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Factors Affecting Employees Performance in The New Commercial Banks in Tanzania

Lilian Ramadhani *
Lecturer in Department of Business Administration
United African University of Tanzania, Tanzania
*Corresponding Author: ramadhani.lilian@gmail.com

Abstract

Employees' performance in commercial banks plays a significant role to increase competitive advantage. However, so far the study for employees' performance in the new commercial bank branches has not yet been thoroughly conducted. The study was be carried out with the objective to assess the role of goal setting on employee's performance, to assess the effect of employee involvement on employees performance, contribution of interpersonal relationship on employee performance and assess the extend which teamwork affect employee performance. The study was conducted in Mbeya city on three selected new commercial bank branches namely Access, Akiba and Equity banks. The study sample was drawn from a population of 170 employees obtained from Access Bank, Akiba Bank and Equity Bank. Questionnaire we administered to 118 respondents, but only 100 respondents were able to answer and return the questionnaires. SPSS Version 16 Software was used in analysis the data obtained from respondents, Pearson correlation and Multiple linear regression analyzed data to determine the relationship between the independent variables and dependent variable. The findings revealed to have a positive significant relationship between goals setting, employee relationship, interpersonal relationship and employee performance, while team work has no significant relationship. The study recommended that banks should involve employees in decision making, set challenging yet realistic goals and reward employees in accordance to their performance (use performance based salary system).

Keywords: Employees performance, Goal setting, Interpersonal relationship, Employees relationship

1. Introduction

Commercial banks play a major role in stimulating economic growth and development country. In order to grow, commercial banks must focus on maintaining their market share in an increasingly competitive market. This can be through establishing of branches in the country, so that they can provide services closer to their customers. The performance of a bank depends on many things but mostly it dependents on its employee's performance. The way employees perform in these established branches will determine the overall performance of the commercial bank (Khan, Tahir & Umer, 2015).

Efforts have been done by many Commercial banks in making sure that employee's job performance is increased. These efforts were through the introduction of performance management system that involves systematic process for improving organizational performance by developing the performance of individuals and teams (Njuguna & Owuor, 2016). It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It focuses people on doing the right things by clarifying their goals. Through the performance management system it was discovered that good management; motivation and rewards system can boost employee's performance (Njuguna & Owuor, 2016).

Such efforts have also been practiced by various commercial banks such as Access, Akiba and Equity banks use training, development and mentoring of local staff as an extremely important part of the Bank's strategy to improve employee performance. Despite such effort and the good management, beneficial rewards such as bonuses and good working conditions, employee performance is still a big problem issue to the bank especially in the new branches they establish upcountry (Nouaill, Abaoub & Ochi, 2015).

Many researches have attempted to analyze the factors affecting employees' performance, studies like Okorely (2010), Eyera (2012), Nayab (2013), Hassan (2012), Kairuki (2015), most of these researches have been conducted to commercial bank headquarters and old existing branches, but little has been done in assessing performance of employees in new branches, therefore the study assessed factors affecting employees' performance in the new commercial banks branches. The current study focused on how goal setting, employee involvement, interpersonal relationship as well as team work affects employees' performance in the new commercial bank branches.

2. Literature Review

2.1. Theoretical Framework

The study was guided by **Goal Setting Theory of Performance**. The goal theory or goal setting theory as developed by Locke (1968) during his research on goal setting and motivation states that employees are motivated by clear goals and appropriate feedback. Locke went on to say that working toward a goal provided a major source of motivation to actually reach the goal which, in turn, improved performance. Locke's research showed that there was a relationship between how difficult and specific a goal was and people's performance of a task. He found that specific and difficult goals led to better task performance than vague or easy goals.

Goals must be understood and agreed upon if they are to be effective. Employees are more likely to "buy into" a goal if they feel they were part of creating that goal. The notion of participative management rests on this idea of involving employees in setting goals and making decisions.

In addition to selecting the right type of goal, an effective goal program must also include feedback (Kinyita, 2015). Feedback provides opportunities to clarify expectations, adjust goal difficulty, and gain recognition. It's important to provide benchmark opportunities or targets, so individuals can determine for themselves how they're doing. These regular progress reports, which measure specific success along the way, are particularly important where it's going to take a long time to reach a goal. In these cases, break down the goals into smaller chunks, and link feedback to these intermediate milestones (Shaikh, Tunio & Shah, 2017).

2.2. Empirical Literature Review

This part reviews empirical relevant studies done, in view of validating the research gap. Numerous researchers have attempted to study employee performance on different approaches. Okorley (2010) conducted a research on "Factors influencing performance of commercial bank staff in the Cape Coast Metropolis in Ghana." The study covered a period between 1970-2006. The study was a descriptive survey; data was obtained through self-administered questionnaires to 96 staff members of seven Banks in the Cape Coast Metropolis. The finding revealed a positive and significant relationship between staff performance and factors including recognition, goal clarity, teamwork and supervision.

Eyera (2012) did a study on "Impact of motivation on employee job performance in commercial bank. The case of Access Bank PLC Nigeria." The study covered between 1997 and 2010. The study was quantitative in nature and used questionnaire to collect data among 60 employees of the bank. The study concluded that organizational factors such as team work, organizational culture, rewards, skills, work environment and clear goals influenced employee performance.

Nayab (2013) studied on "Factors affecting the performance of employees in the banking sector of Pakistan." The study covered a period between 1987 and 2011. The study was quantitative in nature; data was gathered from a sample of 200 employees from Sahiwal Banks in Pakistan. The study concluded that there is appositive relationship between managers attitude, employees work relationship, organization culture, goal setting, job content, financial rewards and performance of employee at work place.

A study done by Kairuki (2015) "Factors affecting employee performance in the banking industry in Kenya. A case of Imperial Bank Ltd." The study covered a period between 1980 to 2013. The study was quantitative in nature data was collected using structured questionnaires among 102 respondents selected within the bank. The finding concluded that there is a relationship between remuneration, team work and employee involvement and employee performance.

A study conducted by Muda et al, (2014) "Factors influencing employees' performance: A study of Islamic Banks in Indonesia." The study covered a period between 1978 and 2010. The study used quantitative methods, the population of the study was 47 respondents with N= 32. The primary data gathered in the form of questionnaire with Likert scale were then analyzed using multiple regression method. The findings reveal that employee performance is influenced by motivation, communication, interpersonal relation and stress.

Hassan (2012) studied on "Factors affecting employee performance: in case of Pakistan banking sector." The study covered a period between 1993 and 2003. The study was conducted to see the impact of job involvement and teamwork on employees' performance. The data was collected using questionnaire from a sample size of 80 respondents. The data showed that there is a positive relationship between job involvement, teamwork and employee performance.

A study done by Challa, (2015) on, "Factors affecting the performance of employees at banks in Andhra Pradesh in India." The study covered a period between 1990 to 2003. The study identified many variables that affect the performance of employees at work place. These variables included compensation, teamwork, organizational culture, psychological environment, encouragement, training, manager's attitude and job content. The study was quantitative in nature, based on stratified random sampling a total of 226 employees were used as a sample. From the administered questionnaires the findings revealed that all the above variables have positive impact on employees' performance.

Omollo (2015) studied on, "Effect of motivation on employee performance of commercial banks in Kenya: A case study of Kenya commercial bank in Migori country." The study covered a period between 1999 and 2009. The study adopted descriptive design because it involved interview and administering questionnaire to a sample 100 of individuals. Descriptive analysis was employed to obtain useful summary of responses. The results revealed that employees are motivated to perform by both monetary and non-monetary rewards such as recognition, employee involvement, and interpersonal relationship.

3. Methodology

The study was mixed research, which employed descriptive cross study, data were collected through questionnaire and interview guide. The study sample was drawn from a population of 170 employees obtained from Access Bank, Akiba Bank and Equity Bank. Questionnaire we administered to 118 respondents, but only 100 respondents were able to answer and return the questionnaires. SPSS Version 16 Software was used in analysis the data obtained from respondents, Pearson correlation and Multiple linear regression analyzed data to determine the relationship between the independent variables and dependent variable. Content analysis employed to analyze the qualitative data.

4. Results

4.1. Factors Affecting Employee Performance

The study assessed the factors affecting employee performance, it focused to analyze the relationship between goal setting, employee involvement, interpersonal relationship, team work and employee performance. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Employee performance) that is explained by all the four independent variables (goal setting, employee involvement, interpersonal relationship and team work). The four independent variables that were studied, explain only 60% of the Performance of employees as represented by the adjusted R2. This therefore means that other factors not studied in this research contribute 40% of the Performance of employees. Therefore, further research should be conducted to investigate the other factors (40%) that affect Performance of employees.

Regression of overall effects of various factors on employees' performance

Researcher interested in knowing the influence of each factor towards performance of employees. Multiple linear regressions employed to determine the effects as indicated below

Table 1. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786[a]	0.618	0.602	.44361

Table 2. Regression output on the effect of various factors on employees' performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.105	.320		-.329	.743		
GS	.319	.090	.307	3.562	.001	.542	1.846
EI	.297	.097	.274	3.060	.003	.500	1.999
IR	.368	.100	.310	3.694	.000	.571	1.751
TW	.086	.088	.078	.986	.327	.648	1.544

Dependent variable: employee performance

GS= Goal setting: EI= Employee involvement; IR= interpersonal relationship TW= Team work

The long term relationship of variables was estimated using Multiple Linear Regression model as follows:

$Y = \alpha + \beta1GS + \beta2EI + \beta3IR + \beta4TW + \varepsilon$

$Y = -0.105+0.319GS+0.297EI+0.368IR+0.086TW$

Adjusted R2 =0.602

Significant level is when p-value is < 0.005

Where Y is the dependent variable (Employee Performance), β1 is Goal setting, β2 is Employee performance, β3 is Interpersonal relationship and β4 is teamwork.

Goal Setting on Employee Performance

On the effect between goal setting and employee performance the study reveals one-unit increase in goal setting will increase employee performance by 0.319. The p-value for this coefficient is 0.001 which is less than 0.005 meaning that the parameter are statistically significant. It is true that involvement in goal setting has strong effect; this is because employees who clearly understand their individual goals and how they relate to the larger goals of the company- naturally become more engaged with their work. Successful banks realize that their achievements are linked to their ability to manage, track and communicate goals-informing their workforce and linking reward systems with individual and team performance to keep them engaged in their work.

Employee Involvement on Employee Performance

On the effects of employees' involvement on job performance. Ceteris paribus a unit increase in employee involvement leads to increase in employee performance by 0.297. The p-value for this coefficient is 0.003 which is less than 0.005, meaning that the parameter is statistically significant. Bank performance rests on workers involvement, also their involvement influence motivation and hence they can exert substantial efforts towards effectiveness. It was observed that high employee engagement increase focus and efficiency, and decrease rates of absenteeism. This is because engaged employees care about what they do, they recognize the importance of their effort in contributing to the success of their employers. In reality employees who are engaged with their job are more productive because they are motivated beyond personal factors.

Interpersonal Relationship on Employee Performance

The relationship between interpersonal relationship and employees' performance. Other things being constant one-unit increase in interpersonal relationship will lead to an increase in employee performance by 0.368. the p-value for the coefficient is 0.000 which is less than 0.005 meaning that the parameter are statistically significant. The reason behind these findings is the fact that a person experiencing bad interpersonal relationship at work will risk depression or sick leave, less favorable work task due to loss ability and loss of possibilities to be involved and influence the organization. In contrast a person that experiences good interpersonal relationships at work will be less stressed, leading to more energy to be involved in developing the organizations etc.

Effect of Team work on Employee Performance

The p-value for this coefficient is 0.327 which is greater than 0.005 meaning that the parameter is statistically insignificant. Despite that teamwork offers the company and staffs the ability to become more familiar with each other and learn how to work together. Also teamwork supports a more empowered way of working, removing constraints which may prevent someone from doing their job properly; it also encourages multi-disciplinary work where teams cut across organizational divides. This also increase flexibility and responsiveness, especially the ability to respond to change, it promotes the sense of achievement, equity and camaraderie essential for a motivated workplace and performance. It is revealed to have in signification relationship with employee performance in the new commercial bank branches in Mbeya region as revealed in the regression results.

5. Conclusion

The study findings concludes that employees involvement in various issues like goal setting and decision making to a big extent leads to an improved employee's performance but still it is not the sole factors that leads to good performance rather it is a combination of factors and the rest of the factors are those that were suggested. So the link, influence or effect of goal setting, employees' involvement, teamwork and interpersonal relationship on employee performance is very high. Also employees' involvement, goal setting and interpersonal relationship have found to have positive effect on Organizational Performance. It was observed that goals have a pervasive influence on employee behavior and performance in organizations and management practice. Also positive interpersonal relationships at work have an advantageous impact on both organizational and individual performance it brings valued work relationships can influence organizational outcomes by increasing institutional participation, establishing supportive and innovative climates, increasing organizational productivity and indirectly reducing the intent to turnover.

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