



IMPACT OF WORK ENVIRONMENT ON EMPLOYEES' PERFORMANCE AT THE FINANCIAL INSTITUTION IN BUTWAL CITY

Manoj Acharya
Macharya310@gmail.com

Abstract

The purpose of the study is to examine the influence of workplace environment on employees' performance of financial institution. A well-structured questionnaire was developed to collect data from 385 respondents using purposive sampling technique. The results revealed that there is a significant influence of social work environment, job characteristics and training and development in employees' performance on Employee's Performance (EP) in Nepalese financial institution. The practical implications are transparent for the managers and employers in Nepalese financial institution since the workplace environment helps to improve the performance of the employees.

Keywords: Work environment, Employees performance, Training and Development

1. Introduction

The organization is the combination of employees, policies and procedures. It could be managed effectively with the help of environment friendly policies and positively motivated employees. Better outcomes and increased productivity is assumed to be the result of better workplace environment. Better physical environment of office will boost the employees and ultimately improve their productivity. Working environment is argued to impact immensely on employees' performance either towards negative or the positive outcomes (Chandrasekar, 2011). Various literature pertain to the study of multiple offices and office buildings indicated that the factors such as dissatisfaction, cluttered workplaces and the physical environment are playing a major role in the loss of employees' productivity (Carnevale, 1992). Noble (2009) states that more attention should be paid in identifying and dealing with working environment because when employee has negative perception to their environment they sometimes suffer from chronic stress.

Opperma (2002) stated that, working environment means those processes, systems, structures, tools or conditions in the workplace that impact favorably or unfavorably individual

performance. The working environment also includes policies, rules, culture, resources, working relationships, work location, internal and external environmental factors, all of which influence the ways that employees perform their job functions. It is the nature of the worker's workplace that most affects on the degree of representative's inspiration and resulting execution. In today's competitive business environment, organizations can no longer afford to waste the potential of their workforce (Hughes, 2007). Therefore, most government organizations are making all possible efforts to make work environment more comfortable, safe and healthy. The workplace environment impacts employee morale, productivity and engagement - both positively and negatively. Comfortable office design motivates the employees and increases their performance to a large extent. It is significant for the business to know how its workplace impacts extraordinarily on the employee's level of inspiration and execution. A very much planned office flags the qualities and goals of the organization and the utilization of structure in office inside conveys a company's qualities and character. Office configuration in this manner ought to be one of the components influencing employees well being and resolve are frequently interrelated with regards to execution in the workplace.

The workplace has a critical effect upon worker efficiency and execution. Workplace implies those procedures, frameworks, structures, instruments or conditions in the work environment that effect positively or ominously on individual execution. The workplace additionally incorporates arrangements, rules, culture, assets, working connections, work area, and inward and outside natural factors, all of which impact the manners in which that representative play out their activity capacities. It is broadly acknowledged that the workplace has an effect - positive or negative - on employees' execution. The workplace unequivocally impacts the degree to which representatives are occupied with their work and focused on the association. Withdrawn workers produce average outcomes; exceedingly connected with representatives produce phenomenal outcomes. So it is important to think about the effect of the workplace in an association on the presentation of its representatives (Peter, 2016).

The problem identified by the researchers in different financial institution in Nepal is that since the establishment of much financial institutions, the staff in the financial institutions has been exposed to major changes, such as high staff turnover, staff shortage and increase in workload, in their working conditions. The absence of affirmed learning on which elements identifying with working conditions, as experienced by representative's impact execution, anticipates the supervisory group from taking the essential activities to enable worker to adapt adequately to the difficult condition. This study was conducted to find out that how employees' productivity can be increased by developing a conducive working environment. Whether the selected environmental variables are helpful in developing a working environment that has positive impact on employees' productivity.

2. Objectives of study

- To assess the influence of social work environment on employees' performance.
- To determine whether physical work environment has influence on employees' performance.
- To assess the influence of job characteristics and employees' performance in financial institution.
- To examine whether training and development has influence on employees' performance.

3. Hypothesis of the Study

Hypothesis is a reasonable statement or guess based upon the available evidence, which the researcher seeks to prove through the study. Hypothesis stated for this study as are:

H1: There is a significant relationship between social work environment and employees' performance.

H2: There is a significant relationship between training and development and employees' performance in financial institution.

H3: There is a significant relationship between physical work environment and employees' performance in financial institution.

H4: There is a significant relationship between job characteristics and employees' performance in financial institution.

4. Literature Review

Literature refers to available all sources of data which are relevant to a particular topic. It plays an important role in providing researchers the theoretical and conceptual context of the study. Brief literary reviews of the studies on Impact of work environment on employees' performance are given below:

Working Environment

Kohun (1992) defines working environment as an entirety which comprises the totality of forces, actions and other influential factors that are currently and, or potentially contending with the employee's activities and performance. Working environment is the sum of the interrelationship that exists within the employees and the environment in which the employees work. This environment is designed in such a way that encourages informal interaction in the work place so that the opportunity to share knowledge and exchange ideas could be enhanced. This is a basis to attain maximum productivity. Organizational environment include systems, procedures, practices, values and philosophies. Management has control over organizational environment.

Employees' Performance

Sinha (2001) stated that employees' performance is depending on the willingness and also the openness of the employees itself on doing their job. He also stated that by having this willingness and openness of the employees in doing their job, it could increase the employees' productivity which also leads to the performance. Stup (2003) also explained that to have a standard performance, employers have to get the employees task to be done on track as to achieve the organization goal or target. By having the work or job done on track, employers could be able to monitor their employees and help them to improve their performance.

Theoretical Literature Review

The theoretical framework that would underlie this study is the Goal-setting Theory, Maslow's Hierarchy of Needs Theory, Frederick Herzberg's Theory, Affective Events Theory and others relevant theories which relate the employees motivation and performance. Employee's performance has been accepted to be directly related to employees' motivation. This statement was confirm by different management theories since the works of Frederick Taylor on 'The Principle of Scientific Management' in 1911 and Henry Gantt on 'Works,

Wages and Profits' in 1913. Maslow (1943) said that people work to survive and live through financial compensation, to make new friends, to have job security, for a sense of achievement and to feel important in the society, to have a sense of identity, and most especially to have job satisfaction. All employees that have job satisfaction are high performers in their respective workplaces.

Taylor (1911) opined that the most important motivator of workers is salary and wages when he said that "non-incentive wage system encourages low productivity". He said that if employees receive the same wage irrespective of their individual contribution to the goal, they will work less. Based on these explanations, this research shows that any organization's success depends mainly on the social support, work environment, employee training and employee motivation of its staff.

Empirical Analysis

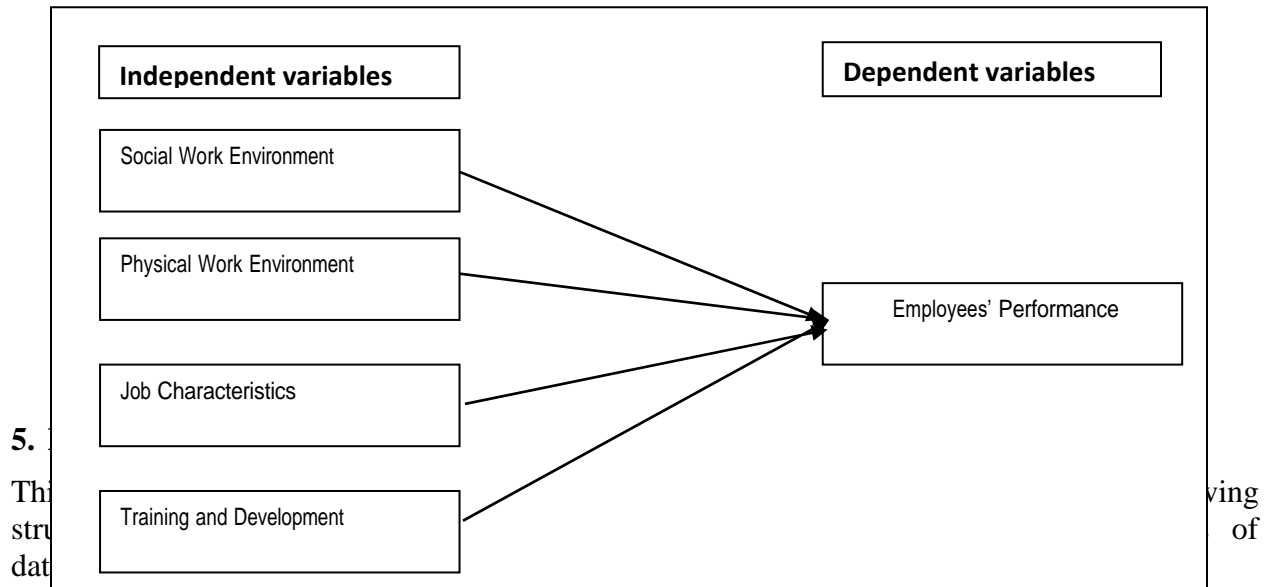
A large number of scholars have studied the impact of working environment on productivity of employees. Human relations researchers argue that employee satisfaction sentiments are best achieved through maintaining a positive social organizational environment, such as by providing autonomy, participation, and mutual trust (Likert, 1961).

Wan (2002) found that on strategic human resource management and employee performance in Singapore examined the relationship between strategic working environment variable and employee performance. In this analysis, the working environment related variables are found to have a positive effect on employee performance. Brenner (2004) asserted that the ability of employees within an organization to share knowledge throughout the system depends on the conditions of their work environment. Some employees tend to be more productive in a well facilitated work environment. More so, the quality of comfort variable from work environment determines the level of satisfaction and productivity of workers. Workers productivity cannot be optimal, if the conditions of work environment are not favorable. Improved work environment enhances employee's productivity. Brill (1992) estimates that improvements in the physical design of the workplace may result in a 5-10 percent increase in employee productivity. He argued that increasing the organization's physical layout is designed around employee needs in order to maximize productivity and satisfaction.

In Nepal financial institution, performance appraisal has received lower priority. Personal judgment and subjective assessment have been the key criteria in many financial organizations. It is mostly linked with promotion and pay increment. However, it lacks transparency and not used either for corrective action or for career planning (Agrawal, 2009). The study conducted by Goet(2022) revealed that there is a significant influence of Job Aids, Team Effort, Physical Environment and Supervisor Support on Employee's Performance in Nepalese commercial banks. Furthermore, Job Aids and Physical Environment have strong impact on Employee's Performance. The article claiming to enhance the performance of the employees, the implementation of good workplace environment must be complemented.

Theoretical Framework

Based on the literature review, the relationship between work environment and employees' performance can be conceptualized and depicted in Figure 1.



Research Design

The study is based on the descriptive research design was used. Descriptive research design is used to explain the demographic profile of the respondents. The scientific methods of data analysis of all the collected information has been done to get the reliable and realistic results. Proper planning and designs are done to give the framework and modality more clear and systematic.

Population and samples

The population of this study included all level of employee working in the financial institution located in the Butwal city. So, the population size is considered to be unknown for this research. Where sample size is a collection of items or elements from a people or universe. Hence, a sample is only a portion or subset of the universe or population.

Calculation of sample size:

$$N_0 = Z^2 \cdot p \cdot q / e^2 \text{ (Singh \& Masuku, 2014)}$$

Where, N_0 = required sample size

p = estimated proportion of an attribute that is present in population

q = estimated proportion of an attribute that is not present in population = $1-p$

e = Desired level of precision

Z^2 = Abscissa of normal curve (z- score)

When there is a large population but that we do not know the variability in the proportion that will adopt the practice; therefore, assume $p= 0.5$ (maximum variability). Furthermore, suppose we desire a 95% confidence level and $\pm 5\%$ precision. The resulting sample size is

$$N_0 = Z^2 \cdot p \cdot q / e^2 = 1.962 \times 0.5 \times 0.5 / 0.052 = 384.16$$

Therefore, the sample size for the study includes 385 employees.

Source of Data Collection

The data for the study has been collected from primary source. Primary data was collected by distributing self-administered questionnaires to the employee of financial institutions. Closed-end structured questionnaire was designed in view of the data requirements.

6. Data Analysis

In this research, data from the replied questionnaires were evaluated using percentages. The information gathered was checked for consistency and then the frequencies and percentages used to demonstrate distribution reactions. The outcomes were provided in the form of tables and graph. The tools used in data analysis are: Descriptive analysis, Normality test, Multi-collinearity test, Correlation Analysis and Regression analysis.

Reliability and validity Test

Validity refers to the extent you are measuring what you hope to measure. Validity is concern with minimizing the systematic error. For the validity of the structured questionnaires, the suggestions of supervisor and experts were incorporated. A pilot testing of the questionnaires was done for the few respondents before finalization of questionnaire Reliability is a matter of whether a particular technique, applied repeatedly to the same object, yields the same result each time. reliability indicates the precision of measurement scores or how accurately such scores will be reproduce with repeated measurement. Cronbach's alpha is used to measure the internal consistency reliability of measurement. Therefore supervisor and expert suggestion, pilot testing and Cronbach alpha result (0.871) are major part of testing validity and reliability.

Descriptive statistics

Table no. 1 shows the descriptive statistics of the response of participants towards the employees performance and work environment.

Table 1: *Descriptive statistics*

Variables	N	minimum	maximum	mean	S.D.
Social Work Environment	385	1.75	4.75	3.3877	0.58425
Physical Work Environment	385	1.40	5.00	3.3906	0.57202
Training and development	385	1.33	5.00	3.5853	0.67723
Job characteristics	385	1.75	5.00	3.4604	0.72476
Employee Performance	385	1.60	5.00	3.5106	0.58284

Correlation Analysis

Correlation is the measure of relationship between two or more characteristics of population or sample. If two quantities vary in a related manner so that a movement an increase or decrease in one tends to be accompanied by a movement in the same or opposite direction in the other, they are called correlated.

Table 2: *Results of Pearson's Correlation*

Variable	Social Work	Training and	Physical Work	Job	Employee
----------	-------------	--------------	---------------	-----	----------

	Environment	development	Environment	characteristics	Performance
Social Work Environment	1				
Training and development	.475**	1			
Physical Work Environment	.729**	.435**	1		
Job characteristics	.606**	.613**	.506**	1	
Employee Performance	.684**	.590**	.732**	.492**	1

** Correlation is significant at 0.01 levels (2-tailed)

The table 2 shows the correlation result between all the variables under study. The coefficient of correlation between dependent variable employee performance and independent variables social work environment, training and development physical work environment, job characteristics and employee performance is 0.684,0.590, 0.732 and 0.492 respectively.

Multi-Collinearity Test

Phenomenon in which one predictor variable in multiple regression models can be linearly predicted from the other with substantial degree of accuracy is Multi-collinearity . Variance Inflation Factor (VIF) and tolerance measure the multi-collinearity among the independent variables. The following table showed that tolerance values are more than 0.1 and VIF values are less than 10 in all independent variables. So, the regression model was free from multi-collinearity.

Table 3: Results on Test of Multi-Collinearity

Variables	Collinearity Statistics	
	Tolerance	VIF
Social Work Environment	.391	2.555
Training and Development	.601	1.665
Physical Work Environment	.457	2.189
Job Characteristic	.495	2.021

a. Dependent Variable: Employee Performance

The table 3 shows that tolerance values are more than 0.1 and VIF values are also less than 10 for all the independent variables. It means the study is free from multi-collinearity problem. Hence, regression analysis can be run for these variables.

Regression Analysis

When two or more sets of data are closely related, one often wants to know both the form of the association or relationship and the strength of the relationship. The measurement of the form of relationship between variables is called regression analysis (Joshi 2011). Thus, regression is the average relationship between dependent variable and independent variables.

Table 4: *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.809 ^a	.655	.651	.34427	180.160	0.000

a. Predictors: (Constant), social work environment, physical work environment, job characteristics and training & development

The table 4 shows the model summary of regression analysis between dependent variable employee performance and independent social work environment, physical work environment, job characteristics and training & development. The value of R² is 0.655 which means that 65.50 % variance in employees performance is explained by social work environment, physical work environment, job characteristics and training & development of respondents. The P value shows the model is significance at 0% level of significance.

Table 5: *Multiple Regressions for predictors of Employees' Performance*

Model	Unstandardized Coefficients		standardized Coefficients	T	Sig.
	B	Std. error	Beta		
(Constant)	.330	.121		2.731	.007
Social Work Environment	.255	.048	.255	5.299	.000
Training and Development	.457	.045	.449	10.064	.000
Physical Work Environment	-.077	.034	-.095	-2.225	.027
Job Characteristic	.288	.033	.335	8.606	.000

a. Dependent Variable: Employees' Performance

The regression analysis from table 5 in this study tries to analyze the impact of social work environment, physical work environment, job characteristics and training and development in employees' performance. The beta coefficient of independent variables of employees' performance are social work environment, training and development, physical work environment and job characteristics are 0.255, 0.457, -0.077 and 0.288 respectively. It

denotes a unit change in social work environment brings 0.255 unit positive change in employees' performance. Similarly, a unit change in training and development is characterized by 0.457 unit positive change in employees' performance. Furthermore, a unit change in physical work environment brings 0.077 unit negative change in employees' performance and a unit change in job characteristics brings 0.288 unit positive change in employees' performance. All the variables are the significant predictors of the employees' performance.

The fitted model is:

$$\text{Employees' performance (Y)} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

The fitted model for analysis is

$$Y = 0.330 + 0.255 \beta_1 + 0.457 \beta_2 - 0.077 \beta_3 + 0.288 \beta_4 + \varepsilon.$$

Where, α = Constant, Y = Employees' Performance, X_1 = Social work environment, X_2 = Training and Development, X_3 = Physical work environment, X_4 = Job Characteristics, ε = Stochastic error, $\beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficient

Conclusion

In conclusion, workplace environment surfaces as another comparably vital motivator for employees to perform their duties well. This study investigates the influence of the workplace environment on employee's performance and wellbeing. It has been implemented within the Nepalese banking sector with a total sample of 385 employees. The survey provides data regarding how office environmental factors make employees feel. Again, most of the respondents responded positively, reporting, strongly disagree to strongly agree towards each of the statements. They feel that their bank meets their needs by providing various office environmental factors to influence employee productivity. The work place environmental factors are evaluated; a positive correlation presents between factors and employees' performance.

The regression analysis between the dependent variable and independent variables shows that the employees performance and all the independent variables have significance relation. But the beta coefficient show that only physical work environment have negatively significant. All other variables are positively significant with employees performance. The training and development have much influence in employee's performance where as social work environment and job characteristics have lowest significance.

From the above analysis we have reached the conclusion that working environment is helpful increasing employees' level of productivity. The results also send a message to organizations especially financial Institutions that by developing a conducive environment, the level of employees' productivity can be increased and maintained.

Refrence

Agrawal, G. R. (2009). *Dynamics of human resource management in Nepal*. Kathmandu: M.K. Publishers.

- Brenner, P. S. (2004). *Workers physical surrounding, impact bottom line accounting*. Smarts Pros.com.
- Brill, M. (1990). Workspace design and productivity. *Journal of Healthcare Forum*, 35 (5), pp. 51-3.
- Chandrasekar, K. (2011). Workplace environment and its impact on organizational performance in public sector organizations. *International Journal of Enterprise Computing and Business Systems*, 1 (1).
- Carnevale, D. (1992). Physical settings of work. *Public Productivity and Management Review*, 15 (4), 423-436.
- Goet, J. (2022). Workplace Environment and Its Impact on Employee's Performance in Nepalese Commercial Banks. *Journal of Education and Research*, 4(1),1-10.
- Hughes, J. (2007). *Work Environment and its Implication on Employees Performance*. New York: Longman: Academia education.
- Kohun, S. (1992). Business environment. *Ibadan: University Press* .
- Likert, R. L. (1961). *The human organization*. New York: McGraw-Hill.
- Maslow, A. (1946). A theory of human motivation. *Psychological Review* , 370-396.
- Noble, A. (2009). Building health promotional work setting: identifying the relationship work characteristics and occupational stress. *Promotional international journal*, 18 (4), 351-359.
- Opperma, J. (2002). Tropical business issues, Partner Price Water House Coopers. *International Business Review*.
- Peter, O. A. (2016). *Work environment and its Implication on Employee Performance*.
- Singh, A. S. & Masuku, M. B. (2014). Sampling techniques & determination of sample size in applied statistics research: an overview. *International Journal of Economics, Commerce and Management*, 2(11), 1-22.
- Sinha, E. S. (2001). The skills and career path of an effective project manager. *International Journal of Project Management*, 19, 1-7.
- Stup, R. (2003). Control the factors that influence employee success. Managing the hispanic workforce conference. *Cornell University and Pennsylvania State University*.
- Wan, D. (2002). Strategic human resource management and organizational performance in Singapore. *Compensation & Benefits Review*, 34 (4), 33-42.