

The Impact of Work-Related Stress on Employees' Performance: An Insight from the Malaysian Banking Sector

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Abstract: Work-related stress is inevitable especially in the service industry given the operational responsibilities and the nature of their work activities. This study examines the factors of work-related stress on employees' performance where the three components tested are work overload, role conflict, and monetary rewards. The survey was carried out from a sample of 70 employees from a banking company in Malaysia by using structured questionnaires and other secondary sources. The collected data was then empirically analyzed by using the Statistical Package for the Social Sciences (SPSS) software version 23. The findings revealed that work overload and monetary rewards, two of the three predictive variables, have a significant impact on an employee's performance. These findings were consistent with earlier studies conducted by several other scholars. Future research should consider including other predictors and investigating them in various industries or sectors.

Keywords: *Employees' performance, Work overload, Role Conflict, Monetary Rewards.*

1. Introduction

Employee performance is a crucial topic to be discussed as it directly impacts organizational success and goal achievement (Werdhiastutie, Suhariadi & Partiw, 2020). Studies by Triansyah, Hejin and Stefania (2023), have found that effective performance leads to increased productivity and quality of work. Undeniably high-performing employees contribute to productivity, efficiency, and overall business growth, making their performance a key focus for management strategies. Nowadays, work-related stress is inevitable and can significantly affect employee performance and overall organizational success (Manurung & Triputra, 2024). Employees who experience high levels of occupational stress often exhibit lower results across various measures of organizational effectiveness, leading to decreased motivation and productivity. Banking staff, in particular, are a group known to experience a great deal of stress due to numerous stressors in their work environment, leading to decreased organizational performance, high error rates, poor work quality, high staff turnover, and absenteeism (Ajayi, 2018).

Stress is generated by the body's reaction to demands or challenges, which in turn triggers a series of physiological, psychological, and behavioral responses. As stated by Shamsavarani, Azad Marz Abadi, and Hakimi Kalkhoran (2015), stress can be defined as "a state of psychological and physiological imbalance resulting from the disparity between situational demand and the individual's ability and motivation to meet those needs. Work-related stress significantly impacts employee performance through both psychological and physiological mechanisms. Understanding these effects is crucial for organizations aiming to enhance productivity and employee well-being. For the psychological effects, Uba and Nuamah (2023) highlighted that excessive work-related stress causes cognitive dysfunction, diminishing overall performance. Despite these signs, stress can cause people to become less motivated at work and undermine their belief in career success (Putra & Pono, 2023). Work-related stress also triggers physiological changes, such as increased heart rate and pupillary response, indicating heightened stress levels during demanding tasks which lead to fatigue and decreased cognitive function, further impairing performance (Uba & Nuamah 2023).

Additionally, as competition grows, banking employees must cope with an extremely demanding work environment, which causes them to suffer from extreme stress due to various circumstances (Pandey, 2020). According to Mittal and Bakar (2018), excessive workloads can lead to burnout and decreased organizational commitment, as individuals struggle to meet the demands placed upon them. Moreover, employees' inability to

maintain a healthy balance between their work and family lives can also lead to work-family conflicts, which in turn cause stress and diminish their performance. According to empirical research, role conflict significantly negatively impacts employee performance, emphasizing that divergent expectations can result in lower motivation and productivity (Kamalia et al., 2022). On the other hand, Employee performance and monetary rewards have long been topics of interest, particularly in the banking industry (Jegatheeswari & Anandi, 2023). Numerous studies have delved into the nuances of this relationship, highlighting the various ways financial incentives can shape employee behavior and productivity.

Similarly, according to a study on the impact of rewards and recognition on employees' motivation and job performance, updated reward systems can significantly influence employee motivation and, in turn, positively impact the overall performance of the organization. It was discovered that financial incentives improve worker performance and increase their loyalty to the company (Mithunmita & Britto, 2021). Hence, insufficient pay will lead to the employee being demotivated thus dropping their performance. As stated by Ofosu-Adarkwa (2018), stress increases particularly for those working in the financial industry due to their job demand and security. Therefore, the correlation between work-related stress and employee performance is predominantly negative, with higher stress levels generally leading to lower performance (Lasminingrat, 2021). These stressors can create a disparity between the demands on employees and their ability to perform at their best, ultimately undermining the organization's overall performance. Consequently, it would be beneficial to investigate factors that significantly influence employees' performance in the banking sector.

2. Literature Review

Employee Performance: Employee performance is a critical factor in determining whether the organization achieves its goals. It refers to the outcomes individuals achieve in their roles, reflecting their ability to meet organizational goals through quality and quantity of work (Kuswati, 2020). It encompasses various factors, including work environment, leadership, and personal commitment. According to Iskanto (2021), employee performance is assessed based on the quality of work produced and the quantity of tasks completed within a specified timeframe. Hence, high performance is characterized by meeting or exceeding established standards and fulfilling their duties and responsibilities effectively and efficiently (Triansyah, Hejin & Stefania, 2023). As stated by Varun et al. (2023), improved employee performance is crucial for long-term viability since it improves productivity and raises standards of living, which stabilizes economies.

Work overload: Work overload, a common phenomenon in the modern workplace, can significantly impact an employee's performance, productivity, and overall well-being. Excessive workload coupled with long working hours and unrealistic expectations can lead to physical and emotional exhaustion, ultimately affecting an individual's ability to perform at their best (Li, 2016). Employees who are given more work than they can manage in a particular period are known as experiencing work overload, which can cause stress and potential decreases in performance. Numerous studies demonstrate that work overload has an extensive effect on employees' performance. As stated by Brailovskaia, Frahsek and Margraf (2022), an excessive workload can harm an organization's overall effectiveness by increasing job stress, causing burnout, and eventually lowering employee performance. Hence, this evidence indicates an excessive workload adversely affects employee performance (Siamsa and Aprilius, 2023).

Role Conflict: According to Anand and Vohra (2020), role conflict occurs when individuals have to deal with incompatible demands or expectations associated with a particular position in an organization. These conflicting demands can come from different sources, making it difficult to meet all expectations effectively. Role conflict emerges from competing expectations, scarce resources, and differing interests among team members (Pembi et al., 2023). As supported by Muspawi et al., (2023), it can hinder effective communication, leading to miscommunications and reduced collaboration among team members which impact individual performance. Studies by Hwang (2019), indicate that role conflict, particularly in healthcare settings, correlates with decreased organizational effectiveness and individual performance due to feelings of isolation and resource shortages. Thus, unresolved conflicts can result in unaccomplished goals and diminished overall performance, highlighting the need for effective conflict management strategies (Yıldız, 2021). Hence, this phenomenon is prevalent in organizational settings and can significantly impact productivity and employee satisfaction.

Monetary reward: The term "monetary rewards" describes financial or tangible benefits that are granted to employees in recognition of exceeding expectations or accomplishing goals, and which have a positive effect on their motivation and performance (Mithunmita & Britto, 2021). Undeniably reward is a strong motivator that significantly influences employees' performance since it can be used to measure an individual's productivity and inspire them to take responsibility for their work (Seng & Arumugam, 2017). Thus, effective reward systems, which include monetary incentives, are crucial for achieving organizational goals and retaining talent. Employee engagement and effectiveness in their jobs are therefore more likely to occur, which not only cultivates loyalty but also improves job performance (Satish et al., 2023). A significant positive relationship was established between monetary rewards and employee performance, emphasizing the need for competitive compensation practices whereas, poor implementation of the reward system will result in increased employee turnover and decreased performance (Ngwa et al., 2019).

3. Methodology

This study is cross-sectional, and the data was gathered by distributing a questionnaire to banking industry personnel. Upon the approval of the involved organizations, the respondents for this study were chosen at random from the obtained list of names using a formula from Microsoft Excel. A self-administered instrument was sent to the respondents via their institutional email addresses. The questionnaire was then analyzed using SPSS 23, and the association between the variables under this study and employee performance was investigated using multiple regression.

The measurements of the research instrument were adapted from the previous studies. *Employees' performance* construct was measured using the five dimensions adapted from Koopmans et al. (2014). Meanwhile, *workload* was measured adapted from Vijayan (2018), on a five-point scale from 1 (strongly disagree) to 5 (strongly agree). The construct of *role conflict* was measured using 8 items adapted from Chin, You, and Chang (2012), and finally, the construct of *monetary* was measured using 8 items adapted from Sargana (2014) and Jelili (2016) on a five-point scale from 1 (strongly disagree) to 5 (strongly agree).

A total of 70 surveys were returned. Following an initial screening of the data, which included the assessment of outliers, straight-lining responses, and missing data, 70 responses in total were used as final responses. The results showed that 67.1% of the respondents were female, while the majority of respondents (98.6%) were Malay. Over half of those surveyed (55.7%) obtained a bachelor's degree.

4. Findings and Analysis

Internal Consistency: Cronbach's alpha was used in this study with a threshold value that should be 0.8 and above for Cronbach's alpha (Nunnally & Bernstein, 1978). Table 1 illustrates the score values for Cronbach's alpha for constructing employees' performance, work overload, role conflict, and monetary rewards were 0.852, 0.787, 0.734 and 0.803, respectively. These values indicate that all constructs showed a high consistency and reliability.

Table 1: Mean, Standard Deviation and Latent Variable Correlation

	Mean	SD	EP	WO	RC	MR
Employees' performance	3.2589	.46883	0.852			
Work overload	2.8800	.58622	0.204	0.787		
Role conflict	2.5821	.53241	-0.037	0.590	0.734	
Monetary Rewards	3.0204	.58991	0.314	-0.011	-0.187	0.803

Note: EP = Employees' Performance; WO = Work Overload; RC = Role Conflict; MR = Monetary Rewards

Correlation analysis is used to determine the relationship between dependent and independent variables. Based on Pearson's analysis shown in Table 1, a relationship between the three predictors and employees' performance was examined. The study revealed no significant and positive correlation between work overload and employees' performance ($r = 0.204$, $p < 0.01$). Role conflict and employees' performance indicate a

significant and negative correlation ($r = -0.037, p < 0.01$). The remaining factor shows a significant and positive correlation between monetary rewards and employees' performance ($r = 0.314, p < 0.01$).

Multiple Regression Analysis: Multiple regression analysis was used to determine the linear relationship between independent variables and dependent variables. Additionally, this approach can also be used to determine which independent variable has the strongest influence on the dependent variable.

Table 2: Model Summary

Model	Beta (β)	Sig.
Work Overload	2.242	0.035
Role Conflict	-0.142	0.265
Monetary Rewards	0.228	0.016
R²	0.158	
Adjusted R²	0.119	
F-stat	4.120	
Significant value	0.000	

Table 2 indicates how the dependent variable can be explained by multiple regression analysis for this research. It can be seen that R² is 15.8%. This means that 15% of the variance in employees' performance is influenced by independent variables of this study which are work overload, role conflict and monetary rewards. Thus, another 84.2% of the variance can be explained by other factors that contribute to employees' performance. For this study, work overload is the major contributor to the employees' performance in the banking sector in Malaysia. Meanwhile, role conflict has the least contribution towards employees' performance. Thus, only H1 and H3 were therefore supported. For future studies, researchers can discover other variables in the banking field or other fields.

5. Conclusion and Recommendations

The findings suggest that the impact of work-related stress on performance is not straightforward, but rather is influenced by various factors. While high levels of stress can certainly harm performance, moderate levels of stress may enhance performance by challenging employees and motivating them to perform at their best. For instance, research has indicated that employees with higher levels of commitment and job experience are better able to manage the effects of stress and maintain high-performance levels (Herisma, Diantimala & Saputra, 2022). Conversely, employees with lower levels of commitment and experience are more likely to experience the negative effects of stress on their performance.

This underscores the importance of providing employees with the necessary resources and support to effectively manage work-related stress. The finding of the current research is similar to a previous study which found a positive and significant effect ($\beta=2.242, p=0.035$) between workload and employee performance, suggesting that a manageable workload can enhance performance (Miafara et al., 2023). As supported by Tilova (2024), employee performance is greatly impacted by workload, suggesting that optimal workload levels can result in better performance outcomes. Furthermore, statistical results of monetary rewards showed that the variable is significant in predicting the employees' performance. Elrayah and Semlali (2023), added monetary rewards are a strong motivator that increases employee performance and satisfaction. The study did note, however, that although financial incentives might encourage performance, businesses should carefully assess their incentive programs to make sure they complement overall goals and employee motivations.

Therefore, it is recommended for future researchers to replicate the study in other organizations by industries or sectors to enable a more comprehensive analysis and a larger sample size. Furthermore, as only 15.8% of the variance in employee performance was explained by the independent variables found in this study, other contributing factors should be selected for future research. Other methods should be used in future studies

considering the findings obtained were only dependent on the information gathered through the questionnaires that were distributed to the respondents.

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