

**THE INFLUENCE OF INTRINSIC AND
EXTRINSIC MOTIVATING FACTORS ON
WORK PERFORMANCE AT BANKING
SECTORS IN MALAYSIA**

KAMALESH A/P RAVESANGAR

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SECTORS IN MALAYSIA**

by

KAMALESH A/P RAVESANGAR

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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
BNM	Bank Negara Malaysia
CFA	Confirmatory Factor Analysis
CMB	Common Method Bias
CMV	Common Method Variance
CR	Composite Reliability
f^2	Effect Size
G*Power	Powers of Analysis
GoF	Goodness of Fit
N	Population
PLS	Partial Least Squares Regression
PO	Psychological Ownership
Q2 Values	Predictive Relevancy
R2 Values	Variance Explained
S	Sample
SEM	Structural Equation Modelling
SPSS	Statistical Package Social Science
WP	Work Performance

**MENKAKAJI FAKTOR-FAKTOR MOTIVASI INTRINSIK DAN EXTRINSIK
YANG MEMPENGARUHI PRESTASI KERJA DI SEKTOR PERBANKAN
DI MALAYSIA**

ABSTRAK

Prestasi kerja adalah sentiasa penting untuk perkembangan sebuah syarikat untuk mengekalkan kelebihan persaingan terutamanya bagi sektor perbankan yang beroperasi untuk memberikan perkhidmatan yang terbaik kepada pelanggan. Tujuan kajian ini adalah untuk mengkaji faktor-faktor motivasi intrinsik dan ekstrinsik terhadap prestasi kerja di sektor perbankan di Malaysia. Kajian ini dijalankan untuk menentukan isu-isu yang berkaitan dengan prestasi kerja pekerja berdasarkan kualiti perkhidmatan yang lemah, tekanan kerja, kekurangan pengetahuan pekerjaan, pengekalan pekerja yang lemah, ketidakfleksibelan dan komunikasi yang lemah dalam sektor perbankan Malaysia. Kaedah kuantitatif digunakan dalam kajian ini. Instrumen kajian yang digunakan dalam kajian ini adalah ditadbirkan secara peribadi dan soal selidik melalui e-mel. Sebanyak 3700 soal selidik yang diedarkan di kalangan kakitangan yang bekerja di barisan hadapan di bank konvensional dan Islam, Malaysia tetapi hanya 370 soal selidik adalah sesuai untuk analisis selanjutnya. Data kajian telah dikumpulkan dalam tempoh satu bulan dan persampelan kluster digunakan untuk mengumpulkan sampel kajian. Berdasarkan kajian, hanya tanggungjawab mempunyai pengaruh positif terhadap prestasi kerja manakala perkembangan peribadi, keadaan kerja dan dasar peraturan syarikat mempunyai kesan positif terhadap pemilikan psikologi. Penemuan keputusan juga menunjukkan bahawa pemilikan psikologi sebagai pengantara mempunyai perhubungan positif antara kedua-dua dasar syarikat dan keadaan kerja terhadap prestasi kerja.

**THE INFLUENCE OF INTRINSIC AND EXTRINSIC MOTIVATING
FACTORS ON WORK PERFORMANCE AT BANKING SECTORS IN
MALAYSIA**

ABSTRACT

Work performance is always essential to the development of a company to maintain its competitive advantage especially for banking sectors which operates to provide the best services to customers. The purpose of this study is to examine the influence of intrinsic and extrinsic motivating factors on work performance at banking sectors in Malaysia when the role of psychological ownership as mediator existed. This study was carried out to determine issues related to employees' work performance based on poor service quality, work stress, lack of job knowledge, poor employee retention, inflexibility and poor communication in Malaysian banking sectors. The research instruments utilized in this study were personal administered and through online mail questionnaires. A total of 3700 questionnaires distributed among the front-line employees at conventional and Islamic banks in Malaysia but only 370 questionnaire are fit for the further analysis. The data of survey has been collected within one month duration and sample have been collected through cluster sampling. Based on the findings, only responsibility has significant positive influence on work performance. The next result also shows that personal growth, work condition and company policy have significant positive impact on psychological ownership. The following findings shows that psychological ownership positively mediates the relationship between both company policy and work condition with work performance.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides the overview of background of the study, problem statement, research objectives and questions, problem of the research, aims and objectives of the research. This chapter is highly essential since it creates the interest of the reader to understand the whole research when the research work introduced effectively. The chapter of introduction also highlights the significance of the study based on academicians and practitioners, definition of key terms and chapter summary. Overall, this chapter provides a brief overview about the issues that need to be addressed through this research and the importance of conducting this research work.

1.1 Background of Study

Interest in the potential and quality industry services are increasingly importance both in the industry itself and academic field over past 20 years. Both the industry and academic field started to emphasize on services since many countries have shifted from manufacturing base towards a service based economy (Fitzsimmons & Fitzsimmons, 2006). Malaysia is progressing towards high service industry which have places high expectation on their employees to provide excellent services to customers. Malaysia is also experiencing new challenges due to commitment towards regional liberalization, globalization and privatization demands. Moreover, there are also rising demand for Malaysia to produce world class products, services, and management.

Financial institutions are playing an important role toward economic development and financing the consumer. They provides excellent financial services to the potential customers which leads to loyalty and commitments. According to Hussain, Yunus, Ishak and Daud (2013), banks are known for its importance as financial institutions in every country since the institutions has responsibility in controlling the establishment of economic growth. Banks play an important role as a financial service in any country, such as credit extensions, deposit taking and payment services which is essential for the well-functioning of the economy (Hupkes, Goodhart, & Charle, 2000, 1998). The banking sectors provide an important role in the worldwide economy and the employees in these financial institutions. Hence, banking sectors are considered as the largest and fastest growth industry in Malaysia. According to Hong & Marimuthu (2014), this industry encouraged the development of new infrastructure which leads to new income earning opportunities.

Front line service employees of today are known as the part of marketing efforts of organization so they play an important role in order to provide the best services and retaining the relationship with customers. Front line employees also are the people who understand about the demand and expectation of customers since they are the communicators and marketing agents responsible for influencing the sales, maintaining, and promoting the image of organization. Thus, treating the service employees well is known as an important aspect since they are essential intellectual property of the organization. In modern management, it has been believed that employees are not only as worker but the sources of intelligence and wisdom provided by them to move the organization to the next level which is beyond their target and sustain competitive advantages in the industry (Khairuddin & Sapuan, 2016). The lasting and effective competitive advantage of the organization is employees despite

of the rapid development of free flow information, science and technology. It can be found that a sustainable competitive advantage depends on the availability of wise and capable employees (Naserian & et al., 2013). This shows that one of the essential factors which influence the satisfaction of organizations' customers is based on the quality services provided to them. Therefore, service issues in the organization depends on the level of motivation and job satisfaction to achieve customers' satisfaction. The biggest challenge for today's managers nowadays are dealing with lack of motivation and irresponsible employees. Studies revealed that the key for success of employees depends on 20% efforts and 80% of motivation (Abadi & Sabokro, 2016).

Motivation is the most important aspect in every public and private organizations. For the success of any organization, motivation plays an important role. According to Chintallo and Mahadeo (2013), all organization understand the matter of motivation whether they are in private or public sectors (as cited in Zameer , Ali, Nisar & Amir, 2014). According to Chaudhary and Sharma (2012), basically motivation is derived from the Latin word as "Motive". The meaning of motive is needs, wants and desire of a person. So, motivation is a process of directing the employees towards goal attainment. Both intrinsic and extrinsic motivation play an important role in influencing employee work performance. High level of motivation increases productivity because employees are enjoy performing their work and are satisfied with the organization. However, motivation is become the major challenges for management since there is a need to ensure every employees are committed and motivated towards performing their work and must be a good role model for others (Manap & Hussain, 2016). So, motivating people is not an easy task because lack of standard methods due to the difference of individuals' needs. Thus, managers has the responsibility to identify employees' motivational factors and implementing it.

Today, organization can easily exchange goods and services to other organizations and countries but the only resource which is not easily exchangeable is human resources. So, we can emphasize that human resources is the very important and most competitive assets of any organization that can be known as exchangeable. Companies spend a huge amount of expenses to gain customer loyalty but have ignored to enhance motivation level of their employees based on their financial and non-financial goals of the firm. So, the motivation is an important factor that affects human resources in any organization. Thus, organization should be motivating their employees for the best performance or achieving the organization goals. Today, there are plenty of studies that have been conducted on motivation and the relationship of employee's efficacy and the organization efficiency. According to Bartol and Martin (1998), stated motivation is an influential tool that emphasizes a person's behavior and generates the tendency to continue (Dobre, 2013). In other words, motivation is known as an internal initiative to satisfy an unfulfilled need and to accomplish the organization goal. It is also a process that creates a psychological need that encourages performance which has been acknowledged by the objectives. According to Wright (2003), mentioned that it is obviously for the managers to keep the employees motivated and focused. This implies that understanding the motivational factors that influence the overall job satisfaction of employees is very crucial in order to sustain the organization. As a result, it has become a common practice for companies to identify the ways to take care of the employee's well-being and understand the both intrinsic and extrinsic motivational factors that affect the overall work performance. Ryan & Deci (2000) emphasized that both intrinsic and extrinsic motivational are equally important (Hidayat, Emara, & Fawaz, 2015). According to Chowdhury (2008), both intrinsic and extrinsic motivation play a significant role which leads to employee

work performance. It is clearly stated that employees are generally value both intrinsic and extrinsic factors of motivation in organization setting.

According to Dyne & Pierce (2004), the idea of psychological ownership for the organization has received increasing attention from the scholars and practitioners as an important predictor of employee's behaviors and attitudes (Erkmen & Esen, 2012). Ahluwalia, Khanin and Mahto (2014) mentioned that many organization focus on employee attachment to organization in order to achieve competitive advantage. According to Khanin et al. (2014) there are multiple studies have established the positive impact of employee's attachment towards organization's outcomes such as performance, turnover and absenteeism. Mahto et al. (2014) stated that strong attachment to an organization will bring the employee to go to extra mile and develop contribution which leads to overall performance. Psychological ownership as the state in whereby which an individual feels the target of ownership is his own (Vandewalle, Vandyne & Kostova, 1995). Brown (1989) stated that psychological ownership provides the competitive difference in order to improve performance. Employees with PO assume that targets as their extension, defend the organization voluntarily and feel responsible towards organization goals and the result is improvement of organizational performance (Pierce et al., 2001; Mayhew et al., 2007). supported this view, mentioned that it can be expected in-role performance positively influences PO. An empirical research that investigated this relationship concluded that PO is affected positively on job satisfaction and performance (Md-Sidin et al., 2010; Avey et al., 2009).

As stated by Sayej (2015), the term "performance" is utilized to focus attention towards total behavior on his or her organization with the use of specialized knowledge and attitude attained from training as well as organization and integration of practice (Bargagliotti, 1999). Productivity of companies increases based on the employee

performance towards their job. Sayej (2015) stated that performance related behavior is directly related to job tasks and intention to accomplish the jobs objective. Moreover, WHO Health Report (2006) mentioned that performance is also known as combination of staff being competent, available, productive, and responsive (Sayej, 2015). Work performance play an important role for organizations to gain competitive advantage and productivity. Effective work performance is the outcome of valid result in a work organization. As mentioned by Ekpang (2015), it is when employees are able to achieve the expected result that may increases the productivity in the work organization setting. In other hand, Strebler (2004) revealed that poor performance known as a condition which the employees behavior or performance might be fall below the required standard (Ekpang, 2015).

Poor performance is a major issues for managers and employees in any organization. It is a serious concern for senior managers due to their authority to measure the effectiveness of the organization perform. It is also an emotive issues which become quite personal since productivity and working environments are affected (Strebler, 2004). Organizational productivity is often seriously affected when job performance of employees are declining (Ekpang, 2015). Based on this awareness, many organization still struggle from lacking of organizational productivity due to employee's job performance. Shaffril (2010) stated that employees believe work performance is beneficial for them, customers and importantly to their organization (McKendall & Margulis, 1995). According to Waldman (1994), individual of work performance is an issue that is not only grasped companies all over the world but also extensive research in field of management, occupational health and work and organizational psychology (Koopmans, 2011). So, work performance is defined by Campbell (1990) as behavior or action that align with goals of the organization.

Worker's performance is based on their level of motivation which clearly encourages them to come to work regularly, be flexible, work diligently and be willing to take out necessary task (Sarpong, 2016). In addition, the performance of banking service is based on quality and motivation of employees.

1.1.1 Malaysian Banking Sectors

Malaysian Banking system is consisted of monetary and non-monetary institution. The monetary institution is the central bank which known as Bank Negara Malaysia (BNM), commercial banks and Islamic Banks. However, the non-monetary institutions is comprised into two categories; the first group is supervised by Bank Negara Malaysia (BNM) comprising commercial banking institutions (including Islamic), investment banks and development financial institutions. The second is under the supervision of several government agencies and departments (IMF, 2014).

The banking services are considered as one of the largest and important industry in Malaysia. This industry encourages the development of new infrastructure, which provide new income opportunities (Productivity Report 2010/2011). Banking is one of the sector that is experiencing major challenges due to globalization. According to Panatik & Noordin (2015), banking industries in Malaysia have to cope up with technological changes, managerial changes, and global competition (Ang et al., 2014). The ability to offer a wide range of services with high quality by banks in Malaysia to satisfy the customers will enable the financial institution to be a competitive in a worldwide. In today's banking business, a competitor will gain a customer if another bank fails to satisfy the customer. It is because banking situation is experiencing to improve through meeting the customers' demands who expect greater changes in the industry (Osman, Lim. Manaf & Abdullah, 2016). In addition, the author further mentioned that the banking sector now is becoming more integrated due to

technological changes, deregulation and liberalization which leads to competitive environment. Thus, banks need to focus on the factors that helps to develop competent employees. Currently, Malaysian financial institution is constituted by 27 commercial banks, which are 8 domestically owned and 19 foreign owned banks. These banks serve for customers included Malaysians and non-Malaysians (Bank Negara Malaysia, 2016). Besides, there are 16 Islamic Banks in the local and foreign setting.

Table 1.1

The followings lists of banks are extracted from the Bank Negara's website:

Origin of Commercial Banks	List of Commercial Banks
Local Commercial Banks (8)	RHB Bank Berhad, Public Bank Berhad, Malayan Banking Berhad, Hong Leong Bank Berhad, CIMB Berhad, AmBank Berhad, Alliance Bank Berhad, Affin Bank Berhad .
Foreign Commercial Banks (19)	BNP Paribas Malaysia Berhad, Bangkok Bank Berhad, Bank of America Malaysia Berhad, Bank of China (Malaysia) Berhad, Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad, China Construction Bank (Malaysia) Berhad, Citibank Berhad, Deutsche Bank (Malaysia) Berhad, HSBC Bank Malaysia Berhad, India International Bank (Malaysia) Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, J.P. Morgan Chase Bank Berhad, Mizuho Bank (Malaysia) Berhad, National Bank of Abu Dhabi Malaysia Berhad, OCBC Bank (Malaysia) Berhad, Standard Chartered Bank Malaysia Berhad, Sumitomo Mitsui Banking Corporation Malaysia Berhad, The Bank of Nova Scotia Berhad, United Overseas Bank (Malaysia) Bhd
Local Islamic Banks (10)	Affin Islamic Bank Berhad, Alliance Islamic Bank Berhad, AmBank Islamic Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, CIMB Islamic Bank Berhad, Hong Leong Islamic Bank Berhad, Maybank Islamic Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad
Foreign Islamic Banks (6)	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad, Asian Finance Bank Berhad, HSBC Amanah Malaysia Berhad, Kuwait Finance House (Malaysia) Berhad, OCBC Al-Amin Bank Berhad, Standard Chartered Saadiq Berhad

Adapted from Source: Bank Negara Malaysia, 2017

1.1.2 Productivity Performance

Employee productivity shows an increasingly important factor in today's competitive business environment to sustaining business growth. It is a crucial understanding on how effectively an organization to manage employees since employee productivity is a major impact on overall organization success. Based on the article by Idris, The Edge Financial Daily, (2017), Malaysia is still left out behind the productivity levels of comparative to other countries such as Singapore and South Korea even though labor productivity growth of 3.5 % for 2016 is indicated as improvement compared with 3.4 % (Figure 1.1) in the previous year, which the performance was considered unsatisfactory. Further information by Socio Economic Research Centre (SERC) executive director Lee Heng Guie stated that the growth is unsatisfactory since the government aims to maintain an average annual growth of 3.7% as outlined in the 11th Malaysian Plan.

Moreover, Lee mentioned that the labor productivity growth of Malaysia was far from satisfactory since the growth revealed 3.5% in 2016 from 3.4% in 2015 that marked as two successive years of reduce in growth compared to 3.7% achieved in 2013 as stated in The Edge Financial Daily (2017). He further said that it is disappointed to see Malaysia's productivity level still at dismal level compared to other most developed countries such as Singapore, South Korea and Japan. Thus, Malaysia has to work hard to increase productivity in order to achieve its ambition to become a high income country.

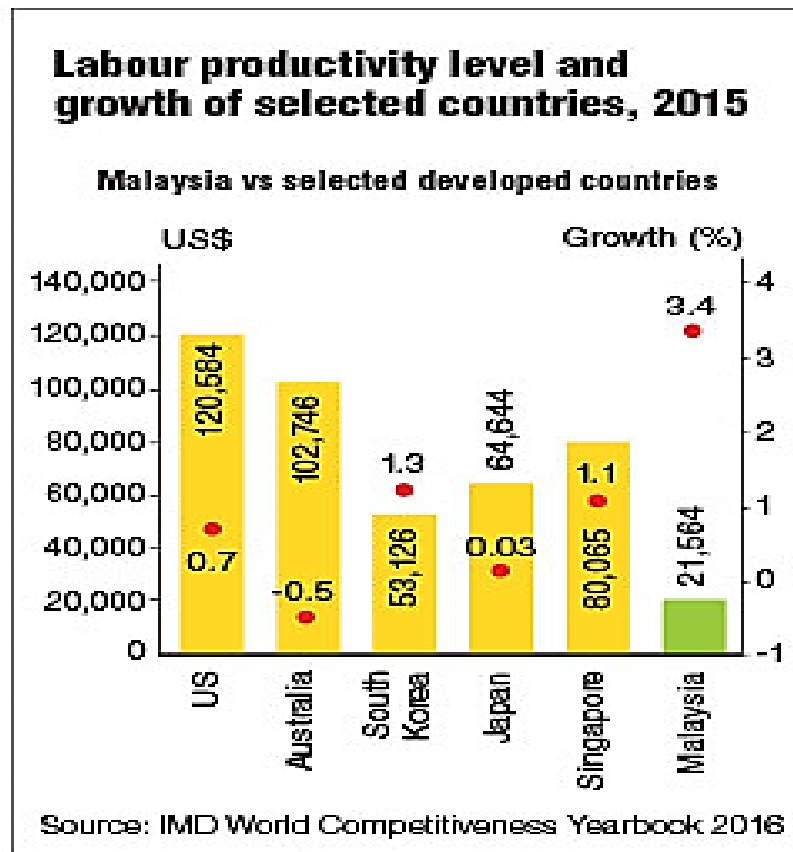


Figure 1.1. Labor Productivity Level and Growth of Selected Countries, 2015
 Source: The Edge Financial Daily, 2017

The above information has been supported by another source from Malaysian Productivity Corporation which stated that employee productivity levels are quite in lower rank compared to those countries like US, Japan, United Kingdom, South Korea and Singapore (The Star/ Asia News Network, 2013). According to MPC director-general Datuk Mohd Razali Hussain, based on Productivity Report, (2017) stated that Malaysia workers' productivity level are still lagging behind with the value of 43,952 ringgit a year. He clarified that an employee's productivity level should not be measure based on the number of hours clocked in but should be determined based on his or her overall output during working hours. It has been revealed that foreign agencies made complain towards Malaysian staff that most hours of the workers are not utilized being

productive due to taking very long tea breaks. He stressed that working long hours could be counter-productive as well (The Star/Asia News Network, 2013).

In 2016, labor productivity development in the service sector increased with the percentage of 2.8 to RM68,166 compared to 3.2% on 2015 as stated in figure 1.2. Regardless of higher productivity, so the service sectors need to step out from sub-sectors that depends mostly on towards low-skilled labors. Among the factors that bring negative development of productivity in services includes low technology utilization, over-depending on foreign workers, complex regulatory framework and weak institutions.

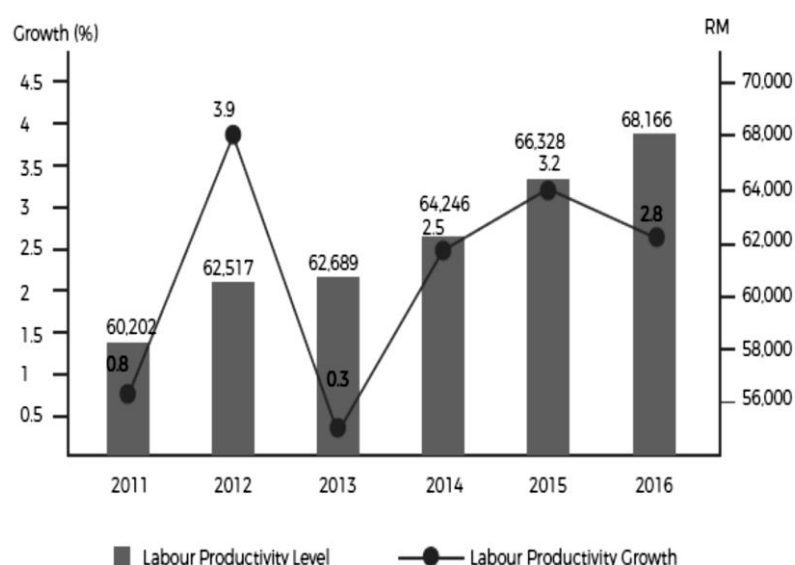


Figure 1.2. Labor Productivity of the Services Sector, 2011-2016

Source: Malaysia Productivity Report (2017)

1.1.3 Financial Institutions

Table 1.2 below shows that the numbers of complaints received in 2014 and 2015. Highest number of complaints was recorded in year 2014 (5,512), while the lowest was in year 2015 (4,284). Thus, average number of complaints received for period of 2014 - 2015 was 4,898. The complaints categorized based on 3 types of

channels ; Inquiries via phone calls, Inquiries /complaints via walk-ins and Inquiries / complaints via Email/Letter/Fax. The highest complaints received in 2015 based on inquiries via phone calls (3,105) which is lower than the complaints made in 2014(3,985). The lowest complaints received in 2015 was through via Walk-ins (176) compared to 403 in 2014. Even though complaints received by banks was decreases in 2015 compared to 2014 but the issues are still remain and not completely resolved. This trend shows that banks need sufficient of improvement in their service delivery and focusing on talent retention which might keep their potential employees within their banks for a longer period of time because it could maintain the availability of sufficient talents. Previous studies has shown that the lack of talent will contribute to poor service delivery due to insufficient number of employees' banks who still need to serve their customer based on expectation on better level of service (Hancock et al., 2013). Furthermore, poor service delivery can lead to customer complaint (Tax et al., 1998; Singh & Wilkes, 1996) and decrease in profit margins (Ton & Huckman, 2008).

Table 1.2

Inquiries and Complaints Received by Banks, Malaysia in 2014 and 2015

Channels	2014	2015
Enquiries Via Phone Calls	3,985	3,105
Enquiries/ Complaints Via Walk-Ins	403	176
Enquiries / Complaints Via Email/ Letter/ Fax	1,124	1,003
Total	5,512	4,284

Adapted from FMB Annual Report 2015

The banking sectors in Malaysia monitored by Central Bank of Malaysia. Banking groups' entity consisted of commercial banks, investment banks, Islamic banks, Insurance and Unit trust (Bank Negara Malaysia, 2014). The business of banks

related to financial matters such as long term assets, loans against short term and highly liquid liabilities. According to Yunus , Hussain, Ishak & Daud (2013), liquid liabilities are deposits and financial services based on credit extension, deposit taking and payment services (Coelho-Rodriguez, 2001). Commercial banks are the largest and important funds provider in the banking system. Basically, commercial banks refer to the banks that are providing retail banking services, trade financing facilities, safe deposits, cross border payment services, hire-purchase, leasing for individuals and businesses as well as treasury services in align to the conventional financial principles. Furthermore, Islamic Banks function similar businesses as commercial banks but in accordance to Islamic Shariah principles, which are stated as “no application of interest, no uncertainty or speculation, no financing of companies in certain sectors (e.g., weapons, pork, gambling), sharing of profit and loss must be shared and requires financial transactions be backed by tangible assets” (Gearen, 2009). The existence of Islamic banking which has become a progressively significant component of the financial structure is a unique feature of the Malaysian financial system. On December 2011, Malaysia’s total Islamic banking assets has extended to RM334.9 billion with a market share of 22.4% and recorded an average annual growth rate of 16.07% for the year of 2002 to 2011 (MIDA, 2013).

After the Asian Financial crisis on 1997, merger and acquisition activities has affected the Malaysian banking sectors and other manufacturing operations such as plantation and construction industries. Globalization and liberalization increases the capacity and efficiency level of the financial system of country. Furthermore, the development of information technology contributing towards the need for more competitive, resistant and vigorous financial system (Ibrahim & Marimuthu, 2013). So, Bank Negara Malaysia (Central Bank Of Malaysia) suggested a huge restructuring

plan for 54 domestic financial institution to be merged into six anchor institutions on 29 July 1999. After the merger, it was decided to increase the number of anchor from six to ten in Feb 2000. However, the anchor institutions has been reduced to nine once Bumiputra Commerce Bank acquired Southern Bank Berhad in May 2006 and developed as CIMB. The other eight anchor banks are Affin Bank, Alliance Bank, AmBank, Eon Bank, Hong Leong Bank, Maybank, Public Bank and RHB Bank (Marimuthu, 2013). Generally, Malaysia experienced a strong merger and acquisition market which gained from the total value of M&A activities. The total value has been slightly increased from USD\$9.1 billion to USD\$17.5 billion as stated in 2007 (Ibrahim & Marimuthu, 2013). According to Ibrahim & Marimuthu (2013), the plantation industry dominated the worth deal of USD\$17.5 billion and CIMB takeover the Southern Bank Berhad.

Table 1.3

The Number of Financial Institutions in Malaysia, 2016

Financial Institution Type	Malaysian Controlled	Foreign Controlled	Total
Commercial Banks	8	19	27
Islamic Banks	10	6	16
International Islamic Banks	-	2	2
Investment Banks	11	-	11
Other Financial Institutions	2	-	2
Total	31	27	58

Source: Bank Negara Malaysia, 2017

The 27% market share of foreign banks in Malaysian banking sector has encouraged Malaysia's potential of development and connectivity with other economies which leads to government approach towards foreign banks as long as contributed to the efficiency and competitive market while enhancing the financial sectors (BNM ,2013). Since the Malaysian banking industry opened to foreign banking competition, the number of foreign institutions in Malaysia is 27. However, there are

31 financial institutions controlled by Malaysia. There are total of 27 commercial banks, 16 Islamic banks, 2 International Islamic Banks, 11 Investment banks and 2 other financial institutions (see Table 1.3)

Table 1.

Capital, Asset and Profitability of Malaysian Financial Institutions

ITEM	As at End				Compound Annual Growth (CAGR)
	2011	2012	2013	2014	
Banking System					
Total Asset (RM trillion)	1.8	1.9	2.1	2.3	8.5
Risk-Weighted Capital Ratio	15.7	15.7	14.9	15.2	-
Return on Assets	1.6	1.6	1.5	1.5	-
Return on Equity	17.4	17.4	15.9	15.2	-
Net Impaired Loan Ratio	1.8	1.4	1.3	1.2	-
Insurance Companies					
Capital Adequacy Ratio	222.5	219.1	246.1	253	-
Life's New Business Premium (RM billion)	10.9	12.0	12.1	12.8	5.5
General's Gross Direct Premium (RM billion)	15.4	16.6	17.8	19.0	7.3
Penetration rate (%)					
Direct Insurance	39.5	40.9	41.0	41.0	-
Takaful	12.6	13.0	13.9	14.5	-
Development Financial Institutions					
Gross Impaired Loans Ratio	7.3	6.3	5.6	4.7	-
Return on Assets	2.7	2.5	2.2	1.6	-

Source : Bank Negara Malaysia, 2014

The institutional development and capacity building initiatives have generated highly competitive domestic financial institutions which have been revealed from the improvement in capital strength, asset quality and profitability. Total assets of the banking system expanded with an average growth rate of 8.5 % between 2011 and 2014 based on Table 1.4. The insurance sector sustained its growth drive with higher income.

1.1.4 Work Performance of employees: Banks in Malaysia

According to Kamil & Nasurdin (2016), banking sectors play a crucial role in contributing to the economy growth of most countries. For instance, as stated by Kamil & Nasurdin (2016), the banking sector dominates most of the financial flows in country and estimated 70% of the financial system's total asset in Malaysian context (Bank Negara Malaysia, 2017). So, with the unpredictable business environment and intense competition, the banks are required to reach certain standard of performance in order to improve performance to fulfill the demand otherwise leading to a lot of problems will happens.

Based on Financial Times, the popularity of banking selected as career dropped 41% since 2008. Globally, the bank image have been affected due to poor service quality, control failure and misconduct as stated by Mr. Muhammad bin Ibrahim (Governor of the Central Bank of Malaysia, 2016). According to the Malaysian Financial Sector Master Plan, 2001; Financial Sector Blueprint, 2011, to establish the future direction of financial sectors in Malaysia, commercial banks should continue to improve their performance especially in the aspect of profitability and service quality (Kamil & Nasurdin, 2016) For instance, many organization focused on profits and neglected the employee motivation factors. So, employee motivation should be emphasizes in order to improve work performance of employees in the organization especially banking sectors.

As stated by Kheng, Mahamad, Ramayah & Mosahab (2010), Bank Negara Malaysia completed a survey on customer's expectation and satisfaction towards product and quality provided by banking sectors that was shared by the Malaysia banks to industries in order to improve the service quality of sector. According to Gallup (2016), a majority of 60% Malaysian bank customers are indifferent towards their

primary banks. This shows that customers are more concern on quality than quantity. Many banks are lacking in various areas such as time taken by employee to answer customer calls, waiting time, the way employees greeted customers and uncertain of customers received sufficient information and continuous follow up from banks (Doraisamy, Appannan and Hui 2013). Poulter (2011) found that banks failures have been revealed in the study, which confirmed that half of the customers are unhappy with how complaints are dealt by the employees.

Poor service and advice from employees which shows the increasing of an average 7143 complaints a day which that leads to serious financial loss (Appannan et.al., 2013). Data from Technical Assistance Research Programs (TARP) stated that majority of 63% customers who are willing to take time to complain are not satisfied towards the way banks' 'employee response to their problem. Besides, consumers are facing in queuing up at some banks and standing in line for long time at banks is non-productive (Munusamy, Chelliah & Mun, 2010). Employees need to know the way to handle the problems efficiently, paying attention to questions or concerns and resolving problems are the key importance elements to be practices. Thus, banks need to focus on consistently delivering solution rather than simply managing the transactions.

In addition, nearly 7 in 10 Malaysian millennial, indicate which shows the percentage of 64 who are indifferent towards their main banks while only 24% are fully engaged based on Gallup (Ratanje & Lee. 2016). Hence, the banks need to improve employee performance in regards of service quality. It is important that bank front line employees should be trained well with ethics, professionalism, duties and responsibilities towards customers in order to improve the service quality. Furthermore, the productivity level and growth of employees in Malaysia has

drastically decline as stated in the Star Newspaper on 27th February, 2013. Further, it has been said that office-based worker's productivity level in Malaysia remain low at 4.55% even though they work long working hours compared to their South East Asian counterparts (Star Newspaper, 2013). The main standpoint is the physical environment of office or workplace is essential in order to develop a good and healthy working environment since the employees spend most of their time inside the building, which reside is their work (Kamarulzaman et al., 2011).

It is essential to understand that new trends are continue to restructure the financial services industry. In this recent two decades, the globalization process, development of technology and the significance due to global financial and economic crisis have contributed to this changes. Therefore, the future become more complex, uncertain and unfamiliar which less attention has been emphasized to the essential change on human capital development that is vital for the performance in this new financial setting. There is an increasing demand for highly skilled knowledge workers that are able to adapt with changing requirement due to globalization and border less workplace (Asian Institute of Finance, 2011). According to Robert Half Workplace Survey conveyed that the finance and accounting sectors is experiencing skills shortage across the Asia Pacific Region with 82% (Asian Institute of Finance, 2011). According to the survey conducted on talent gaps across the financial services industry in Malaysia, it has been revealed that this industry experiencing overall shortage of talent across all the sectors.

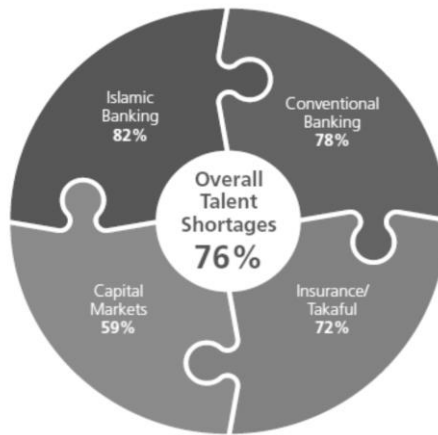


Figure 1.3. Talent shortages in the financial services industry in Malaysia

Source : Asian Institute of Finance, 2015

Overall, 76% of employers revealed that facing talent shortages in the financial service industry (Figure 1.3). The issue is being experienced more in Islamic banking sectors where 82% of employers mentioned that the sector facing shortage of talents. This is followed by conventional banking with 78%, Insurance/ Takaful sector with 72% and capital market with 59% (Asian Institute of Finance, 2015).

No matter how advanced of the banking technology in coming years, but motivated and talented employees will continue to play major role in any banking organization's success. Based on study released by consulting firm Quinlan & Associates (as cited in Reuters, 2017) stated that some banks are experiencing up to 1 billion in cost annually related with replacing employees who leave voluntarily. According to Sander (2013), the employment rate in Malaysia has increased to 67.5% on September 2013 due to tough job growth from service sectors. Service sectors provided several of job opportunities to ensure that employees will be committed toward their organization. Thus, organization especially the banking industry required more committed employees to sustain competitive advantage.

Banks was considered as the most stressed out sectors in the world, so highly committed employees becomes more essential (sara, 2011). The turnover rate in Malaysia has increased from 9.3% in the year of 2009 to 10.1% in the year of 2010. The highest turnover rate has been identified in financial services with 18.3% and IT industry with 20% (Saraih, 2016). Furthermore, according to the findings received from Tower Watson's (2013), employee turnover rate increased from 12.3% in 2012 to 13.2% on 2013 based on general industry in Malaysia. Based on the findings by Hewitt Associates (2009), high rate of intention to quit in the commercial banks influences the productivity, quality and profitability due to lack of knowledge, skills and specialize in the field (Lim, 2016). Perhaps the high turnover rate by employees due to frequent switching will leads to crucial negative effect such as reduce productivity, psychological distress, quality of service and recruitment cost (Powell & York,1992; Mustapha & Mourad, 2007). Other than that, it also can lead to further work overload, distraction in work flow, mistrust and more turnover happens (Miller, 2011).

According to Hamed, AB Rashid and Raja Harun (2015), the Islamic banking development maintains a positive which it grows of 50% faster than the overall banking sectors. Market share of Islamic banking in Malaysia is close to 30% based on Ernst and Young, 2013 as cited in Harun, Rashid & Hamed (2015). The fact that expansion of the Islamic banking sectors expanded all over the world due to high customers demand towards Islamic banking products and services which has led to issues related to staff competency. It is because this industry facing some problems to adapt strong demand from customers even though having a strong operational base, regulatory framework and valuable support from the society. As stated by Hamed et al. (2015), customers are more knowledgeable and well-educated in the banking

products and demands more innovative products and services (Aslam et al., 2011). However, Zainol et al. (2008), mentioned that bankers had limited knowledge on the products and services prior to working with the banks (Ab Rashid et al., 2015). According to Kamarulzaman & Madun (2013), Islamic banks in Malaysia are unable to market their products in aggressive manner. Therefore, the Islamic banks should understand in better way of the needs, preferences and target customers to avoid complaints and dissatisfaction from customers. Therefore, it is important for the Islamic banks to communicate with their customers so that the customer will understand about quality and service value offered by the Islamic banks (Kamarulzaman & Madun , 2013).

The lack of emphasize on employee motivation factors decreases the sense of possessiveness or ownership towards the banks and leads to poor work performance. Therefore, the banking industry is selected for this research because it plays an important role in improving economic growth and service industry in Malaysia. Besides, this study also aims to investigate more into intrinsic and extrinsic motivation factors which act as independent variable, followed by psychological ownership that act as mediating variable of this study that influence work performance of employees, which is the dependent variable in banking sectors of Malaysia.

1.2 Problem Statement

The originality of the work performance issues in banks are based on research conducted by Letchumanan, Apadore & Ramasamy (2017) on factors influence turnover intention in commercial banks Malaysia. That particular study discusses about employee engagement, job stress, and job satisfaction issues which leads to massive loss of employees in the banks. Thus, this research explored about other issues affected the work performance of employees such as flexibility, communication,

service quality and job knowledge based on other studies related to banking sectors at Malaysia which stated in next discussion. Furthermore, this study examined on how psychological ownership improve the work performance by implementing appropriate motivation factors.

Based on theoretical, psychological ownership has been a new development in the management field. There are limited studies that investigate its antecedents and consequences due to distinct ideas from other related concepts two decades ago despite of emergence in literature (Bora & Harun, 2015). Based on the novelty of psychological ownership construct, empirical information on its relationship with important work related outcomes is yet to be explored (Adil, Kamal, Shujja & Niazi, 2018). Besides, different results produced by many researchers who have conducted studies on Herzberg's two factor theory with different organizations and in different societies which does not inevitably accepted or rejected Herzberg's framework (Chin & Yang, 2015). Thus, this study has been identified intrinsic and extrinsic motivating values based on Herzberg Theory framework to investigate the influences of these factors towards work performance. Work performance has been chosen as dependent variable of this study. The exact dimensions of work performance can be differ between jobs (Koopmans, 2011) due to latent construct which cannot be measured directly. So, this construct has been used in this study to examine outcomes of work performance of front line employees in banking sectors at Malaysia.

Banking is one of the sectors that experiences major development due to globalization. This is unremarkable in Malaysia as stated by Noordin & Panatik (2015) where the banking industry have to deal with the new technology advancement, managerial changes and global competition. Thus, the changing in the working environment by implementing new technology lead to occupational diseases when the

work performed by bank employees deal with process in which these workers become sick (Silva & Navarro, 2012). Due to the changes in banking environment, complaints related to tension, stress and pressure experienced by the workers increase. As front line employee in banks at Malaysia, they need to deal with the changes in their working environment as well as interact with customers (Panatik & Noordin, 2015). They experience critical work stress which leads to various negative impact such as job dissatisfaction and poor work performance (Spector, 2007 ; Panatik, 2015). Furthermore, few studies has been revealed that stress is found to have direct relationship with work performance (Noblet, Lawler & Rodwell, 2012). This indicate that when employees suffer due to stress, will decrease the performance as well. This can be relate that when employees have high level of stress will not be happy working with the current environment and thus have high intention to leave. Therefore it is important for the banks to understand the level of employee performance than take a business as normal approach.

Based on the importance of function of banks in country, the organization is known as a highly regulated institution which all the rules, policies and procedures should be practiced according to the BAFIA Act (1989) monitored by Central Bank of Malaysia (Bank Negara Malaysia). Based on the position as highly regulated institution, banks are not allowed to practice flexibility in its daily operation as stated by Daud et al. (2013) due some risk factors that need to be managed. One of the problems faced by employees is that the banking hours is too rigid and inflexible. Generally, the operating hours are from 8.00am-5pm; but because customer demands that employees are required to work extra hours and this will lead to poor performance. Ultimately, when the employer shifts from rigid working schedules to work to be performed, employees are able to meet the deadlines and provide high quality work.

Flexible working hours could potentially prevent traffic issues for employees who previously face traffic problems in big cities.

Many huge organization are willing to spend much time on selecting and developing their employee's talents but less efforts are put forward to retain them in the organization. As a result, many of their talented employees starts to move to better workplace without the realization on the effects towards the strategic and long-term growth plans (Tajuddin, Hassan & Ali, 2015). According to HR Asia (2015), Malaysia have been known as the second most involuntary turnover rate, which is estimated at 6.0% and third most voluntary turnover rate, which shows 9.5% in 2015 among South East Asia nation compared with 12.2% in 2014, reflecting the changeableness and unsteadiness of the economic situations in Malaysia based on Aon Hewitt TCM 2015 Survey in Malaysia. Retaining capable and high quality of employees is a necessity for both large and small firms. Rapid changes in business world due to globalization and innovation become an important aspect in hiring and retaining human capital. According to Saraih et al. (2016) another adverse effect due to extreme absenteeism will increase the turnover rate as lack of work-life balance and fatigue is due to excessive overtime by the employees. Turnover known as direct outcome from the excessive of working hours where the employees are not being paid premium for the extra hours. Banks are identified as a sector with heavy workload and need to obey to strict time limits compared to other sectors, which are among the reasons of high turnover rate (Osman, Lim, Manaf & Abdullah, 2016). This high turnover rate could bring new cost for company to recruit new employee in order to replace the existing one which impacts the end profit and productivity of organization. Therefore, financial services industry is to be known as significant factor that contributes to turnover intention.

The heavy volume of interaction with customers in service sectors especially banks is rather a complicated situation. According to the Institute of Bankers of Malaysia (2014), apart from equipping talent with the right technical skills, banks in Malaysia should consider on non-technical skills such as problem-solving abilities and skills to interpret information and communicate effectively by the bank employees in today's competitive world. Some banks today are still falling short of expectation to offer basic bank services to the people who needs the services. Poor communication has been observed among the front line staff on the basic banking products which must be offered by all banks (Governor of Central Bank Malaysia, 2016). In addition, there was a case reported by Bernama (15 December 2012) where conflict sparked because the employer refused to give the freedom of voice to express opinion and the employees were harassed, discriminated and abused (Ibrahim & Kassim, 2014).

According to Mansori, Tyng and Ismail (2014), the employees are talking among themselves and make personal calls instead of providing service to customers. Thus, slow responses by the customer service employees when dealing with customers create dissatisfaction among customers. A study by Michel and Meuter (2008), shows that only 30% of customers who reported complaints are satisfied with the company's complaint handling procedures (Tyng et al., 2014). Nowadays, customer expect immediate attention and fast service provided by the employees to them. For instance, there was an issue which reported by Kwang Ming Daily News on 26th July 2008, whereby a customer blamed that the incompetent service by bank employees as the factor of unauthorized withdrawal of her savings of RM3000 after her ATM card was reported lost. All these complaints effect the employees' work performance and upset the level of customer service provided.