects all bad cultures (Da’wah, 2009). Some of the cultures encouraged by Islam in business dealings include: -

Trustworthiness

Trustworthiness is very essential to a Muslim’s faith, especially in trading and other business dealings (Ali, 2017). Islam has made trust obligatory for all Muslims in their relationship with Allah (S.W.T) and their business dealings with others (Ali, 2017). Being trustworthy entails being honest in business dealings, punctual (regarding regularity and timeliness), keeping promises and honouring commitments. The Al-Quran (23:8-11) mentions:

“Those who are faithfully true to their amanaat (all the duties which Allah has ordained, honesty, moral responsibility and trusts) and to their covenants; And those who strictly guard their prayers. These indeed are the inheritors. Who shall inherit the Paradise They shall dwell therein forever” translated by Al-Hilali and Khan (2014).



Modesty and Chastity

A culture of modesty and chastity prevents one from behaving badly towards fellow human beings. A modest trader will not have the courage to cheat or exploit other individuals in any aspect. The Prophet (PBUH) says in the *Hadith* as reported by Sahih Al-Muslim: 58: “*Faith has seventy-odd or sixty-odd branches, the best of which is saying La ilaha illallah, and the list of which is removing something harmful from the road. And modesty (Al-Haya) is a branch of faith*” translated by Al-Mundhiri (2000).

According to Al Jaza’iri (2000), the secret behind relating modesty to faith is that while faith directs a person to obedience, modesty prevents a person from neglecting the interests of others as well as from indulging in unethical behaviour that brings shame to him. Lack of modesty also encourages a trader to cheat his business partner. Some of the cultures discouraged by Islam in business dealings include: -

Impatience and Greediness

Generally, the need for popularity and greed is among the major factors of corruption (Smith, 2007). Impatience and greed lead a man to acquire more wealth and to take advantage of others, and this makes some people behave unethically in business. Hofstede (2011) reported that the culture of individualism entails that everyone is expected to cater only for himself or his immediate family; therefore, a person can be selfish and go out of his way in trying to achieve this aim. From the Islamic perspective, greed and impatience are negative cultures that are religiously rejected. The Al-Quran (70:19-21) states:

“Verily, a man was created very impatient. Irritable (discontented) when evil touches him, And niggardly when good touches him” translated by Al-Hilali and Khan (2014).

Ali (2016) commented that, a man is given free will to a minimal extent, but his nature becomes weak or he becomes hasty because of the abuse of this free will. He complains of being in hardship and turns out to be depressed, and becomes arrogant when he is in wealth, by ignoring other people’s rights. Ibn Kathir (2015) reported that a man is worried and afraid whenever he is touched by any harm and he becomes arrogant when he happens to receive any blessing from Allah. As-Sa’di (2014) expressed that greed is the original nature of man; he is discontented when he is affected by sickness or when he loses some benefits, and he will not benefit anyone from what he earns because he is not thankful to Allah (S.W.T).

Arrogance and High Demand for Power



Another culture that has a negative influence on the behaviour of traders is arrogance and the desire to acquire power which makes them transgress. According to Hofstede (2010), most of the time, people who have subscribe to a power distance culture always feel great and have the notion that their orders must be followed, whether they are right or wrong without any challenge from their subordinates. Islam rejects this culture because of its negative impact on society. The Al-Quran (96: 6-8) dictates:

“Nay, verily man does transgress (in disbelief and evil deed). Because he considers himself self-sufficient. Surely, unto your Lord is the return” as translated by Al-Hilali and Khan (2014).

Ali (2016) reported that this verse means all capacities, such as power, wealth and knowledge, are gifts from Allah, but a man can mistake them for his own effort. He becomes rebellious when he sees that he is satisfied in wealth (Al-Mahalli & Al-Suyuti, 2007). He is very pleased, arrogant, most evil and transgressive when he has an abundance of wealth (Ibn Kathir, 2015; Ale, 2018).

Injustice

Injustice is a bad culture that brings instability in society. This falls under the culture of uncertainty avoidance, which according to Hofstede (2011) is the extent to which the society feels they are threatened by unstable situations which make them either comfortable or uncomfortable, and hence there is a need for some laws to stop the menace. Islam rejects an unjust culture of man which makes him ignorant of the hereafter. The Al-Quran (37:72) sheds light on this:

“Truly, We did offer Al-Amanah (the trust of moral responsibility or honesty and all the duties which Allah has ordained) to the heavens and the earth, and the mountains, but they declined to bear it and were afraid of it (i.e. afraid of Allah's Torment, but the man took it. Verily, he was unjust (to himself) and ignorant (of its results)” as translated by Al-Hilali and Khan (2014).

Trust is given to other creatures, but they decline for fear that they would betray the trust. A man who is not fair to himself and also too ignorant and overconfident may betray trust he is given (Ali, 2016). The trust given to man can attract reward if well performed or punishment when neglected (Al-Mahalli & Al-Suyuti, 2007). However, he may neglect it because he is ignorant of his future (Ibn Kathir, 2015). Nevertheless, some people are lucky to have successfully cultured trust (Ali, 2016).

Hisbah principles

Ibn Al-Qayyim defined *Hisbah* as the application of such principles that control the people in making them observe what is commonly identified as good (*Ma'ruf*) and avoid what is commonly identified as evil (*Munkar*). It is a guide to the Islamic state in controlling, supervising and intervening in economic activities (Al-Qayyim, 2007). Imam Al-Ghazzali reported that the principle of *Hisbah* (enjoining good and prohibiting evil) necessitates the sending of all the Prophets to the world. Had this principle been neglected, prophethood would have been worthless, religions lost, idleness reigned, ignorance spread, disorder prevailed, dangers and disasters appeared resulting in the destruction of mankind (Al-Ghazzali, 1993). Abdullah (2010) emphasised that dishonesty and fraud in business are naturally rooted in human behaviour and therefore state has the responsibility of ensuring that Muslims conduct their business dealings in a proper and ethical manner.

Accordingly, Allah (S.W.T) and His Messenger Muhammad (PBUH) emphasise on the necessity to apply the *Hisbah* principles in the society. The Al-Quran (3:104; 22:40-41) decrees that:

“And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be successful”

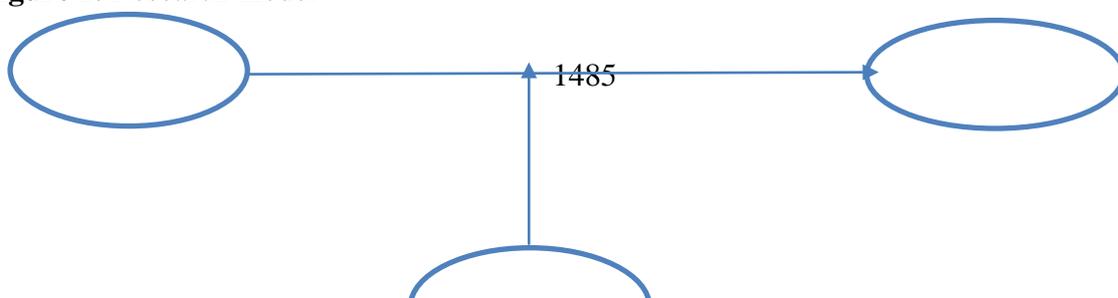
“Verily, Allah will help those who help His (Cause). Truly, Allah is All-Strong, All-Mighty. Those (Muslim rulers) who, if we give them power in the land, (they) enjoin iqamat-as-Salat (prayers), to pay the Zakat and they enjoy Al-Ma'ruf (i.e all that Islam orders one to do) and forbid Al-Munkar (all that Islam has forbidden). And with Allah rests the end of (all) matters”. Likewise, in the *Hadith* reported by Sahih Muslim: 78 Prophet (PBUH) says:

“Whoever among you sees an evil action, let him change it with his hand (by taking action); if he cannot, then with his tongue (by speaking out); and if he cannot, then with his heart (by hating it and feeling it is wrong), and that is the weakest faith” translated by Al-Khattab (2007).

Theoretical Framework

This section discusses the theoretical framework of this study which is Quran Hadiths of Prophet Muhammad (PBUH) see Figure 1 below.

Figure 1. Research model





Relationship between Islamic culture and Islamic business ethics

Abdul Jawad (2012) reported that this component of Islamic culture is evident in the Quran (3: 110). He attributed it to the uniqueness of the Al-Quran, as the way of life and the basis of pride to the Muslim nations. Al-watban (2015), the Muslim *Ummah* is clearly the best because it behaves ethically and invites other communities to be moral. Ibn Kathir (2015) states that it is the righteous and beneficial nation for mankind. It is also the most suitable community since it is guided by the Quran (Ahmed, 2014). Last, it possesses the perfect system that has morality, sound ideology, knowledge and philosophy that people require (Qutb, 2015). Accordingly, Ibn Al-Qayyim stressed that Islamic values produce a good atmosphere, security and confidence in the society and all that lead to cooperation and economic stability; while immoral culture, such as greed, arrogance and other evil hinder the economic progress of the society (Islahi, 2006).

According to At-Tahan (1999), no nation can be established without its own ethics and manners; therefore, a Muslim must be proud of his culture because he possesses a distinct character in all aspects, including conduct, conception, action and many more. In this regard, the Islamic *Ummah* takes precedence because it commands Muslims to abide by specific manners. He emphasised that each community must adhere to specific manners in dress, eating, greetings, sitting and way of interaction with fellow human beings, whereby no one is permitted to regard these manners as less valuable. Prophet (PBUH) warned Muslims against imitating the cultures of non-Muslims. Considering the above literature, this study developed the following hypothesis

H1: Islamic culture is significantly related to Islamic business ethics.

The moderating role of Hisbah principles on the relationship between Islamic culture and Islamic Business Ethics

The main purpose of *Hisbah* is to prevent the society from any corruption, deviation from obligatory standard and offense that might challenge the ultimate objective of improving the



quality of life (Muhamedi & Ariffin 2017). This activity cover all aspects of life, such as industry, agriculture, trade and any other services weather on individual or society level. Salim, Abdullah, and Ahmad (2015) highlighted that, the concept of *Hisbah* has been discussed thoroughly in the writings of Islamic scholars, whereby they commonly agreed that, the term *Hisbah* means *Al amr bil ma'aruf wannahyi anil munkar* (commanding what is good and forbidding evil). Al-Mawardi (1966) in his book *Ahkam Al-Sutanyyah* defined *Hisbah* as a struggle in ensuring that people act accordingly in the deficit of appropriate activity being demonstrated and also guarding against evil when it is proven that such an activity is being practiced by most people. Similarly, Ibn Khaldun (2015) in his book *Muqaddimah* describes *Hisbah* as a religious duty to be carried out in encouraging good deeds and guarding against evil. Imam Al-Ghazali said, *Hisbah* principle of enjoining good and prohibiting evil is the main subject of religions, as the Prophets were sent to the world to fulfil these obligations, Without this principles according to al-Ghazzali, prophethood would have been worthless, religions lost, ignorance spread, idleness reigned, disturbance triumphed, dangers and calamities appeared resulting in the destruction of mankind (Al-Ghazzali, 1993).

The application of *Hisbah* principles is mandatory on all Muslims to the best of their abilities (Hizqil, 2016). According to Kahf (2007) *Hisbah* is a function of supervising the transactional activities taking place in the marketplace from three viewpoints. First, that all transactions are within the shari'ah rules boundaries; two, that moral principles and ethical values of Islam are observed in all business transactions; and three, to ensure that the ombudsman (*Muhtasib*) is charged with the responsibility of "ordaining what is known as good and forbidding what is known as wrong" in the marketplace. Saleh (2010) emphasised that, the state has the responsibility of ensuring that businesspersons conducted their business transaction in fair and ethical manner since there is always possibility of fraud and dishonesty in doing business. For example Adamu (2003) and Attahiru et al. (2016) revealed that impersonation, cheating hoarding, reduction of weight and measures in selling of essential commodities, interest dealing (*riba*) and indecency are some of the immoral activities found in Sokoto markets. In line with this, the government has an obligation of ensuring the business fairness, and avoid all like of dishonesty, frauds and immorality that may occur in the business environment (Elserygany, 2010). To realise this objective, compliance with *Hisbah* principle in business activities is necessary. Islam emphasised the enforcement of *Hisbah* to preserve the religious ethics in the businesses of the Muslim community. Quran says:



“You are the best of peoples ever raised up for mankind; you enjoin Al-Ma’rûf (i.e. all that Islam has ordained) and forbid Al-Munkar (all that Islam has forbidden), and you believe in God” (Al-Quran, 3:110).

Ibn Taymiyyah (n.d.) emphasised that, naturally, order is what makes people more controlled in their lives, so, there must exist certain rules and regulations to make them behave according to that order. And establishment of *Hisbah* association in the community will be one of the ways of getting effective results (Bello Dogarawa, 2013). *Hisbah* associations have the responsibility of controlling immoral acts in the business dealings by way of fraud prevention in the markets, especially monitoring of weights and measures (Elsargany, 2010). Social matters that include indecency, sales and drinking of alcohol, provision of access roads in the market places, and determent of children and women abuse in the society are some of the functions of *Hisbah* in the community (Ibn Khaldun, 2015). To collectively achieve this aim in the community, Quran (5:2) decrees;

“And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be successful” (Al-Quran, 3:104). Also, Prophet said in the Hadith: *“Whoever among you sees an evil action, let him change it with his hand (by taking action); if he cannot, then with his tongue (by speaking out); and if he cannot, then with his heart (by hating it and feeling it is wrong), and that is the weakest faith” (Sahih Al-Muslim: 78).*

This study therefore hypothesised that:

H2: *Hisbah* principles moderate the relationship between Islamic culture and Islamic business ethics.

Methodology

The sample for this study comprises traders of many small business situated at Sokoto central market in Nigeria. The research was conducted from April 2 to May 15, 2017. A survey questionnaire was administered to 468 respondents comprising 168 traders and 300 customers through simple random sampling and only 398 questionnaires from 155 traders and 243 customers were used for the analysis. The figure represents an 85 percent response rate. Systematic random sampling was used in selecting the respondents. To improve the response rate, the questionnaires were delivered to the respondents by hand and collected by hand on a scheduled pick-up date. Four trained assistants and three field supervisors were charged with responsibility for the distribution and collection of the questionnaire. Distribution was carried out in this way to fit with local cultural issues such as the

background of the researcher and the study purpose. For example, most respondents want to know the person and the subject of the research before responding, therefore, they will be reluctant to respond to anonymous surveys. PLS-SEM 2.0 was used for data analysis.

Survey design was provided based on the literature review in section 2. This study classified responses according to a five-point Likert scale ranging from 1 (strongly disagree) to (strongly agree). To assess Islamic business ethics (IBE) construct, the research methodology adapts the items from (Ali, 2001). Items adapted from Prasongsukarn (2009) constitute the scale of Islamic culture (IC) after the items were modified to reflect the Islamic values, and that of *Hisbah* was adapted from reliability while exploratory factor analysis (EFA) were also conducted for all the measurements. Partial least square structural equation model (PLS-SEM) method was used and found suitable by this study because, the research model entails considerable complexity regarding the type of relationships in hypotheses. This study also uses latent variables' scores in the consequent analysis for predictive purposes. This study concurrently uses Smart PLS software (Hair Jr. et al. 2014).

Results

The PLS model analysis covers two stages: (1) assessment of reliability and validity of measurement model and (2) evaluation of structural model.

Measurement model

The reliability and validity were assessed by the reflective measurement model. Results shows that all the requirements were met by the measurement model. Firstly, reflective individual items are reliable, because all standardised loadings are above 0.7 (Table 1 below). Accordingly, the individual item reliability is satisfactory (Hair, Black, Babin, Anderson, & Tatham, 2010). Secondly, the composite reliabilities of all reflective constructs are greater than 0.7 indicating that the requirement of construct reliability is met (Leal-Rodríguez et al., 2015) (Table 1).

Table 1: Measurement model

CONSTRUCT	Loadings	AVE	Composite Reliability	
ISLAMIC BUSINESS ETHICS		0.654	0.904	
IBE_1	0.726			
IBE_2	0.897			
IBE_3	0.857			

IBE_4	0.827			
IBE_5	0.722			
ISLAMIC CULTURE		0.696	0.919	
IC_1	0.859			
IC_2	0.846			
IC_3	0.813			
IC_4	0.732			
IC_5	0.911			
HISBAH PRINCIPLES		0.841	0.963	
HP_1	0.870			
HP_2	0.929			
HP_3	0.961			
HP_4	0.927			
HP_5	0.894			

Table 2: Discriminant validity

CONSTRUCT	HP	IBE	IC
HP	0.917		
IBE	0.671	0.809	
IC	0.636	0.676	0.834

Diagonal elements (bold) are the square root of variance shared between the constructs and their measures (AVE). Off-diagonal elements are the correlations among constructs. For discriminant validity, the diagonal elements should be larger than the off-diagonal elements.

As shown in Table 1, the convergent validity is achieved by the latent variables since their average variance extracted (AVE) exceeds 0.5 level (Fornell and Larcker 1981). Also, Table 2 below confirms that all the variables met the requirement of discriminant validity. This is achieved from a comparison of the square root of AVE versus the corresponding latent variable correlations. For discriminant validity to be satisfactory, diagonal elements should be significantly greater than off-diagonal elements in the corresponding columns and rows (Roldán and Sánchez-Franco 2012; Zandi and Haseeb, 2019).

Structural model

Table 3 below indicates the bootstrapping which provides t-values that permit the assessment of statistical significance relationship in the research model (Ramayah, 2017). In this

situation, the results significantly support the hypothesis, which defines the direct relationship between Islamic culture (IC) and Islamic business ethics (IBE) (Beta = 0.687; $t=22.298$).

Table 3: Structural model result

Hypotheses	Beta	Std Error	T value	P Value	Decision
IC -> IBE	0.687	0.0308	22.298	0.00	Supported

Note: Significant level *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$

Table 4 below indicates the variance explained (R^2) in the endogenous variable and the path coefficients for the study model. Also, in Table 5 below, the result from blindfolding and cross-validated redundancy (Q^2) of the latent endogenous construct is higher than zero. This clearly shows that the model has predictive relevance (Chin, 1998; Hair Jr. et al., 2014; Hayes et al., 2009)

Table 4: Coefficient of Determination

Constructs	R-Square
IBE	0.472

Table 5: Predictive relevance (Q^2)

Total	SSO	SSE	1-SSE/SSO
IBE	550	404.3946	0.2647

In Table 6 below bootstrapping suggest t-values that allow the evaluation of statistical significance of the relationship in the research model (Roldán and Sánchez-Franco 2012). In this situation, the results significantly support the hypothesis, which describes the moderating effect of *Hisbah* principles (HP) on the relationship of Islamic culture (IC) and Islamic business ethics (IBE) (Beta = -0.544; $t=3.097$).

Table 6: Moderation result

Hypotheses	Beta	Std Error	T value	P Value	Decision
IC * HP -> IBE	-0.544	0.176	3.097	0.00	Not supported

As shown in Table 7 below, the result from moderation blindfolding and cross-validated redundancy (Q^2) of the latent endogenous construct is higher than zero. This clearly shows that the model has predictive relevance (Chin, 1998).

Table 7: Predictive relevance (Q^2) Moderation



Total	SSO	SSE	1-SSE/SSO
IBE	550	356.4458	0.3519

Discussion

This study explores the influence of Islamic culture on Islamic business ethics. The result of the direct relationship between Islamic culture and Islamic business ethics is significantly positive. This shows that Islamic culture does regulate compliance with Islamic business ethics in Sokoto. This study is consistent with previous studies of Baldassarre and Campo (2015), Purnama (2017) and Rashid and Ibrahim (2008) who found significant positive effect of Islamic culture on Islamic business ethics. These finding seems to suggest that traders who have a good culture of Islam are more likely to behave humanly in their business performance than those without Islamic culture orientation. The moderating role of *Hisbah* on the relationship between Islamic culture and Islamic business ethics was also explored by this study. This study finds that despite the significant relationship in the t-value, the coefficient score in the moderation is negative. This implies that there is an element of immorality that hinders the activities of *Hisbah* in some business dealings of the research area, despite the known inherited Islamic culture of the environment. This is a serious act which is condemned by Islam. The Quran says (61:2): “O you who believe, why do you say that which you do not do? Most hateful it is with Allah that you say that which you do not do” This also shows that, the occurrence of abominable and bad cultures in business dealings can be totally eradicated or reduced by enforcing the application of *Hisbah* principles in the community.

Limitations and Suggestions

This study has some limitations. First, this study focused only on the moderating role of *Hisbah* principles on the relationship between Islamic culture and Islamic business ethics, there are many constructs that can be tested with Islamic business ethics. Therefore, future study should test other variables that can affect Islamic business ethics. Secondly, this study focusses only on Sokoto, Nigeria and future studies should look at some other regions in the country and beyond. Finally, the study targets only some specific economic groups (traders and customers) where future studies should look at the other market players.

Conclusions

Islamic business ethics is aimed at eradication of immorality which includes oppression, indecency, lack of modesty, exploitation and inhumanity from society. This study therefore



discusses and examines the moderating role of *Hisbah* principles in the relationship between Islamic culture and Islamic business ethics. The significant positive relationship indicated that Islamic cultural practice in business influences the Islamic ethics in business dealings and vice-versa. Therefore, adapting to Islamic culture by customers and traders could enhance their Islamic business ethics. This study finds that despite the significant relationship in the t-value, the coefficient score in the moderation is negative. This implies that there is an element of immorality that hinders the activities of *Hisbah* in some business dealings of the research area, despite the known inherited Islamic culture of the environment. Furthermore, this study suggests that there is a need to improve the understanding, interpretation and enforcement of Islamic values and rules of business in Sokoto. Religious and community leaders as well as the association of trade groups have a significant role to play in ensuring that only Islamic values are practiced in their business transactions.

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