

Factors Influencing Employees' Performance: A Study on the Islamic Banks in Indonesia

Iskandar Muda

Faculty of Economics

University of North Sumatera

Jl. TM Hanafiah, Kampus USU, 20155, Medan, Sumatera Utara, Indonesia

Ahmad Rafiki

Faculty of Economics and Muamalat Administration

Islamic Science University of Malaysia

Bandar Baru Nilai, 71800, Nilai, Negeri Sembilan, Malaysia

Martua Rezeki Harahap

Faculty of Economics

University of North Sumatera

Jl. TM Hanafiah, Kampus USU, 20155, Medan, Sumatera Utara, Indonesia

Abstract

This study aims to analyze the determinants for employee performance in Islamic Banks. Based on the literature discussed, the three factors considered as the important elements influence the employees' performance that need to be investigated. The research question lies in whether each of those factors has a simultaneous and partial effect on the employees' performance or otherwise. Using the quantitative method, the population of this study was 47 respondents with N=32. The primary data gathered in the form of questionnaires with a Likert typed-scale were then analysed using the multiple regression method. The findings reveal that the value of the determination coefficient test is 59.3 percent, indicating that the employees' performance is explained by job stress, motivation and communication factors, while the remaining 31.7 percent are linked with other factors. Moreover, the F test shows that the job stress (X1), motivation (X2) and communication variables (X3) simultaneously influence employees' performance, while the T test shows that both job stress (X1) and motivation (X2) variables have no partial effect on the employees' performance, whereas the communication variable (X3) has a partial effect on employee performance.

Keywords: Job stress, motivation, communication, employee performance

1. Introduction

With the unpredictable business environment and intense business competition, the companies are required to reach certain standards by improving their performance to align with such great demands; otherwise, a lot of problems will surface, including running the risk to close down the business. This performance relates to the firm or individual level which sees the human resource becoming the most determining factor to achieve the organizations' objectives. In fact, an abundance of resources such as infrastructures or physical facilities are made meaningless without the support of qualified human resources that directly disrupt the continuity of the business operations. Within the framework of the professionals, good employee performance mirrors the ability to contribute through their works leading to the behavioral achievement that is in accordance with the goals of the company. Meanwhile, the level of the enterprises' success depends on the performance of the human resource management. The monetary crisis in Indonesia started in July 1997, which was then followed by a national political reform that had a massive impact on the national economy.

This bad experience faced by the conventional banks had forced the Indonesian government to take action in restructuring and recapitalizing many banks nationwide. The enactment of Act No. 10/1998 (amendment Act No.7/1992) on banking affairs provides an excellent opportunity for the Islamic banking to grow in Indonesia.

The Act allows the banks to operate fully in adherence with the *sharia* or guided by a special unit of *sharia*. Islamic-based or *shariah* banks are a newcomer to the Indonesian banking industry as they offer the *shariah* compliance concept of profit and loss sharing. Through this scheme, the relevant parties should be responsible for running the mandate or *amanah* given. These are the basic characteristics of the legal system, given the birth of a stable economy with revenue free from interest, known as *riba* in Islam.

This is an opportunity for most Muslims in Indonesia to adopt or purchase the *shariah* products for their businesses' operations as has been guided in the Al-Qur'an and Hadith. Even the Bank of Indonesia has encouraged the positive development of Islamic Banks by supporting the creation of the policies on product enhancement and promotions. As the Islamic financial products are now being greatly demanded, thus, the expectation of having better employee performance is more crucial than ever before.

Human resources are vital for organizational excellence and they act as the main factor for achieving anticipated organizational objectives (Haghighi, 2005). This is aligned with the obligation for every Muslim to give full commitment to their works and produce better results. Having such analysis of employees' performance, the three influencing factors such as job stress, motivation and communication enable them to be compared with other studies in the conventional workplace systems. The three factors will be discussed in the following sections on their relationship with employees' performance.

2.0. Literature Review

2.1. Employee Performance.

Organisational performance is a sign of the capacity of a company to efficiently achieve independent goals (Venkatraman & Ramanujam, 1986). One of the elements that is assessable is the employees' performance through the level of their productivity. Several researches have been introducing various methods to evaluate organisational performance (Wong & Wong, 2007; Prajogo, 2007). This includes the quality, quantity, knowledge or creativity of individual towards the accomplished works that are in accordance with the responsibility during a specified period- in other words, the assessment systems must have some standard parameters that can be relied upon. Below is the conceptual framework:

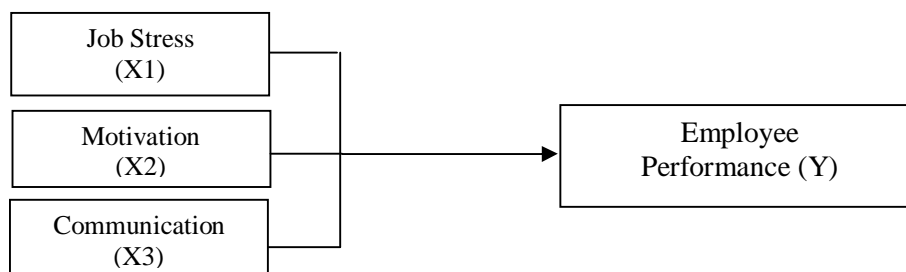


Figure 1.1. Conceptual Framework

2.2. Factors Associated with Employee Performance.

Job Stress. In his earlier literature, it is mentioned that job stress is produced when one cannot properly coordinate available resources and job demands with personal abilities (French, 1975). He describes that job stress is derived from a situation of job environment that poses threat to an individual. Some companies may demand achieving a certain level of work, while their employees may be unable to cope with the given tasks. It is said that the demand exceeds the capacity of an individual which simultaneously fails to satisfy the top management. Moreover, job stress has been known universally as a social problem (Mizuno et al., 2006) which has a combination of factors that disrupts the workers physically and psychologically (Lu, 1997), and affects their health care as a whole (Conway et al., 2008).

This is in line with the studies that have been conducted on the effect of job stress in terms of medical matters such as heart disease, gastroenteritis, sleep disorders and other accidents that will decrease the rate of job performance, and the increased rate of absence and job displacement (McVicar, 2003; Mitoma et al., 2008; Muecke, 2005; Poissonnet & Veron, 2000). However, it has been said that a small amount of pressure can bring about an increase in personnel's efficiency, while too much pressure results in negative mental and physical changes (Raeissi & Tavakoli, 2002). This relationship can be illustrated with an inverted-U shape (Sullivan & Baghat, 1992) showing that the absence of stress creates no motivation to one's performance.

The potential of job stress could arise from three aspects such as environment, organizational and individual (employee) factors. The possibility of stress affecting one's performance is great (Tuten & Neidermeyer, 2004). Each individual is exposed to a range of stressors both at work and in his or her personal life which ultimately affects work performance (Feddock et al., 2007)..

However, the perception of job stress varies from nation to nation (Glaxer et al., 2004) including in Indonesia that may also be affected by cultural differences (Jaramillo et al., 2005). Despite the agreement of authors on the relationship of job stress and work performance, the human resource operationalization in Islamic organizations may produce different results. The Islamic banks should implement the policies that may stay far from the excessive pressures which will generate various forms of unethical actions by the employees. Islam had formulated a managerial vision towards the concept of *shariah* compliance, thus beside the expectation to have better employees' performance, it also must have a maximized *maslahah* orientation.

Motivation. DeCenzo and Robbins (1996) define a motivation as the willingness or desire to do something, conditioned by the activity or the ability to satisfy some needs. The studies on employees' motivation have widely been practiced in today's enterprises across all sectors, regardless of their size. Those enterprises realized that the actions of motivating their employees are crucial in order to achieve the organizations' goals. The motivated employees relate to the manners of self satisfaction, self-fulfilment and commitment that are expected to produce better quality of work and oblige to the organizations' policies which will extensively materialise efficiencies and competitive advantage. Motivation increases the job involvement by making the work more meaningful and interesting as well as the fact that it keeps the employees more productive and improves their subsequent job performance (Kamery, 2004; Ekerman, 2006).

The employee motivation is obviously important. In fact, it is one of the most important and essential factors for the achievement of employees, and ultimately the organizational targets and goals (Berman et al., 2010). Ololube (2006) asserts that motivation to work, whether intrinsic or extrinsic are very essential in the lives of workers because they form the fundamental reason for working in life. It represents the complex forces and needs which provide the energy for an individual to perform a particular task (Shulze & Steyn, 2003). Moreover, employee motivation serves as an essential component of business operations whereby high motivation coincides with job satisfaction, a sense of pride in one's work, a lifelong commitment to organization which enhances performance and productivity (Linz et al., 2006). Likewise, for Islamic organizations, this factor is useful to examine the employees' performance, although the findings may be equivocal.

Communication. Communication refers to the act, contact or double interacts among the individuals in delivering information, meanings and understanding (Fisher, 1980). Several professionals have expressed mixed opinions on communication competency used as a predictor of employee success (Ryan & Sackett, 1987). The importance of communication cannot be denied for organizations as applied to their ability to influence the bottom-line- as found in growing evidence linked with work productivity (Camden & Witt, 1983; Papa & Tracy, 1987; Snyder & Morris, 1984).

With effective communication, a company is able to have good coordination among the teams or units in an organization whereby the absence of it will reflect problems in running business operations or critically cause the damage between individuals. It has been suggested that the persons who are involved in communication processes need to possess both basic skills and abilities, otherwise, the information could be missed to understand appropriately, and furthermore it depends on the facilities available in organizations and the actions of managers to see the acceptability of information in order to have an accurate deliverance. Furthermore, as one of the crucial elements, the managers have been asked to learn the feedback gained from the employees which probably affects their work motivation. This relates to the circumstances that are currently faced by the employees including the right time of delivering such information, thus, they may perform based on the messages they receive. In obtaining such a good performance, the managers must show the initiatives of developing and providing opportunities to learn new skills to their employees through the communication process.

Hypotheses

The development of hypotheses is based on the discussion of theories, thus the hypotheses are:

Ha1: Job stress, motivation and communication have a simultaneous effect on the employees' performance.

Ha2: Job stress, motivation and communication have a partial effect on employees' performance.

3. Methodology

Using a quantitative methodology, this research is conducted at two Islamic banks namely; PT. Bank Muamalat Indonesia, Tbk. and PT. Bank Mandiri Syariah, Tbk. Both are located in the Padang Sidempuan city. This city is known as an Islamic historical place which has potential Muslim community with 90% of its population.

It is located in the southeast Sumatera region consisting of several Muslim races who strongly practise the Islamic principles, values and manners. The total number of the population was 47 respondents, with a sample size of 32 respondents selected through a purposive sampling technique, while, the respondents' criteria comprise of those who have been working for more than 2 years in either banks. The primary data were gathered from the distributed questionnaires of the Likert-typed scale.

Validity and Reliability Test

The validity test is determined through an accurate measurement process, while, the reliability test is referred as a tool used to measure the items in a questionnaire which act as the indicators of the variables or constructs. Nunually (1978) has suggested that the Cronbach alpha coefficient of a scale should be above 0.7. Based on the data collected from 32 respondents, all the independent variables with a total of thirty two questions contained under three variables, namely; job stress, motivation and communication as indicated in the Corrected Item-Total Correlation (r) column, are all larger than the r table, thus are declared as valid questions. On the other hand, the dependent variables of Y with ten questions indicated in the Corrected Item-Total Correlation (r) column are all larger than the r table, where r table is 0.4044, thus those questions are similarly declared as valid questions.

For the result of the reliability test, it is found that the variable of Y against the ten questions, a Cronbach's Alpha of 0.924 is obtained, thus all questions related to Y are reliable. For the variable X1, the Cronbach's Alpha obtained is 0.951, thus all the ten questions are reliable. Next, the result for X2 has found a Cronbach's Alpha of 0.860, thus the eleven questions are reliable. For the variable of X3, the test has come to a Cronbach's Alpha of 0.846, thus the eleven questions are reliable.

4. Findings and Discussion

4.1. Multiple Regression Analysis

As depicted in Table 4.1, based on the multiple regression test, the expected model is:

$$Y = f(\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3)$$

$$\text{Employees' Performance} = 9.355 + 0.017X_1 + 0.067X_2 + 0.638X_3 + \varepsilon$$

This test highlights that the value of determinant coefficient which is 59.3% employees' performance at the two Islamic banks can be explained by the variables of job stress, motivation and communication, while the remaining of 31.7% are describable by other factors. The F-test has shown that job stress (X1), motivation (X2) and communication (X3) variables simultaneously influence employee performance.

Table 4.1 Coefficient Determination

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.795 ^a	.632	.593	2.64274	1.910

a. Predictors: (Constant), Job Stress, Motivation, Communication

b. Dependent Variable: Employee Performance

Table. 4.2 Multiple Regression

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	9.355	6.253		1.496	.146		
	Job Stress	.017	.102	.025	.164	.871	.578	1.730
	Motivation	.067	.147	.063	.453	.654	.673	1.486
	Communication	.638	.149	.747	4.287	.000	.433	2.308

a. Dependent Variable: Employee Performance

As the T test shows (Table 4.2) that job stress (X1) and motivation (X2) variables have no partial effect on the employees' performance, the communication variable (X3) has partial effect on employees' performance. From these equations, it can be concluded that if the job stress, motivation and communication variables are ignored, then the employees' performance has a value of 9.355. If there is an additional value of 1 on the communication variable, then it is followed with the improvement in performance with a value of 0.638.

4.2. The Significance of The Model

Normality Test. Ghazali (2006) states that the normality can be seen on the data distribution when the curve does not pass through either the left or the right. As depicted in Figure 4.1, it shows that the data output is normally distributed.

Dependent Variable: Employee Performance

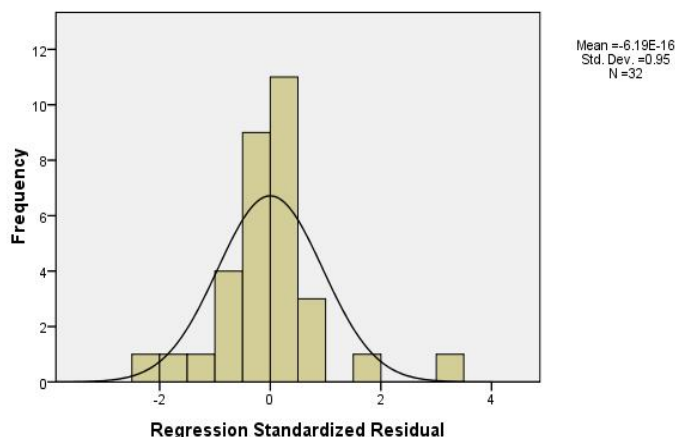


Figure 4.1 Histogram

Heteroskedastisity Test. This test can be done by looking at the scatterplot graphs presented in Figure 4.2 below. It shows that the dots spread randomly do not form any specific pattern which is clearly well dispersed above and below zero on the Y axis, and this means that the heteroscedasticity in the regression models is not incurred.

Dependent Variable: Employee Performance

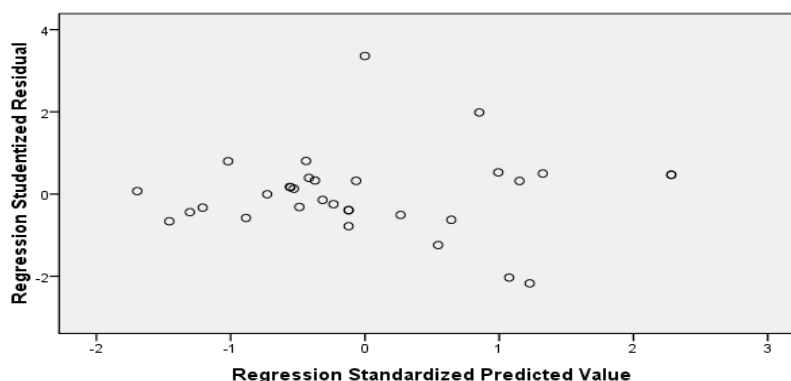


Figure 4.2. Scatterplot

Multicollinearity Test. This test seeks to see whether the regression model has a correlation between independent variables. The multicollinearity is used to show the linear relationship among those variables. As depicted in table 4.2, it is found that the multiple regression test has no collinearity problem because the VIF on job stress (1.730), motivation (1.468) and communication (2.308) shows a value lower than a value of 10 and the values of tolerance statistics being well above 0.1.

Conclusion

This study concludes that the variables of job stress, motivation and communication do simultaneously affect the employees' performance at the two Islamic banks. It also states that the partial test shows that both job stress and motivation variables respectively do not partially affect the employees' performance, while the communication variable has partial effect on employees' performance.

Although this findings may not be generalized to other places or banking institutions, the Muslim respondents in this study may have similar perceptions with the employees who work at other Islamic banking institutions particularly in Indonesia. Basically, all Muslims develop the same thinking and learn about Islamic teachings from both undoubtful sources of Al-Qur'an and Hadith. Thus, it does offer some recommendations to stakeholders and policy makers; (i) the Islamic banks would see other factors that may influence employees' performance that can potentially occur; (ii) both Islamic banks and others need to enhance the communication ability that has a significant impact to the performance; lastly (iii) the central bank of Indonesia (BI) suggests creating policies to monitor and assess the performance of employees or institutions and help supporting programmes to encourage and boost employees' performance.

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Appendices

Table: 5.1. Validity Test for Variable Job Stres (X1)

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P1	36.4375	33.609	.644	.553	.953
P2	36.3438	32.749	.628	.566	.953
P3	36.4688	29.160	.915	.919	.941
P4	36.5938	29.475	.858	.861	.943
P5	36.7188	30.015	.798	.850	.946
P6	36.4688	29.160	.860	.878	.943
P7	36.4375	29.673	.825	.862	.945
P8	36.5938	31.475	.758	.754	.948
P9	36.5938	28.507	.882	.935	.942
P10	36.6875	28.738	.796	.789	.947

Table: 5.2. Validity Test for Variable Motivation (X2)

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P1	42.3750	13.081	.597	.654	.845
P2	42.5312	13.483	.437	.482	.856
P3	42.7188	12.531	.445	.807	.862
P4	42.5938	12.636	.706	.891	.837
P5	42.6562	12.491	.621	.629	.842
P6	42.6875	12.931	.528	.674	.850
P7	42.5625	12.964	.692	.863	.839
P8	42.5000	13.226	.577	.789	.846
P9	42.5938	13.668	.490	.779	.852
P10	42.7188	13.564	.674	.630	.844
P11	42.8125	12.609	.521	.564	.852

Table: 5.3 Validity Test for Variable Communication (X3)

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P1	40.1250	18.952	.739	.784	.818
P2	40.0625	19.351	.690	.849	.822
P3	40.1250	19.984	.678	.597	.826
P4	40.1250	19.919	.463	.952	.839
P5	40.2188	20.305	.440	.938	.841
P6	40.1250	20.371	.426	.423	.842
P7	40.2188	20.370	.598	.621	.831
P8	40.8438	18.717	.474	.774	.843
P9	40.9375	18.577	.430	.638	.852
P10	40.1250	20.435	.577	.864	.832
P11	40.2188	20.047	.670	.834	.826

Table: 5.4. Validity Test for Variable Employee Performance (Y)

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P1	37.3750	14.435	.594	.697	.922
P2	37.2500	13.548	.881	.855	.907
P3	37.2188	13.854	.756	.682	.913
P4	37.4062	12.830	.804	.806	.911
P5	37.1562	13.943	.778	.764	.912
P6	37.3125	13.899	.752	.765	.914
P7	37.3750	13.661	.713	.817	.916
P8	37.2500	14.645	.673	.719	.918
P9	37.2188	14.499	.581	.770	.923
P10	37.0938	14.797	.589	.654	.922

Table: 5.5. Realibility Test

Variables	Reliability Statistics		
	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
Job Stress (X1)	.951	.952	10
Motivation (X2)	.860	.873	11
Communication (X3)	.846	.869	11
Employee Performance (Y)	.924	.924	10