

ABSTRACT

The Influence of Islamic Corporate Governance and Islamic Work Ethic on Finance Performance and Employees' Welfare at Garment Companies in Central Java

The study is aimed at analyzing the influence of Islamic corporate governance and Islamic work ethic on the finance performance and employees' welfare at garment companies in Central Java.

Many studies that have been conducted on corporate governance only emphasized on rules and regulations and did not touch the nature of human being as a whole. This study, in the country, focuses more on spiritual factors by prioritizing corporate governance as a part of activities conducted by human being to pursue the mercy of Allah SWT. The pursuance on Allah's mercy is expected to bring impacts on Islamic work ethic, financial performance, and employees' welfare.

This study applies Qur'anic paradigm with *kasyif*, qualitative as well as quantitative analyses. The finding of the study shows that Islamic corporate governance has a positive influence on finance performance, employees' welfare and Islamic ethic; Islamic work ethic has a positive influence on finance performance and employees' welfare; and finance performance of an Islamic corporate governance has a positive influence on employees' welfare. This shows that Surah Al-Ahzab of the Al Qur'an (33: 21) and Haditz of the Prophet (pbuh) as narrated by Al-Bukhori (tt.:1/87) have been implemented by the garment companies in Central Java.

This study implies that employees' welfare as it is prescribed by *maqashid syariah* can be obtained by implementing Islamic corporate governance and improving Islamic work ethic as well as improving the finance performance.

For this purpose, a good understanding on the behavior of the corporate owners by referring to the behavior of the Prophet (pbuh) with his great characters of *shidiq*, *amanah*, *tabliq*, *fathanah* and *qanaah* as well as *istiqomah*. On the other side, the employees must have the characters of *ihksan* –that working is perceived as always under the surveillance of Allah. In this way, employees will work sincerely, enthusiastically, full of gratitude, open-hearted, proactive, caring others, honest, fair and accountable.

Keywords: *Islamic corporate governance, Islamic work ethic, finance performance, employees' welfare.*