The Impact of Psychological Capital on Job Performance in the Banking Sector in Sri Lanka


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Abstract
Job performance of the employees is one of the central constructs which plays a crucial role in achieving organizational performance. The concept of psychological capital (PsyCap) has given much attention in the recent past as a new approach to enhance the job performance of the employees. However, the extent of the impact between PsyCap and job performance has not been investigated in Sri Lankan context. Therefore, the purpose of this study was to investigate the impact of PsyCap of employees on their job performance in the banking sector in Sri Lanka. The data were randomly collected from a sample of 176 managers and 357 non managerial employees in the banking sector in Sri Lanka. A questionnaire was administered among the employees to measure their PsyCap and job performance. The collected data were analyzed using correlation coefficient and regression analysis. The results of the study indicated that PsyCap had significantly and positively correlated with job performance. Therefore it is recommended to improve the overall employees’ PsyCap in order to increase employees’ job performance.

Keywords: Job Performance, Impact, Psychological Capital

1. Introduction
In today’s hypercompetitive business environment, job performance of the employees is one of the central constructs which plays a crucial role in achieving organizational performance. It is the most significant dependent variable in the organizational context and the most important concept in industrial – organizational psychology because “the major contribution of an employee’s worth to the organization is through work behavior and ultimately performance” (Arvey& Murphy, 1998). It is a key concept both in today’s work settings and research settings (Visweavaran and Ones, 2000). Job performance is the
observable behaviors that employees do in their jobs that are relevant to the goals of the organization (Campbell, McHenry, & Wise, 1990).

Since the job performance of the employees is a crucial construct in an organization, understanding of the factors influencing job performance is essential for the managers. This understanding may help to the managers to understand, explain, predict, measure and change the employees’ job performance (Campbell et al., 1993). In reviewing the theoretical and empirical evidence, researchers have identified different factors that can be affected for job performance. Waldman and Spangler (1989) developed three determinants of job performance as individual determinants (experience, ability, and motivation), outcome variable (performance feedback, pay increase, job security) and work environment factors (leader behavior, group process). In addition, individual characteristics (Hurrell & Murphy,1992), motivation (Moorhead and Griffin, 1999), organizational culture (Moorhead and Griffin, 1999), effort (Luthans,2002), organizational structure (Robbins, 2003), leadership (Mullins,1996), organizational commitment (Jaramilloa, Mulki & Marshal, 2005), job involvement (Moorhead and Griffin, 1999), personality (Robbins, 2003) are few antecedents of job performance. In addition to these factors a newly developed concept of psychological capital has given much attention in the recent past in USA and China as a new approach to enhance the job performance of the employees.

However, this newly emerged psychological capital has been virtually ignored by both business academics and practitioners. Therefore, Luthans and other researchers pointed out the need of further investigation of psychological capital to generalize its effects on different work related variables in different context. Most of the research in PsyCap has been conducted by Luthans and his colleagues in the United State and China. There have been relatively few empirical studies on PsyCap in Asia. The empirical evidence on PsyCap of employees in USA and China show that there is a positive relationship between PsyCap and job performance but in the review of existing research literature in Sri Lanka, up to date, any research has not been conducted in any context on the consequences of psychological capital even though the concept is developed in 2002.

The banking sector was selected for this study by considering its great contribution to the Sri Lankan economy, it’s highly competitiveness and huge expansion after end of the thirty years war in Sri Lanka. Economy or production process largely depends upon how efficiently the financial sector in general and the banks in particular perform the basic functions of financial transformations. In a country like Sri Lanka, this factor assumes further significance. The banking sector is the dominant sub sector within the financial sector. It plays the positive and important role for the overall development of the country. The performance of the banking sector directly affects to the other industrial and service sectors of the economy (Fernando, 2004).

The success of the banks as one of the service sector organizations largely depends on the customer satisfaction. The service quality which refers to customers’ subjective evaluation of the service received is a crucial factor in deciding customer satisfaction. The human resource is the most influencing factor on improving the service quality. If the employees are well satisfied, more committed, and performing well in the banks, it can be predicted that service quality of the bank is high and the customers are satisfied. It can be assumed that job performance is a crucial factor in improving the service quality, customer satisfaction and ultimately, organizational performance. It can make or break the image of the banks. Thus, the managers in the banking sector need to find new ways to improve the performance of their employees. The empirical
evidence revealed that the importance of positive psychological capacities such as PsyCap as an insufficiently unexplored positive antecedent of job performance. However, there is no reported research in the banking sector in Sri Lanka on PsyCap or its impact on the job performance of the employees. Therefore, understanding the impact of PsyCap on job performance would be useful to the managers to utilize the full potential of their employees.

1.1 Problem Statement
In reviewing the research literature, it can be found that lots of factors have influenced on Job Performance. However, the research has given little attention on positive strengths or positive psychological factors of employees to improve the job performance of the employees. Fred Luthans and some other researchers have introduced psychological capital as a new capital that can be used to enhance job performance so as to gain distinctive competitive advantages. There are no researches can be found on PsyCap and its consequences in Sri Lanka. Therefore, there is a research gap in Sri Lanka with regards to the consequences of PsyCap on job performance. Therefore the problem of this research is to what extent the psychological capital affects to employees’ job performance in the banking sector in Sri Lanka?

1.2 Objective of the study
To identify the impact of PsyCap on job performance in banking sector in Sri Lanka.

2. Literature Review
2.1 Psychological Capital
Luthans and colleagues developed the concept of Psychological Capital (PsyCap) (Luthans et al., 2007). They define PsyCap as “an individual’s positive psychological state of development characterized by self-efficacy, hope, optimism and resilience”.

PsyCap is positively and uniquely related to the field of organizational behavior because it is based on theory and research, measurable, state-like or open to development, and related to positive work outcomes (Luthans, 2002a, b). PsyCap as well as each of its constituent resources have been considered as state-like in the positive psychological literature (Bandura, 1997; Masten& Reed, 2002; Luthans, 2002a, b). According to theoretical and empirical evidence, it can be concluded that PsyCap as a second order core construct (Luthans et al., 2007). PsyCap goes beyond human- (‘what you know’) and social (‘who you know’) capital, and is more directly concerned with ‘who you are’ and more importantly ‘who you are becoming.’ Thus, it is about developing one’s actual self to become the best possible self (Luthans et al., 2006).

The first and most theoretically developed and researched dimension of Psyap is self-efficacy. It has been received more research support. This dimension has been best matched with all the POB criteria (Luthans, 2002a). Stajkovic and Luthans (1998) define the concept of self-efficacy relevant to work place as person’s confidence of his or her abilities to make ready for the motivation, cognitive resources and a way of acting necessary to effectively perform a specific task within a certain context.

According to Snyder and colleagues (1991) hope is a “positive motivational state that is based on an interactively derived sense of successful.” It is also included agency and pathway components. Agency is goal directed energy and pathway means planning to achieve goals. Snyder (2000a, b) defined hope as “both the willpower (agency) and way power (pathways) that you have for your goals”. It is the will for desired goal (Snyder, 2000; Snyder et al., 1996). The pathways component of this definition involves the alternative
ways and contingency plans to reach those goals as they forecast obstacles to achieve the expected goals (Snyder, 1995, 2000). According to Snyder, (2000a) agency and pathways thinking are interrelated and operate in a combined, iterative manner to generate hope.

In general, an optimist is a person or positive thinker who expects good things to happen while a pessimist expects worse (Carver et al., 2005). Anyway, in positive psychology based on empirical theory and research it has a specific meaning. Tiger (1979) define optimism as a mood or attitude associated with an expectation about the social or material future, one which the evaluator regards as socially desirable, to his or her advantage, or for his or her pleasure. Seligman’s explanatory style model and Carver and Scheirer’s self-regulatory model are two theoretical models that have been used to define optimism (Peterson, 2000).

According to Masten & Reed (2002), a lot of theory and research on resilience have been taken from clinical psychology based on the studies of adolescent children who have bounced back from major difficulties. In general, it can be defined as an adaptive system which enables an individual to rebound or bounce back quickly from a setback or failure. In positive psychology, resilience is a positive adaptation process that can rebound in the context of significant adversity or risk (Masten & Reed, 2002). As adapted to the workplace, Luthans (2002b) defined resilience as “the positive psychological capacity to rebound, to ‘bounce back’ from adversity, uncertainty, conflict, failure, or even positive change, progress, and increased responsibility.” Based on this definition, it can be concluded that resilience is a positive strength that can be used to face adverse events as well as extreme positive events.

2.2 Job Performance

Job Performance is the most extensively researched criterion variable in OB and the HRM literature (Borman, Johnson, Rich, Podsakoff and Mackenzie, 1995). It is an important construct in industrial and organizational psychology. According to Murphy (1989) performance definitions should focus on behaviors rather than outcomes, because if the managers focus only the employees’ outcomes, employees will find the easiest way to achieve the outcomes without considering other important behaviors. Campbell, McCloy, Oppler, and Sager (1993) explain that performance consists of the behaviors that employees actually engage in which can be observed. According to Moorhead and Griffin (1999), job performance is all of the total set of work-related behaviors that the organization expects from the individuals to display. Motowidlo, Borman and Schmit (1997) define job performance as behaviors or activities that are oriented towards the organization’s goals and objectives. Similarly, Campbell, McHenry, & Wise (1990) define job performance as the observable behaviors that people do in their jobs that are relevant to the goals of the organization. Motowidlo, Borman, and Schmit (1997) pointed out performance as behaviors with an evaluative aspect. It should be the behaviors relevant to the goals of the organization (Campbell et al., 1993).

Traditionally, job performance was evaluated in terms of the proficiency with which an individual carried out the tasks that were specified in their job description. Borman & Motowidlo (1993) supported this idea and stated that traditionally performance has been conceptualized in terms of the execution and completion of well-defined task (Shaffer and Shaffer, 2005). However, the changing nature of work and organizations has challenged the traditional view of job performance. In review of the literature on job performance, in mid-1990, Borman and Motowidlo (1993) have identified two classifications that can be explored the job performance. The central difference between these two classifications is in role performance and extra role performance. In role performance is the behavior that is directly correlated with the job tasks or requirements and extra role performance is the behavior that is not directly correlated with job task or
requirements, but correlated with organizational outcomes (Shaffer and Shaffer, 2005). Borman and Motowidlo (1993) defined in role performance as task performance and extra role performance as contextual performance.

2.3 Empirical evidence on PsyCap and job performance

When Luthans (2002a) introduced the concept of positive organizational behavior to the work place, he emphasized that if any concept to consider as a positive psychological construct, it should be helped to improve the performance. Luthans and his colleagues stressed the ability of PsyCap to improve the performance.

Lots of researches have examined the contribution of each construct of PsyCap on employee performance. Stajkovic and Luthans (1998) define self-efficacy as person’s confidence of his or her abilities to make ready for the motivation, cognitive resources and a way of acting necessary to effectively perform a specific task within a certain context. Based on the employees’ perceived self-confidence, they engage with the specific task and complete that task successfully. Bandura (1997) named self-confidence employees as good performers. According to his explanation, if the employees have high self-efficacy, they believe they can succeed. As a result they put more effort on the given task. When employees try harder to succeed, they generally perform better. It means that self-efficacy correlates with job performance. According to Multiple meta-analyses self-efficacy has positively and strongly correlated with job performance (Stajkovic & Luthans, 1998a; Bandura, 2000; Bandura & Locke, 2003).

According to Snyder (2000) there is a relationship between hope and outcome in different context such as academic, athletic and health. Luthans, Avolio, Walumbwa, & Li, (2005) found that a relationship between Chinese factory workers’ hope and supervisory rated performance. Similarly, hope has been found as a positive predictor of JP in different researches in different context (Luthans et al., 2005; Luthans, et al., 2007; Peterson & Luthans, 2003; Youssef & Luthans, 2007). Adams et al., (2002) found that hopeful employees are more effective than the low hopeful employees.

Peterson and Byron (2008) stated that highly hopeful employees possess goal oriented effort. Those employees have special ability to find the continuous alternative ways to accomplish their goals. This ability led to continuous effort and ultimately helped to improve the job performance. They found that different types of employees with more hope had high JP. They measured this relationship after one year controlling their self-efficacy and cognitive ability. According to Bandura (1997) self-efficacious and hopeful employees perform better because these employees accept challenges and put more efforts to achieve goals owing to their high efficacy. And also they identify sub goals and strategies to achieve those goals.

According to Corr & Gray (1996) optimism has positively correlated with JP because when the employees believe that they can succeed, they are less likely to give up the task and put forth more effort to accomplish the goal. Seligman (1998) found that positive relationship between optimism and JP among the insurance sales agents. Luthans et al., (2005) found similar result in Chinese factory workers. Youssef and Luthans (2007) reported positive relationship between optimism and employees performance.

Resilience is “the ability to make a successful comeback after being assailed by problems or unexpected barriers to success” (Luthans et al., 2007b). According to the definition, resilience employees can quickly come back when the setbacks do occur. Thus, they can regroup the strategies and do exert effort for the
success (Bonanno, 2005). Similarly, Maddi (2005) with his work on hardiness noted that the employees who have high resilience bounce back from the major setback quickly and engage with normal work. According to him resilience provides the stimulant to employees to eliminate the loss of functioning and bounce back from setbacks. Moreover, he stated that the important of this psychological capacity (resilience) in enhancing the performance of the employees in the turbulent environment (Maddi, 2005). According to Seligman (1998) optimism is positively and significantly correlated with JP of insurance sales agents. Similar result was found by Youssef and Luthans (2007). Luthan et al., (2005) found that significant relationship between resilience and rated performance of the Chinese workers.

Based on the above mentioned empirical evidence, it can be concluded that the composite effect of PsyCap as a multi-dimensional construct may be significantly and positively correlated on JP. Avey & Nimnicht (2009) found that PsyCap (self-efficacy, hope, optimism and resilience) is positively correlated with managers’ evaluations of employee performance in the two field studies. Some researchers have found similar results (Avey & Nimnicht, 2009; Luthans et al., 2007). Stajkovic (2006) pointed out the importance of combined effect of four facets of PsyCap to improve performance. Fredrickson (2001) suggests that “higher levels of positivity will contribute to maintaining higher levels of individual motivation and performance.”

H1: PsyCap of employees will be positively and significantly related with their job performance

3. Research Methodology

3.1 The research design

In this study, the researcher tries to establish the relationship between PsyCap and Job Performance. Therefore, the purpose of this study is hypothesis testing that seeks to explore the relationship between variables. The current study employed a correlational study in order to explore the relationship between employees’ PsyCap (independent variable) and their job performance (dependent variable). This field study is conducted in natural environment in banking sector under minimal interference with noncontrived settings. This study is a cross sectional study. For this purpose, data will have to be collected from each employee in banking sector in Sri Lanka. Therefore, the unit of analysis of this research is “individual”.

3.2 Population and sample

The population of this study was consisted of managers and non-managerial employees in the banking sector in Sri Lanka. The sample for this study was initially derived by randomly selected 220 managers and 440 non-managerial employees who employed in banking sector in Sri Lanka throughout the seven provinces. The response rate was 81%.

3.3 Measures

The managers and non-managerial employees’ job performance was the dependent variable and PsyCap of the managers and non-managerial employees was the independent variable of this research. These variables were measured using standard instruments. The questionnaire was separated into three sections for demographic data, PsyCap and job performance. Seven questions were included to get the demographic information.

The employees’ PsyCap was the independent variable of this research study. It was measured by standard questionnaire which was originally developed by Luthans and colleagues (2007). It was consisted of 24 questions and included 6 items for each of the four components of hope, efficacy, resilience and optimism.
Job performance is the dependent variable of this study. This study intends to measure self-rated and supervisor rated job performance. Self-rated & supervisor job performance was measured using two dimensions (task performance, contextual performance) and 21 questions.

3.4 Validity and Reliability
Luthans, et al (2007) have constructed PsyCap questionnaire including 24 questions. According to them, they have appointed an expert panel to select items for each four construct of PsyCap. The panel has selected six items for each of the four construct so as to secure the content and face validity. They have adapted wordings to match with workplace. This questionnaire was validated by using the confirmatory factor analysis across multiple samples (Luthans, Avolio, Avey, & Norman, 2007).

Task performance and contextual performance were used to measure job performance. Task performance instrument developed by Borman, Ackerman and Kubisiak’s (1994) and contextual performance questionnaire developed by Motowidlo and Van Scotter (1994) were used in this study. Task Performance was measured using three dimensions. This instrument includes 08 questions. Contextual performance was measured using five dimensions and the instrument includes 13 items. The Cronbach Alpha was 0.873 for PsyCap and 0.91 for job performance. It can be concluded that the instruments possesses high reliability owing to the data.

3.5 Methods of data analysis
The data were analyzed using correlation coefficient and regression analysis. SPSS data analysis package of 17th version was used to analyze the data.

4. Results
According to the results of the univariate data given in table 01, the levels of PsyCap and job performance is in high level among the employees.

Table 01: The results of univariate analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-efficacy</td>
<td>3.91</td>
<td>.434</td>
</tr>
<tr>
<td>Hope</td>
<td>3.94</td>
<td>.453</td>
</tr>
<tr>
<td>Resilience</td>
<td>3.83</td>
<td>.423</td>
</tr>
<tr>
<td>Optimism</td>
<td>3.57</td>
<td>.470</td>
</tr>
<tr>
<td>Psychological capital</td>
<td>3.81</td>
<td>.348</td>
</tr>
<tr>
<td>Task Performance</td>
<td>4.03</td>
<td>.436</td>
</tr>
<tr>
<td>Contextual Performance</td>
<td>4.20</td>
<td>.401</td>
</tr>
<tr>
<td>Job Performance</td>
<td>4.12</td>
<td>.394</td>
</tr>
</tbody>
</table>
Table 02: Correlation coefficient between independent variables and dependent variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Self-efficacy</td>
<td>-</td>
<td>.508**</td>
<td>-</td>
<td>.540**</td>
<td>.519**</td>
<td>-</td>
<td>.400**</td>
<td>.440**</td>
</tr>
<tr>
<td>2. Hope</td>
<td>.540**</td>
<td>.519**</td>
<td>-</td>
<td>.400**</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
</tr>
<tr>
<td>3. Resilience</td>
<td>.508**</td>
<td>-</td>
<td>.540**</td>
<td>.400**</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
</tr>
<tr>
<td>4. Optimism</td>
<td>.519**</td>
<td>.540**</td>
<td>.400**</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
<td>.789**</td>
</tr>
<tr>
<td>5. PsyCap</td>
<td>.400**</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
<td>.789**</td>
<td>.810**</td>
<td>.757**</td>
</tr>
<tr>
<td>6. Task Performance</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
<td>.789**</td>
<td>.810**</td>
<td>.757**</td>
<td>-</td>
</tr>
<tr>
<td>7. Contextual</td>
<td>.502**</td>
<td>-</td>
<td>.540**</td>
<td>.400**</td>
<td>.440**</td>
<td>.502**</td>
<td>-</td>
<td>.776**</td>
</tr>
<tr>
<td>8. Job Performance</td>
<td>-</td>
<td>.516**</td>
<td>.473**</td>
<td>.523**</td>
<td>.350**</td>
<td>.592**</td>
<td>.770**</td>
<td>-</td>
</tr>
</tbody>
</table>

*p<.05, **p<.01

Table 03: Results of regression analysis

<table>
<thead>
<tr>
<th>β</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>R Std. Error of Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.502</td>
<td>.532</td>
<td>.283</td>
<td>.282</td>
<td>.278</td>
<td>209.854</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results of the correlations coefficient between PsyCap and job performance of employees in banking sector in Sri Lanka are presented in Table 02. According to the results, the correlation between PsyCap and job performance (r = 0.532, p<0.01) was significant and positive. In addition, it was reported significant positive relationships between each dimension of PsyCap and the dimensions of job performance. The result of the regression analysis is reported in table 03. According to the data it also shows that a positive relationship between PsyCap and job performance of the employees of the banking sector in Sri Lanka (β = 0.502, p < .05).

5. Discussion and Conclusion

The main objective of this study was to examine the relationship between PsyCap and job performance of employees in the banking sector in Sri Lanka. The results of correlation coefficient and regression analysis indicated that PsyCap of employees has significantly and positively correlated to their job performance. Therefore, the hypothesis can be accepted according to the statistical evidence. The PsyCap has significantly explained 28.3% of variance in job performance. All the dimensions of PsyCap have significantly and positively correlated with job performance. The researcher evaluated the employees’ job performance using self-rated performance and supervisory rated performance to get a better picture regarding the employees’ job performance. Ultimately, job performance was evaluated using the average of self-rated and supervisory rated job performance. Supervisory rated job performance was somewhat low comparing with self-rated job performance. However PsyCap has positively correlated with both self-rated and supervisory rated job performance.

The result of this study was generally consistent with previous studies. Luthans and his colleagues (2002a) stressed the ability of PsyCap to improve the performance. The results of this research confirmed the findings of Luthans. Some researchers (Stajkovic&Luthans, 1998a; Bandura, 2000; Bandura & Locke, 2003; Snyder, 2000; Luthans, Avolio, Walumbwa, & Li, 2005; Corr& Gray, 1996) have found positive
relationships between each construct of PsyCap and job performance. The findings of this research also agreed on the previous findings.

Based on the results of this research, it can be concluded that employees’ PsyCap is one of the most important factors that can be improved the job performance of the employees. Therefore it is recommended to improve the overall employees’ Psy-Cap in order to increase employees’ job performance.

6. Limitation of the study
The results must be considered with several limitations. The data collection was confined to systemically important banks and systemically important specialized banks is the first limitation of this research study. Second limitation was of relying on self-reported data. The PsyCap of employees was measured according to the respondents’ own attitudes.

7. Further Research
The present study provides many potential paths for future researchers. In this study PsyCap and job performance were the major variables of interest. The research study attempted to demonstrate the direct relationship between PsyCap and job performance. The further researches would be advantages to explore potential mediators and moderators for this connection. The exploration of how PsyCap influences other areas in an organization and life may be fruitful. For example, the question of how PsyCap affects organizational commitment, job satisfaction, leadership styles, withdrawal intention, turnover, family conflict and stress etc. This research focused only the banking sector but other researchers can expand the sample to the other service organizations or different organizations in Sri Lanka.

8. References


Snyder, C. R. (1996). To hope, to lose, and hope again. Journal of Personal and Interpersonal Loss, 3-16


