

**THE MODERATING EFFECT OF EDUCATION,
EXPERIENCE AND DISTRIBUTIVE JUSTICE ON THE
RELATIONSHIP BETWEEN PSYCHOLOGICAL
EMPOWERMENT AND EMPLOYEE PERFORMANCE IN
AR-RAHN SDN. BHD.**



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UMS
UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY**

UNIVERSITI MALAYSIA SABAH

2019

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**THESIS SUBMITTED IN FULLFILMENT FOR THE
DEGREE OF MASTER OF BUSINESS**



**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY**

UNIVERSITI MALAYSIA SABAH

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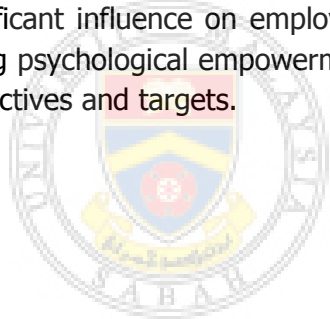
I would like to express my deepest gratitude and appreciation to my supervisor, Professor Dr. Hjh. Arsiah Binti Hj. Bahron of the Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah (UMS) for all her advices, guidance and support in this research that lead to the completion of this thesis. Her continuous support and encouragement have provided me with the necessary impetus to complete this research. I would like to express my special sense of gratitude to my family members especially to my mom and dad, who provide me with endless support, motivation and prayers for my success despite the obstacles that I faced. Not forgetting my beloved husband, as my greatest supporter, who has also encouraged me throughout the completion of this thesis. Besides, I would also like to thank my ex-manager, Dr. Roslan Gimba from the Faculty of Sustainable Agriculture UMS, and lecturers from the Faculty of Business, Economics and Accountancy UMS who give me encouragement, advice and ideas along the way. Special thanks to my former Managing Director, Mr. Mohd. Ezanee of Permodalan Kelantan Berhad for giving me the opportunity to conduct this research in Ar-Rahn Unit; to the Human Resource Manager, Mr. Hassan Shukri who always give me full support and advices about the organization's management related to my research. Finally, to all my friends and colleagues, thank you very much for their continuous support in completing my research. Their friendship and support contributed greatly in maintaining my focus and putting me back on track. With all these supports I was able to complete this study successfully within the allocated time period.

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ABSTRACT

The key objective of this research is to study the relationship between psychological empowerment and employees' performance in Ar-Rahn Sdn. Bhd., one of a micro financing companies and is also known as an Islamic pawn broking system in Malaysia. In order to achieve the objective career in performance, the theory of empowerment and social exchange theory have been applied for this study. This cross-sectional study proposed a model which looks into the relationship between four dimensions of psychological empowerment (meaning, competence, self-determination and impact) and employees' performance. This thesis also investigates the role of demographic variables which are educational level and years of experience, and distributive justice as the moderators between psychological empowerment and employees' performance. The questionnaires were completed by 162 employees of Ar-Rahn Sdn. Bhd. from 30 branches in Malaysia, and the data was analyzed using SPSS Version 22.0. The results demonstrate that psychological empowerment is positively related to the task performance of employees in Ar-Rahn Sdn. Bhd. The results also show that distributive justice positively and significantly affects employees' performance. However, both demographic variables do not have any significant influence on employees' performance. This study highlights the importance of enhancing psychological empowerment to promote employee performance especially to achieve their objectives and targets.



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ABSTRAK

KESAN PENYEDERHANA PENDIDIKAN, PENGALAMAN DAN KEADILAN DISTRIBUTIF DALAM PERHUBUNGAN ANTARA EMPOWERMEN PSIKOLOGI DAN PRESTASI PEKERJA DI AR-RAHN SDN. BHD.

Objektif utama kajian ini adalah untuk mengkaji hubungan di antara empowermen psikologi dan prestasi pekerja di Ar-Rahn Sdn. Bhd. yang merupakan salah satu syarikat pembiayaan mikro yang juga dikenali sebagai sistem pembrokeran pajak gadai Islam di Malaysia. Untuk mencapai kerjaya objektif dalam prestasi, teori empowermen dan teori pertukaran sosial telah diaplikasikan. Kajian rentas ini mencadangkan model hubungan antara empat dimensi empowermen psikologi (makna, kecekapan, penentuan sendiri dan impak) dan prestasi pekerja. Kajian ini juga menyiasat dua pembolehubah demografi iaitu tahap pendidikan dan pengalaman kerja (tahun) serta keadilan distributif sebagai moderator (penyederhana) di antara empowermen psikologi dan prestasi pekerja. Soal selidik telah diisi oleh 162 kakitangan Ar-Rahn Sdn. Bhd. dari 30 cawangan di Malaysia dan data telah dianalisa dengan menggunakan SPSS versi 22.0. Keputusan kajian menunjukkan bahawa hubungan empowermen psikologi adalah positif dengan prestasi tugas dalam kalangan pekerja di Ar-Rahn Sdn. Bhd. Hasilnya juga menunjukkan bahawa keadilan distributif mempengaruhi prestasi pekerja secara positif dan signifikan. Walau bagaimanapun, kedua-dua pembolehubah demografi yang diuji tidak mempunyai sebarang pengaruh signifikan terhadap prestasi pekerja. Kajian ini menekankan pentingnya meningkatkan empowermen psikologi untuk meningkatkan prestasi pekerja terutamanya untuk mencapai objektif dan sasaran mereka.



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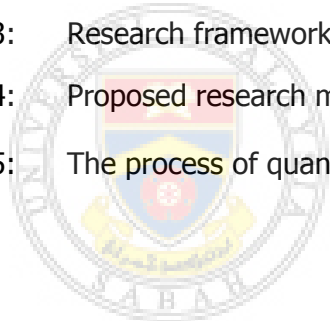
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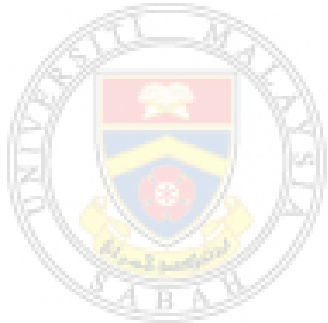


LIST OF ABBREVIATIONS

AOO	-	Assistant Operation Officer
AMOS	-	Analysis of Moment of Structure
E	-	Valuer/Evaluator
EFA	-	Exploratory Factor Analysis
KPIs	-	key performance indicators
KSG	-	Kelantan State Government
KPKB	-	Koperasi Permodalan Kelantan Berhad
KMO	-	Keiyser Meyer Olkin
DOSM	-	Department of Statistics Malaysia
OO	-	Operation Officer
PLS	-	Partial Least Square
SEM	-	Structural Equation Model
SPSS	-	Statistical Package for Social Science
T	-	Teller
TO	-	Treasury Officer

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter explains briefly the general essence of the current research. It highlights the significant of the study, the reasons of the research and underlying problem of the research. The research questions and research objectives were also presented which is based on the problem statement. By the end of this chapter, the researcher needs some expected contribution of this research. Finally, this chapter explains the scope of the study, the definition of key terms and variables used in the current research and report sequence of organization.

1.2 Background of The Study

An Islamic pawn broking or Ar-Rahnu scheme, known as a micro-credit, has currently become a trend of financial services. In Malaysia, a number of Ar-Rahnu schemes have been developed such as Ar-Rahn Sdn. Bhd., Ar-Rahnu YaPeim, Ar-Rahnu Bank Rakyat, Ar-Rahnu Pos and many more. This study focuses on employees from Ar-Rahn Sdn Bhd only, which is a subsidiary of the Kelantan State Government. Performance is one of the areas that have been addressed frequently and gained the interest of management practitioners and academics. Meanwhile, research on the job performance has concentrated on various areas and currently becoming one of the greatest concern to researchers. The improvement of employees' performance overall helps organizations substantial competitive benefits in the worldwide marketing competition, especially in Ar-Rahn Sdn Bhd.

Currently, the development of an organization can be affected by many factors. For organizational outcome and success, performance is an important criterion. Based on the present research on the development of organizations, psychological empowerment is a crucial important factor in improving performance and increasing productivity. Successful results in organizations aim to maintain high standing. Therefore, this means whether or not the employees applied psychological empowerment or not will give different impacts on their performance. Employees with psychological empowerment usage will get the necessary knowledge, skills and capacities to implement their own tasks. In different, for the employees with less or not empowered enough may not be able to do their jobs as well as empowered employees.

The employees often respond not in the most excellent and creative way when the management controls them tightly, places them in a narrowly defined job, or treats them like an unnecessary. Instead, they respond better when given broader responsibilities, or being encouraged to contribute, so it helps to take satisfactions in their jobs (Walton, 1985). These facts show us that it is important for an organization to know and understand any decision they made on human resources matter, in which can really influence their employees' performance. Due to the traditional source of success, technology, protected or regulated market, access to financial resources and economical scales can still provide competitive advantage, but to a lesser degree in the current time than in the past, leaving organizational culture and capabilities, deriving from how people are managed, as comparatively more vital (Henry and Maryle, 2002).

As the organization's sustainable competitive advantage is the people, the management needs to engage with human resources in order to ensure the company's long-term success. In the modern world, empowerment is the key tool, which can be used by the manager or non-manager frequently in managing the employees, to achieve the competitive advantage. As Campbell (2009) pointed out, "people are the most valuable asset. To get the most out of the employees, empower is essential." Conger and Kanungo (1988) defined empowerment as the motivational concept of self-efficiency. As for the independent variable, psychological empowerment is defined as a motivational construct manifested in four dimensions: meaning, competence, self-determinations and impact.

Together, these four cognitions reflect an active rather than a passive, orientation to a work role through active orientation, in which an individual wishes and feels able to shape his or her work role and context (Spreitzer, 2007).

Psychological empowerment refers to a set of psychological states that are necessary for individuals to feel a sense of control in relations to their work rather than focusing on managerial practices that share power with all levels, the psychological perspective is focused on how employees experience their work (Bahron, 2012). There are many studies about psychological empowerment and employees' performance that had been done by scholars all over the world. The above discussions led the current study to explore more on the relationship of the four dimensions of psychological empowerment and employees' performance along with three moderators: educational level, years of experience and distributive justice. Based upon reviews of the literature, there is a gap between educational levels and years of experience in this study. Both demographical variables are very rare to find from other studies and frequently found in teaching perspective only. Nonetheless, this study will try to compute both demographical variables as well as distributive justice in operational context

1.3 Problem Statement

Due to increasing competition, especially within the present business arena, most organizations are obliged to adjust their ways of doing businesses by adhering to the new mechanism, especially in evaluating their performances. As such, the concept of Key Performance Indicators (KPIs) has emerged as a worldwide trend, including in Malaysia, where organizations use KPIs as their yardstick to measure their performances and achievements (Mallow, 2017). In fact, another study asserted that several years ago, KPIs appeared to be the best measurement practiced by the government sectors. Through the adoption of this approach in governmental agencies, the failure of delivery system has always been voiced out by the public to address accordingly Zakaria¹, Yaacob¹, Yaacob², Nordin, Mohamed & Zakaria² (2011).

The lower KPIs established by Ar-Rahn Sdn Bhd has created an emerging issue pertaining to occupational stress, which seemed to affect the services of the organization as a whole. At present time, since the instable economic condition in Malaysia due to numerous issues, all productivity and services of any agency have been affected especially small companies within the

private sector. In order to avoid from facing losses, some companies may change or create new KPIs to achieve their objectives. In general, the Malaysian Department of Statistics (MDS) had published several forecasts of business performance in 2018, whereby the four sectors are presented in business performance charts and table, including industry, construction, wholesale & retail trade, and services.



Figure 1.1:

Quarterly confidence indicator by sectors, Malaysia, 2016 -

2018

Source : Department of Statistics

Malaysia, 2018

Figure 1.1 illustrates a chart that represents quarterly confidence indicator by sectors for Malaysia from 2016 until 2018. The business performance in the first quarter of 2018 had been expected to increase with confidence indicator 12.3 per cent contributed by the sectors of industry 11.9 per cent, construction 1.1 per cent and services 20.6 per cent. In the second quarter of 2018 had been expected to continue increasing with confidence indicator 7.8 per cent contributed by the sectors of industry 9.9 per cent, construction 7.4 per cent, wholesale and retail 7.4 per cent and services 8.6 per cent. According to the services sector, the were differences between first and second quarter. Percentage of first quarter is much higher than second quarter which is shown that MDS was trying to reduce the budgeting due to the unstable economic between April until September 2018.

Based on Table 1.1, the gross revenue in the first quarter of 2018 had been expected to increase with a net balance of 18.1 per cent, in which 30.4 per cent of establishments had been expected to increase, while 12.3 per cent foresaw a decrease. In terms of the number of employees, 25.2 per cent of establishment had been predicted to increase, whereas 13.2 per cent of establishments estimated a decrease in the first quarter of 2018, which led to a net balance of 12.0 per cent. Meanwhile, second quarter of 2018 had been expected continue to increase with a net balance of 22.6 per cent, in which 34.0 per cent of establishment predicted an increase, 11.4 foresee a decrease. There was 8.7 per cent of establishment had been predicted to increase, while 7.9 per cent of establishments expected to decrease in the second quarter of 2018 which led to a net balance of 0.8 per cent. Table 1.1 tells that the recruitment of employees in the second quarter getting more less compare to the first quarter due to the mid-year.

Table 1.1 : Expected Net Balance Gross Revenue and Number of Employees, 2016-2018

Period	Gross Revenue (%)				Number of Employees (%)				
	Up	Same	Down	Net Balance	Up	Same	Down	Net Balance	
2016	Q1	29.9	39.6	30.5	-0.7	17.5	72.1	10.4	7.1
	Q2	33.3	44.9	21.9	11.4	16.0	72.2	11.8	4.2
	Q3	31.7	48.2	20.1	11.6	24.0	66.8	9.1	14.9
	Q4	29.0	49.3	21.7	7.3	21.9	68.0	10.1	11.8
2017	Q1	24.0	44.8	31.2	-7.2	16.3	70.0	13.7	2.7
	Q2	35.1	45.9	19.0	16.1	20.3	72.0	7.7	12.6
	Q3	33.9	53.7	12.4	21.5	25.6	70.4	4.0	21.6
	Q4	42.4	49.5	8.1	34.2	28.2	64.7	7.1	21.2
2018	Q1	30.4	57.3	12.3	18.1	25.2	61.6	13.2	12.0
	Q2	34.0	54.6	11.4	22.6	8.7	83.4	7.9	0.8

Source: Malaysian Department of Statistics (2018)

Meanwhile, Figure 1.2 portrays the business performance in Malaysia from January until September 2018, which had been expected to increase with a net balance of 17.1 per cent in the first quarter and 4.4 per cent in the second quarter. Services sector was expected to increase with a net balance in 25.0 per cent for the first quarter and 15.3 per cent for the second quarter.

Generally, when a business slumps due to problems, financial loss is expected to incur. Since KPIs have an effect on the overall services performed by employees, they, in turn, affect the performance of the organization.

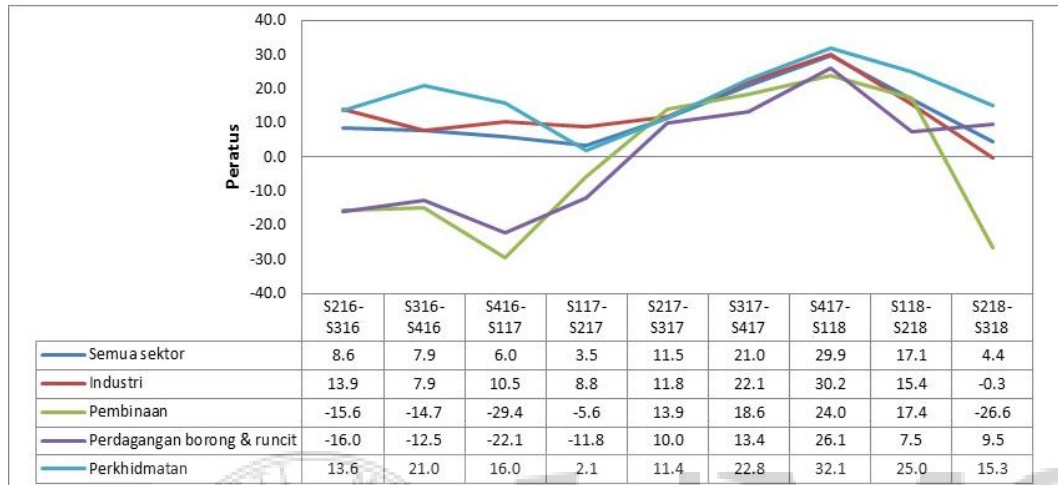


Figure 1.2 : Net Balance of Business

**Performance Expectation for the
in Malaysia, 2016-2018**

upcoming six months by Sector

Source : Department of Statistics Malaysia (2018)

In Ar-Rahn Sdn Bhd context, the performance of employees terms will be measured by few keys. By referring to the table 1.2, there were three main task that will be use to measure all employee performance. The first task: checking on gold purity, weightage 0.60 means the mistakes must be not more than 8 times. The second task: Review on gold, weightage 0.20 means mistakes in checking on gold must be not more than 4 times. Meanwhile the third task: number of transaction for gold entry, weightage 0.20 also means the mistakes must be not more than 4 times. Both averages mark and score will be compute in percentage %. If the score less than the required score, so the lower KPI might be affected to the employee.

Table 1.2 : Ar-Rahn Sdn Bhd Employees Mark/Score