

**A STUDY ON EFFECT OF STRESS ON EMPLOYEE  
PERFORMANCE IN COOPERATIVE SECTOR**

**Submitted by**

**Pooja Nepali**

Roll No.:3490/17

T.U. Regd. No.:7-2-31-85-2010

PEOPLE'S CAMPUS

**A Dissertation submitted to:**

**Office of the Dean, Faculty of Management**

**In partial fulfilment of the requirements for the Degree of Master in  
Business Studies(MBS)**

**Kathmandu**

**September, 2019**

## **Content**

1. Introduction
  - 1.1 Background
  - 1.2 Statement of the problem
  - 1.3 Objective of the study
2. Literature Review
3. Proposed research framework -Identification of study variables
4. Research methodology
  - 4.1 Research Design
  - 4.2 Nature and Source of Data
  - 4.3 Population and Sampling
  - 4.4 Limitations of the Study
5. Organization of the Study - Chapter Plan for the thesis
6. References

# 1. Introduction

## 1.1 Background of the study

In the context of performance various factor affects the employee performance, such as motivation, fear, increment, promotion, demotion, monetary and other rewards. But now a day there is new phenomena called stress which is becoming more popular and significant subject related to employee performance. Hans Selye who is credited as being the modern day father of stress defined stress in 1936 as “the non-specific response of the body to any demand for change”. Hans Selye's stress definition later expanded in 1979 as he explained further that “stress is a 'perception'”. Then in 1998, Roger described stress as a “pre-occupation with the negative emotion following the event”.  
*(Global Organization for Stress)*

Further in 1996, Levi in his research concluded that “stress is caused by a multitude of demands (stressors), such as an inadequate fit between what we need and what we are capable of, and what our environment offers and what it demands of us”. *(Global Organization for Stress)*

As analysis how stress affects the performance and to what extent helps a manager to know how to deal with the issue. Performance can be defined as a result that ultimately benefits the employee and the organization itself. So it is very important that employee perform well so that organization can survive.

The performance of employees varies due to forces one of prominent factor is stress. The goal of the manager should be to analyze the stress causing source and solve them for the employee and enhance the performance of employee as well as organization. Stress here simply means psychological burden. Now days industries are experiencing substantial changes in their operation. Every sector has been more competitive due to the fast growth of local as well as foreign investments and the essential thing is that rising need of customers.

To satisfy the customer need and give quality goods and services continuously. Stressed employee can cause decrease in production and cause organization to

lose it track of success. No organizations are untouched by the effect of stress, same has happened to the Financial Institutions.

The Financial Institutions in Nepal mainly comprises of the Central Bank which is better known as the Nepal Rastra Bank, the commercial banks, development banks, finance companies, and micro-credit development banks. The Nepalese financial system development has a very recent history, starting just from the early twentieth century. In the year 1937 AD, Nepal Bank Limited was established as the first commercial bank in Nepal. The establishment of NBL was the epoch-making since it signified commencement of formal banking system in Nepal. In the year 1955, Nepal Rastra Bank Act was formulated for a better banking system and Nepal Rastra Bank(NRB) was established in 1956 as the Central Bank of Nepal. Subsequently, Rastriya Banijya Bank and Agriculture Development Bank (ADBL) were established in 1966 and 1968 respectively. Till the 1980s, the banking sector was wholly owned by the government, with Agriculture Development Bank, Rastriya Banijya Bank, NBL and NRB being the pillars of financial institutions in Nepal.

The entry of other development banks, finance companies, micro-credit development banks, savings and credit cooperatives and Non-government organizations (NGOs) for limited banking transactions started after 1992 under three major acts namely Finance Company Act 1985, Company Act 1964 and Development Bank Act 1996. After introducing these acts, financial institutions in Nepal have seen a steady growth.

As of today, there are 28 commercial banks in Nepal, 36 development banks, 25 finance companies and 63 micro-credit development banks, with a total of 5700 branches across the nation. However, as per the World Bank's [Global Findex Database 2017](#), 45% of the adults are reported to have an account in a financial institution.

Nepal has a long cultural tradition of informal community based co-operatives including savings and credit associations popularly known as Dhikuti, and grain savings and Labour exchanging systems known as Parma and Dharma

Bhakari. Similarly, Guthi provided a forum to work together for smoothly running different socio cultural practices. Many of these traditional systems of cooperation are still functioning in the rural areas of Nepal.

The first Co-operative Act was enacted by the government in 1960, which was followed by the Agricultural Co-operative Act (Sajha Sahakari). In 1963, the capital of savings and credit cooperative societies was converted into a Cooperative Bank in 1963, and in 1968 it was also converted into the Agricultural Development Bank of Nepal (ADBN). After 5 years the ADBN returned management back to the government and in 1975 the Cooperative Act was amended again.

Beginning in the 1980s a new generation of community based savings and credit groups began to emerge in Nepal. The Cooperative Act was amended for the third time to give the Government more control. By this time the Savings and Credit movement had spread throughout the country and the need for an apex coordinating body was evident. In August 16, 1988, the Nepal Federation of Savings and Credit Cooperative Unions (NEFSCUN) was formed.

After people's movement the new democratic government enacted the Co-operative Act and the Co-operative Regulations in 1992 and 1993 which permitted the establishment of a three tiered co-operative system, and provides a legal base both for the establishment of co-operative societies/unions/federations and application of co-operative values, norms and principles into practice.

Nepalese Cooperative movement has seen a lot of socio-economic as well as political changes. In 2008, Nepal was declared as a Federal Democratic Republic of Nepal. In 2015, constitutional assembly successfully declared the new Constitution of Nepal which recognized the co-operative sector as one of the three pillars of the National Economy. In 2018 and 2019 new cooperative act and regulation were enacted. The new constitution has decentralized and delegated the authority to the Local and Provincial governments to promulgate the laws and act that they need. Now provincial government and local level government bodies can promulgate and implement the cooperative law.

According to the Department of Cooperative the major types of co-operative societies operating in Nepal are Saving and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, Science and Technology, and Energy. It is believed that around 6 million people are the members of 34,512 cooperatives and more than 60,517 people are employed directly in Cooperative business.

( <https://nefscun.org.np/about-us/cooperatives-in-nepal/>)

## **1.2 Problem of statement**

Stress is very common in every type of jobs and people, and all most everyone face it once in a life time. Stress is scientifically described as that response of an individual to the outcomes of the external environmental condition that place excessive psychological, behavioral and physiological pressure on that individual. Employee having high stress at work can cause many harmful results. As the economic environment places more pressure on businesses to succeed, competition becomes fierce. Business owners may face brutal burdens to keep their companies functioning at a profit, and a trickle-down effect can occur resulting in the creation of employee stress. If not addressed, the stress experienced by workers can work against attaining business goals. Managers and business owners can ward off the potentially negative organizational effects of employee stress by becoming familiar with the signs of stress in business and implementing some simple remedies.

If the company maintains healthy and less stressful environment to work, then employee will likely to work more efficiently, absenteeism will be less, employee turnover rate will be reduced, error will be reduced and productivity will be increased. Organizational stress can have a profound effect on production and motivation in the workplace which is ultimately going to affect performance. Worries about job security or the demands of a heavy workload increase stress levels and cause a variety of emotional and physical conditions. When stress factors are coupled with

ineffective or avoiding management, stress can become a problem that extends to the entire department or company. Identifying signs of organizational stress is the first step in designing a strategy to address problems. Organizational structure represents a company's good working environment and less stress employees. In combine stress can cause harm to the employee himself and the organization. High stress can lead to poor health and even injuries (Obesity, High Blood pressure, Chronic Back pain, Stroke. Etc.)

Similarly, stress on employee can harm organization directly by reducing its productivity, high employee turnover rate, customer service, communication and relation can be affected.

Hence this study aims at answering the following questions.

1. What is the effect of stress on employee performance in cooperative sector?
2. What is the relationship between stress and performance?

### **1.3 Objectives of the study**

The main objective of this study is to find out the cause and sources of stress on employee of Saving and Credit Co-operative in Kathmandu Valley. Also the perception of employees. What they think is making them stressed and how it has effect their performance.

## **2. Literature Review**

Rannawat & Jha- Conducted a research in Ranchi, India. Which was based on the comprehensive review of articles and reports published in the literature of management and allied discipline between 1990 and 2014. Where they enlightened that stress can be classified in to two categories one is Negative stress and another is positive stress.

- Negative Stress: Distress and Dysfunctional or Negative Stress.
- Positive Stress: Eustress and Positive, Pleasant or curative stress.

This research has find out that relationship between stress and job performance has been neglected in occupational stress literature (1998). So it is important to understand different occupational stress inducer(OSI) on one hand and their impact on different aspect of the job performance on other. This article also reviews the available literature to understand the phenomenon so as to develop appropriate stress management strategies to not only save the employees from variety of health issues but to improve their performance and the performance of the organization.

Johnson et. al (1993) Workload is one of the cause of stress. Workload being too high or too Low could back fire either ways on overall employee performance. Workload can be seen as opportunity if distributed in appropriate amount.

According to Luthan (1997), Anyone would experience conflict within their role should the go through more than two pressure at one go and end up obeying to one of the pressure.

According to Barton and Martin (1998), they considered motivation as a powerful instrument that strengthen action and activities that inclination to continue. Not all employees are same that have different vision, different abilities, physiological needs that motivates them, so it's important for organization to observe what is the need of employees.

Shrmiee Bala Murali, Abdul Basit and Zubair Hassan did research on the topic impact of job stress on employee performance. In this research they have focused on four independent variables of time pressure, workload, lack of motivation, and role ambiguity to measure level of stress and dependent variable is employee performance. The find out that time pressure and roe ambiguity have significant and negative influence on employee performance.



According to Dyck (2001) an employee quality of life can be affected by a couple of job stress factors which can make an assigned task difficult and stressful for the employees to accomplish no matter the environment.

According to Ivancevich, Lonapske, and Matteson, (2006) Stress is scientifically described as that response of an individual to the outcomes of the external environment condition that place excessive physiological, behavioral and physiological pressure on that individual. He also classified stress in to three categories; Chronic, Traumatic and Acute and he concluded that institution needs to elaborate and implement a robust and effective stress management mechanism that was found to be lacking to help the employees perform much better. There is need for the management to introduce an Employee's Assistance Program, Praise and Recognition also influence positively and lack of growth demotivates employees.

Global Journal of Management and Business research (2011) says that job stress brings about subjective effects such as feeling undervalued, victimization, Bullying, unclear role, work home interface, fear of joblessness, resulting in poor concentration, mental block and poor decision making skills.

Harijanto et. Al. 2013- Role ambiguity also happens when an employee goes through hard time trying to adjust two or more roles at same time. Role ambiguity causes loss of productivity. Hence this research concludes that time pressure and role ambiguity has significant adverse influence on employee performance.

Fonkeng Celine (2018) Conducted a study in a microfinance institution in Cameroon where he finds out that business sector has become more competitive due to the upsurge of other financial institutions and the rising need of the customer, which requires a microfinance institution to provide good quality service and it's expected to perform well. He also clarified that cause of choosing microfinance institution because it tops the chart as the fastest growing MFI in Cameroon.

Van Rhenen et al. (2007), the author found that high levels of stress may also result in increased staff turnover, higher accident rates, more physical ill-health, more psychological ill-health and absenteeism. Figures showed that the loss of working days for industry in the US amounts to about 550 million (3–7%) each year and for the UK this figure is 3.7% of the total number of working days.

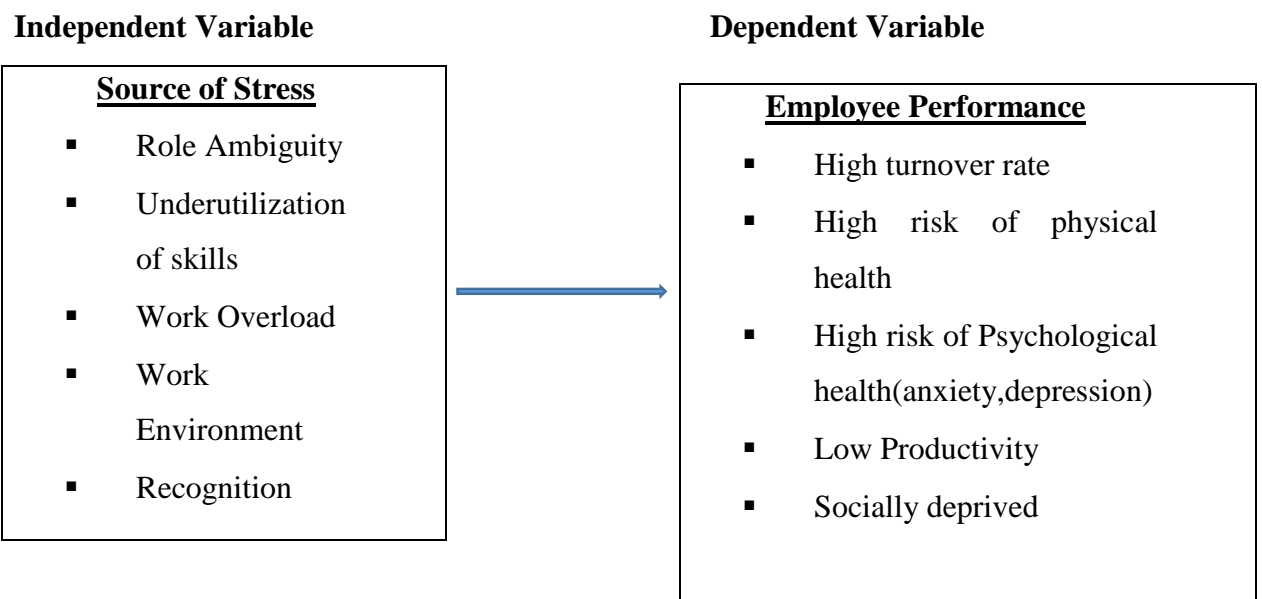
Kivimaki et al. (2002) People with a very high workload, as indicated by working continuously over 11 hours a day, may be at high risk of cardiovascular disease. It was found that employees reporting high job strain and high effort-reward imbalance had a twofold higher risk of death a Moore and Cooper (1996) presented a theoretical overview. Findings indicate that although mental health professionals are subjected to similar organizational stressors as other workers, they experience additional emotional strain by the very nature of their professions in dealing with troubled persons often over extended periods of time

Sutherland and Cooper (1990) found that psychological ill health (anxiety, depression) was primarily predicted by high levels of job demands, demanding customers, lack of social support, coping strategies and administrative tasks.

(Leong, Furnham, Cooper, 1996) The author tested the role of commitment as part of the appraisal strategy in the pathway stress/strain. The result of this study indicates that occupational stress was the only statistically significant predictor of mental and physical ill-health and Commitment appeared to be only a predictor for job satisfaction and intention to leave.

**a. Proposed Research Framework**

The purpose of this study is to examine the effect of stress on employee performance. It identifies that there are several sources that can cause stress on employee and effect their performance.



## **b. Research Methodology**

This section consists of research design, population, sampling procedure and sources and analysis of data along with limitation of the study.

### **4.1 Research Design**

The present study is descriptive in nature. Research design is a plan, structure and strategy to obtain the objectives of the study. It is the conceptual structure within which research is conducted. This study is based on primary and secondary data analysis and is exploratory in nature.

### **4.2 Nature and Source of Data**

The required data are basically collected from primary and secondary sources. Data has been taken from different previous research. Further, other related journals, article have been referred for data collection.

### **4.3 Population and Sampling**

The Random sampling method was used to select participants for the study. The random sampling technique is a way of selecting respondents which determines how to select members of population that will be studied. For this research the sample size is 160.

### **4.4 Limitations of the Study**

The major limitation of the study could be that it will be done in short span of time.

- This research is focused on employees of cooperatives of Kathmandu valley and provides the result of Kathmandu valley cooperatives employees only.
- The validity of the research is solely based on the response given by the respondent.
- There might be chance of response error because of factors such as unawareness of the respondent, hesitation of respondents, misinterpretation etc.
- Respondents might have different perception about stress and performance.
- Different area of job might have different source of stress.

**c. Chapter Plan**

This study will be organized in five chapters; Introduction, Review of the Literature, Research Framework, Research Methodology, Summary and Conclusion

**d. References**

- Ahsan, N. (2009). A Study of Job Stress on Job Satisfaction among University Staff in Malaysia: Empirical Study. *European Journal of Social Sciences*, 8 (1), 1-9.
- AL-Swalhah, A., Irtima, H., Zouby, F. & Shaar, J. (2013). The relationship between job stress and job performance among workers in Alisraa hospital. *Far East Journal of Psychology and Business*, 12 (2), 22-32.
- Bedeianet. A. (1988). Workplace dimensions, stress and job satisfaction, *Journal of Managerial Psychology*, 18 (1), 8-21.
- Bennet, R. (1994). *Organisational Behaviour*. 2nd Ed. London: Pitman Publishing.
- Blumenthal, I. (2003). Services SETA. Employee Assistance Conference Programme. Pitman Publishing: London. *International Journal for Research in Business, Management and Accounting*, 2 (2), 5-21.
- Carlson, M. (2017). *Performance: A critical introduction*: Routledge.
- Chase, R. B., & Aquilano, N. I. (1995). *Production and Operations Management: Manufacturing and Service*. USA, Van and Hoffmann Press.
- Coetzee, M. & Devillier, M. (2010). Sources of job stress, work engagement and career orientations of employees in a South African financial institution. *South African Business Review*, 14(1), 27-57.
- Ehsan, M. & Ali, K. (2018). *The Impact of Work Stress on Employee Productivity: Based in the Banking sector of Faisalabad, Pakistan*.

International Journal of Innovation and Economic Development,4(6), 32-50.

Fonkeng, C. (2018). Effects of job-stress on employee performance in an enterprise. Retrived from <https://pdfs.semanticscholar.org>

Glazer, S., & Beehr, T. A. (2005). Consistency of implications of three role stressors across four countries. *Journal of Organizational Behavior*, 26(5), 467–487.

Harijanto, U., Sudiro A., Rahayu A., (2013). The Influence of Role Conflict and Role Ambiguity on the Employee's Performance through Commitment and Self Efficacy. *IOSR Journal of Business and Management*, 8(1), 98-105.

Health and Safety Executive [HSE] (2000). *Management of Health and Safety at Work. Management of Health and Safety at Work Regulations (1999). Approved Code of Practice and Guidance, L21 (2nd edn.)*: Sudbury: HSE Books.

*International Journal of Accounting & Business Management*, 5(2), 13-33.

Ismail, M. I. & Hong, T. T. (2011). Identifying work related stress among employees in the Malaysian financial sector. *Western Journal of Management*, 3(2): 229 243.

Ivancevich, J. Konapske, R. Matteson, M. (2006). *Organ Behave Manage*: New York, McGraw Hill.

Jaffe–Gill, E., Smith, M., Larson, H., & Segal J. (2007). *Understanding stress*. Retrieved from [http://www.helpguide.org/mental/stress\\_signs.html](http://www.helpguide.org/mental/stress_signs.html).

Jalagat, R, (2016). Job Performance, Job Satisfaction and Motivation: A Critical Review of their Relationship. *International Journal of Advances in Management and Economics (IJAME)*, 5 (6), 36-43.

- Jamal M. (1984). Job Stress and job Performance controversy: an empirical assessment in two countries. *Organizational Behavior and Human Performance*, 33 (1), 121.
- Johnson, M. K., Hashtroudi, S., & Lindsay, D. S. (1993). Source monitoring. *Psychological Bulletin*, 114(1).
- Kim, Soonhee. (2002). Participative Management and Job Satisfaction: Lessons for Management Leadership. *Public Administration Review*, 62, 231 - 241.
- Kivimäki M., Virtanen M., Elovainio M., Kouvonen A., Väänänen A., Vahtera J. (2006). Work stress in the etiology of coronary heart disease—a meta-analysis. *Scand. J. Work Environ. Health*. 32, 431–442.
- Lankau, M., Carlson, D. S. and Nielson, T. R. (2006), The mediating influence of role stressors in the relationship between mentoring and job attitudes. *Journal of Vocational Behavior*, 68 (1): p. 308-322.
- Leong, C.S., Furnham, A. and Cooper, C.L. (1996) The Moderating Effect of Organizational Commitment on the Occupational Stress Outcome Relationship. *Human Relations*, 49, 45-56.