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The Importance of Self Efficacy and Employee Competences in Employee Performance: The Case of Finca Uganda, Micro Deposit Taking Institution (MDI) In Uganda

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Abstract

The present study examined the importance of Self efficacy and Competences in employee performance in a Micro Deposit Taking Institution (FINCA) in Uganda. The specific objectives were; to examine the relationship between self efficacy and personal competences, examine the relationship between self efficacy and operant competences, examine the relationship between competences and employee performance and examine the relationship between self efficacy and employee performance. This study provides empirical explanation to literature on the variable relationships as well as strategic approaches for practitioners to improve performance. We employed a cross sectional and correlation quantitative research design using a sample population consisting of 103 responds. ANOVA was used to establish the association between the various attributes of the sample used in the study, Pearson correlation and regression analyses were also used to establish the direction and strength of existent relationships. Results show that there is a positive association between both operant and personal competences and self efficacy. In addition there is a significant relationship with operant and personal competences to employee performance; but a more significant relationship exists between personal competences and employee performance than operant competences and employee performance. There is a positive relationship between self efficacy and employee performance. Regression analysis revealed that self efficacy and personal competences are significant predictors of employee performance. We recommend that there is need for FINCA to consolidate their selection and training frameworks aimed at identifying self efficacious accounts relationship officers, credit supervisors or loan officers who reflect beliefs in their capability to develop and execute personal and operant competences that enable them to realize their performance and achieve set targets. The findings from this study reinforce the need for MDIs to place emphasis on the developing worker competences and promote actions that build employees' self belief.

Keywords: self efficacy, operant competences, personal competences, performance, finca uganda, micro deposit taking institution

INTRODUCTION

The study was inspired by the fact that in the micro finance industry a lot of self belief is of great importance coupled with personal competences that will enhance improved employee performance in a given work context (Pfeffer, 1998). Rapid changes in the workplace evidenced by mergers, acquisitions and reengineering, continue to affect employee self belief and employment patterns (Briscoe and Hall, 2006) altering personal performance and requisite competences (Collard et al., 2006). The temporary nature of jobs necessitates employees to prepare themselves for redefined career paths that require a redefined competence set, characterized by self efficacy as well as organizations helping employees regularly assess their skills, interests, values and temperaments in an effort to promote resilience and good performance (Hall and Marvis, 2005). In this study we explain that employee performance is positively linked to self efficacy and employee competences.

Self efficacious behaviors are composed of showing belief in oneself (willingness to assume difficult tasks), in face of change (Brown et al., 2003). The efficacy required to be competitive in the market place has led to concerns about the adequacy of workforce competencies critical to employee performance (Bandura and Locke, 2003). Competencies are specific, measurable knowledge, skills and abilities needed to effectively perform a particular function or role as well as tasks in a defined work setting (Woodruffle, 1998). Competencies are the critical foundation upon which an integrated talent management system can be designed, managed and improved (Munene, et al., 2004).

Uganda's micro finance industry has continued to experience customer multiple borrowing, over indebtedness and increased loan defaulting attributed to the lack of systems that capture relevant aspects of clients borrowing behavior (BOU supervision report, 2006). The credit officers are given monthly performance targets of Net operating margin (NOM), savings mobilization, Arrears rate and clientele and with the increasing competition and multiple borrowing rates currently prevailing in the industry achieving these targets is not an easy task (Interviews with credit officers, Managers and staff of FINCA, September/October 2010).

Lending is governed by defined lending policies and standards which the credit officers have to adhere to when assessing potential borrowers and in loan recovery. However due to the challenge in achieving the targets given the competitive landscape in the financial industry, many credit officers fall short of exhibiting the required operant and personal competencies, many credit officers have resorted to giving loans to clients whose credit worth is doubtful (COMPUSCAN report to BOU on introduction of Credit reference Bureau, 2008). The consequence has been high arrears rates above the standard 5% and loan defaulting rates registered in a number of MDIs. The current arrears rate above 30 days which indicates the quality of the loan portfolio for selected MDIs are as follows; FINCA 2.4%, and PRIDE 4.15 %,FINANCE TRUST 4.18% (Source; End of month reports MDIs, Oct. 2010).

Achieving performance targets in the MDIs is attributed to a number of factors such as loan officer's competences and organizations staff motivation schemes such as the incentive schemes, internal promotions. One critical dimension which is given lip service in performance assessment, monitoring and evaluation is loan officer's belief in their abilities to mobilize cognitive resources and courses of action needed to successfully execute a specific task within a given context that will lead to a desired outcome which turns out to be a central ingredient to survival in a competitive environment (Pfeffer, 1998).

Overall, the Microfinance sector relies greatly on the performance of their loan function as the major asset. However, most institutions only focus on developing operational capacity and regulatory compliance and neglect self efficacy, personal competence and operant competencies, which are critical in the role of credit officer performance. The impact has been by impeding their ability to meet performance expectations as reflected in the high arrears rates and non performing loans (BOU supervision report, 2008). Bandura (2000) explained that "when faced with obstacles, setbacks and failures, those who have a strong belief in their capabilities redouble their efforts to master the challenge". Self efficacy beliefs affect the development of operant competences and skillful execution of these competences (McCormick, 2001). The role of self efficacy beliefs in effective disposition of operant competences is multifaceted In a dynamic work context, where ongoing learning and performance improvement is needed, persons with a low self efficacy often see a negative outcome as confirming the incompetence they perceive in themselves and the poor results are considered as evidence of their perceived inability (Briscoe et al., 2006).

This study is premised on four key objectives: to examine the relationship between self efficacy and personal competences; to determine the relationship between self efficacy and operant competences; to examine the relationship between competencies and employee performance; and to examine the relationship between Self efficacy and employee performance.

METHODS

The study employed a cross sectional and correlation quantitative research design in the collection and analysis of data. The study was divided into two phases. The first phase involved using guided open-ended questions to obtain data from individuals who have gone through the process of operant competence analysis and profiling (OCAP). The data generated was used to develop quantitative items that were used to measure Self efficacy. The target population constituted of lending staff including loan officers or credit officers and Accounts Relationship Officers as branded by FINCA MDI. The number of this category of respondents included 200 staff across FINCA Uganda in the 27 branch network. The sample was obtained from FINCA Uganda whose selection was based on their involvement in small medium enterprise lending activities using Morgan sample size formula.

The study was based on a population of 200 credit officers. This was determined by the use of Morgan (1970) sample size formula i.e. $n = \frac{x^2 * N * P * (1-P)}{ME2 * (N-1) + (X2 * P * (1-P))}$. Where, n=sample size, x^2 =Chi-square for the specified level at 1degree of freedom, N=population size, P=population proportion, ME=desired margin of error (expressed as a proportion). The sample consisted of Accounts relationship officers, credit supervisors or loan officers who were profiled to come up with the operant and personal competencies for the credit officer's job. A self administered questionnaire divided into five sections i.e. biographic information, self efficacy, operant competencies, personal competencies and employee performance was used to measure the study variables on a Likert scale.

Results

The study used a survey approach, where closed ended questionnaires were distributed to pre selected category of respondents from FINCA Uganda. The questionnaire was developed based on the literature review and initial exploratory studies. Responses were gathered on five-point Likert scales that ranges from “strongly disagree (=1) to “strongly agree” (=5). The three key constructs of self efficacy, employee competences and employee performance were all operationalized using multiple measures.

Description of Participants
The demographic profile of the respondents is shown in appendices 1-5. There were three categories of respondents: credit supervisors, accounts relationship officers; and loans officers. A total of 103 participants were realized. Majority of the respondents were accounts relationship officers (82.5%), followed by credit supervisors (10.7%), and loans officers (6.8%). Most of respondents were male (68.9%) of which accounts officers (84.5%) were the majority, followed by credit supervisors (12.7%), and loans officers (2.8%).

The other demographic profile of the respondents that were sought include: The number of years the respondent had worked with FINCA and the findings indicate that majority of the respondents had worked with FINCA for a period of less than 2 years (69.9%). According to the level of qualification, majority of the respondents were degree holders (80.6%). According to age group, majority of the respondents ranged from 26-33(68.9%). Lastly, on the overall performance rank in comparison to other credit officers, majority of the respondents ranged from 51-100 (39.8%).

Construct Reliability
Cronbach’s Alpha test (Cronbach, 1951) was used to obtain reliability of the study variable with the lowest at Cronbach’s Alpha value = 0.892 and highest at Cronbach’s Alpha value = 0.961.

Table 1: Reliability Statistics

Constructs	N	Anchor Points	Cronbach's Alpha	N of Items
Operant Competences	103	Five Point	.961	69
Personal competences	103	Five point	.832	15
Self efficacy	103	Five Point	.900	16
Employee Performance	103	Five Point	.892	17

Analysis of Variance
We tested for variations in responses with an Analysis of Variance (table). A comparison of the distribution of responses indicates that there is no significant difference in the distribution of responses between the three groups of respondents in as far as the study constructs are concerned. At 0.05 significance level, the significance values for the constructs ranges from 0.399 to 0.911.

Table 2: ANOVA

		N	Mean	Std. Deviation	Std. Error	F	Sig.
Operant competences	credit supervisor	11	3.91	.539	.163	.093	.911
	Accounts Relations Officer	85	3.82	.560	.061		
	Loans Officer	7	3.86	1.345	.508		
	Total	103	3.83	.628	.062		
Personal competences	credit supervisor	11	4.18	.603	.182	.890	.414
	Accounts Relations Officer	85	4.15	.838	.091		
	Loans Officer	7	3.71	1.254	.474		
	Total	103	4.13	.848	.084		
Self efficacy	credit supervisor	11	3.55	.688	.207	.927	.399
	Accounts Relations Officer	85	3.80	.613	.067		
	Loans Officer	7	3.57	1.397	.528		
	Total	103	3.76	.693	.068		
Employee performance	credit supervisor	11	3.73	.905	.273	.102	.903
	Accounts Relations Officer	85	3.81	.681	.074		
	Loans Officer	7	3.71	1.380	.522		
	Total	103	3.80	.759	.075		

Correlations

Table 3: Table Correlations

		Operant competences	Personal competences	Self efficacy	Employee performance
Operant competences	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	103			
Personal competences	Pearson Correlation	.758(**)	1		
	Sig. (2-tailed)	.000			
	N	103	103		
Self efficacy	Pearson Correlation	.629(**)	.570(**)	1	
	Sig. (2-tailed)	.000	.000		
	N	103	103	103	
Employee performance	Pearson Correlation	.546(**)	.619(**)	.539(**)	1
	Sig. (2-tailed)	.000	.000	.000	
	N	103	103	103	103

** Correlation is significant at the 0.01 level (2-tailed).

We observed that the constructs had varying relationships with one another. Specifically for employee performance, the highest relationship is with personal competences (r=0.619: p< 0.01). This is followed by operant competences (r=0.546: p< 0.01) and lastly self efficacy (r=0.539: p< 0.01). For self efficacy, the best relationship is with operant competences (r=0.629: p<0.01)

Regression Analysis

Table 4: Regression analysis

		Model
		1
R		.661(a)
R Square		.436
Adjusted R Square		.419
Std. Error of the Estimate		.578
Change Statistics	R Square Change	.436
	F Change	25.545
	df1	3
	df2	99
	Sig. F Change	.000

a Predictors: (Constant), Self efficacy, Personal competences, Operant competences

From the above table we can conclude that the amount of variation in the dependent variable (employee performance) caused by variations in the independent variables (self efficacy, personal competences and operant competences) is to the tune of 44% (R^2 =0.436: Sig F change =0.00). This therefore means that employee performance is affected by competences and self efficacy to the tune of 44%.

DISCUSSION

The proposed model was entirely a good fit. In other words, our prediction that self efficacy and employee competences are good explanatory to employee performance. One of the factors influencing people's goal oriented behaviors is the expectation that the activities will ultimately lead to the achievement of the goals. Bandura (2002) states that unless people believe that their actions can produce the outcomes they desire, they have little incentive to act or to persevere in the face of difficulties.

The credit/loan officer's sense of efficacy is a judgment of his or her capabilities to structure a particular course of action in order to produce desired outcomes in the job that he or she performs. Self efficacy beliefs affect the development of operant competences and skillful execution of these competences. Credit officers, loan officers and credit supervisors with a strong sense of efficacy are more likely to challenge themselves with difficult tasks and be intrinsically motivated. They will put forth a high degree of effort in order to meet their commitment and attribute failure to things which are in their control rather than blaming external factors. Self efficacious officers also recover quickly from setbacks and ultimately are likely to achieve their personal goals. On the other hand officers with low self efficacy believe they cannot be successful and thus are less likely to make concerted, extended effort and may consider challenging tasks as threats that are to be avoided. The significant relationship between self efficacy and personal competences denotes higher the level of self efficacy, the higher the ability of credit officers to develop and predict personal competences. An efficacy expectation is the conviction that one can successfully execute the behaviors required to produce the outcomes. The strength of people's convictions in their own effectiveness is likely to affect whether they will even try to cope with given situations. Perceived self efficacy influences choice of behavior settings. People fear and tend to avoid threatening situations they believe exceed their coping skills, where as they get involved in activities and behave assuredly when they judge themselves capable of handling situations that would otherwise be intimidating. The significant relationship between operant competences and employee performance implies that the more technically competent an individual is; the higher will be his or her performance. Further still a significant relationship exists between personal competences and employee performance. This implies that officers who exhibit and develop behavioural competencies are better performers.

We conclude that both operant and personal competences are important contributors to employee performance but with varying magnitudes. This is consistent with the findings of Mansfield (1999) who argues that competences should not be seen as the functional tasks of the job, but rather as those technical and behavioral actions which enable people to carry out their job effectively and what is important is to note that personal competences remain central in determining performance.

CONCLUSION

In view of the nature of the preliminary findings of the study discussed, sufficient evidence has so far emerged that, it's necessary to go beyond defining the key result areas required for successful performance of work related duties and tasks. But it rather creates a common understanding of behavioural expectations of what someone does and how they do it coupled with people's belief in their capabilities as to what they can do with the knowledge and skills they already have.

It is worthwhile concluding that there is a significant positive relationship between self efficacies, operant competencies; personal competencies and employee performance. Credit officers with a higher level of self efficacy find it easier to develop and execute operant competencies, which influences their goal oriented behaviors in expectation that the activities will ultimately lead to the achievement goals. The findings suggest that the strength of people's belief in their capabilities is dependent on them being provided with positive efficacy clues where individuals increasingly hold themselves responsible for their learning, development and performance. Competencies remain intangible and dynamic; identifying them is essential and failure to recognize, develop and embed them, can have detrimental effects on both the individual and organization's ability to compete and perform.

LIMITATIONS

The results of the study are limited in part by our choice of literature, design, and unit of analysis. First, the preliminary literature reviewed were publications on the study concepts from developed economies where practices are different from those of under developed economies like Uganda. Second, the adopted instrument was largely structured and in-depth verbative information could have been missed. Lastly, we only chose to collect information from employees who might have deliberately over hyped certain issues. Overall, however, the findings conform to previous studies in literature, there by legitimizing the research.

PRACTICAL IMPLICATIONS

The results of this study demonstrate that variations in employees' self efficacy and competences (personal and operant) are good explanatories to variations in employee performance. Thus for improvements in employee performance deliberate strategies should target cultivating stronger self beliefs, and above all higher competence levels among staff. Additionally, findings os this study can enlarge our knowledge about the relationship between self efficacy, competences and performance at employee personal level. For future studies, more empirical research across the financial sector is requested. Also researchers are suggested to consider other external factors in investigating the said relationship to identify potential moderations and mediation if any.

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