Role Stress and Job Performance in the Economic Recession Issue: Evidence from Finance Companies

Ismayanti Adytia*, Meutia, Imam Abu Hanifah, Ina Indriana
Universitas Sultan Ageng Tirtayasa, Indonesia
*Corresponding author: 7783230004@untirta.ac.id

ABSTRACT. The World Bank has predicted a global economic recession to occur in 2023. This prediction is becoming increasingly apparent due to several indications that have begun to emerge, such as aggressive increases in benchmark interest rates carried out by the central banks of different countries to curb inflation. The aim of this study is to explore the effects of the role arising from changes caused by the recession issue. This research was conducted after the end of the year 2023 to determine the extent of the effects of the recession issue on companies. The research sample consists of employees working in the used car financing sector. The results of the study prove that there is a negative influence of job stress on job performance. And the positive influence of the recession issue on job stress.

1. Introduction

Financial companies play an active role in development, where they are expected by society or businesses to address one of the factors experienced, namely capital [1]. Finance companies face three major challenges in dealing with the era of open markets. Firstly, companies must be able to maintain their reputation in terms of funding, marketing, CSR, and employee performance. Secondly, they need to develop the use of digital technology to support financing business processes, which will be useful for expanding marketing coverage and providing various payment options that facilitate debtors in installment payments. Thirdly, finance companies are faced with the challenge of preparing human resources needs with good competencies to ensure the sustainability of company activities [2].

Received Jun. 7, 2024

2020 Mathematics Subject Classification. 91C05. 90B50. 91G50.

Key words and phrases. job performance; role ambiguity; role conflict; role overload; recession issue.
The current increasingly competitive conditions demand that companies always strive to find effective ways and policies to improve employee performance in achieving company targets, both in terms of quality and quantity, so that they can compete with other companies. Competitiveness within companies includes knowledge, capital and infrastructure, human resources, and performance [3].

When the condition of financing companies was good, suddenly they were faced with the COVID-19 pandemic, which required the companies to undergo changes and adapt to the situation. Many employees' roles changed, with marketers shifting to collection duties as sales halted temporarily due to government policies. Working hours became irregular due to alternating work shifts. Although Indonesia was declared COVID-19-free in June 2023, the crisis persisted as the Indonesian government had been discussing the possibility of a recession since the beginning of 2023.

This situation prevented companies from fully returning to normalcy. Some players in the multifinance sector were cautious about targeting new financing in 2023. Global conditions were expected to remain uncertain, overshadowed by economic slowdowns and recession threats. One multifinance player, CIMB Niaga Auto Finance (CNAF), admitted that their targets for 2023 were not as aggressive as in 2022. Similarly, PT Mandiri Utama Finance (MUF) aimed for moderate growth in financing in 2023. MUF's President Director, Stanley S. Atmadja, stated that they aimed for a 10% volume growth from 2022. The Financial Services Authority (OJK) observed a slowdown in leasing industry financing in the second half of 2023. This slowdown was evident in monthly financing figures compared to the first half of 2023. There was a slight slowdown in financing in the second half of 2023 for financing companies, with a month-to-month change of 0.57%, compared to 0.74% in the previous period.

Previous research has extensively examined role stress [4], [5], [6], [7], focusing on role conflict and role ambiguity. Studies in the healthcare sector have shown that role conflict, role ambiguity, and role overload are common job demands experienced by employees [8]. The lack of implementation of these principles leads to greater role pressure and decreased motivation, ultimately resulting in ineffective managerial behavior [9], [10], [11]. However, there is still limited research on other aspects of role stress. This study will also examine role overload. Role overload occurs when the demands of a person's job exceed the resources available to meet those [12]. Overload roles are often seen as job stress triggers where there are high job demands associated with advancement and achievement prospects [13]. When employees experience role overload, they often expand their efforts to cope with it [14]. However, over time, excessive roles can deplete individual resources [15] and hinder individual work development and achievement.
Based on the above description, the researcher aims to investigate how the recession issue affects role stress and job performance.

2. Literature Review

2.1. Job Demands-Resources Theory

The Job Demands-Resources theory was developed by [16]. The theory explains that every job has specific risk factors related to job stress, which are divided into two major factors: job demands and job resources. Job demands and job resources are two major factors that determine organizational outcomes. Job demands are negatively related to resources, meaning that high resources can reduce job demands. High job demands can increase stress, whereas high resources can reduce stress. High stress can decrease employee productivity, while low stress can increase employee productivity. [16] explain that the Job Demands-Resources theory can be widely used in relation to work, including in human resource management involving job demands and job-related resources.

Job demands consist of physical, psychological, social, or organizational aspects that require physical or psychological effort or ability (such as cognitive and emotional support) [16]. For example, high work pressure, uncomfortable environments, and emotional burdens that can arise from interactions with clients. Job demands are not always viewed negatively, but these demands can become stressors when meeting them requires high effort from employees who are not in good condition. Job resources to complete the work consist of physical, psychological, social, or organizational aspects that function to achieve work goals, reduce physical and psychological job demands, and stimulate growth, learning, and self-development [16].

2.2. The Relationship of the Impact of Recession Issues and Stress Roles

During a recession, the level of stress increases for both average employees and executives. This leads to reduced tolerance for mistakes. The stress can also cause an increase in errors. When stress levels rise due to a recession (or other external factors), there is a need for increased work efficiency, which sometimes results in employee role overload. However, over time, excessive roles can deplete individual resources [15]. The incongruence between expectations and demands related to roles is called role conflict [17]. This includes conflicting needs, inadequate resources, and competing demands. Role conflict and role ambiguity are considered stressors that hinder individual work development and achievement. This includes the lack of specificity and predictability in job or role functions and responsibilities [18].

H1. The impact of recession issues affects role ambiguity.

H2. The impact of recession issues affects role conflict.
H3. The impact of recession issues affects excess roles.

2.3. The Relationship of Role Stress and Job Performance

Traditional role theory experts argue that role ambiguity detrimentally affects individual performance. Cognitive processes can explain the proposed negative relationship between role ambiguity and performance [19]. Most investigations support the negative effects of role ambiguity on performance [20], [21]. As far as empirical evidence for these cognitive processes is concerned, original research by [18] regarding the effects of role stress suggests that role conflict may impair individual performance due to social and psychological factors. Related studies report weak and insignificant relationships between role conflict and performance measures [22], [23], [24], [25].

H4. Role ambiguity negatively affects job performance.
H5. Role conflict negatively affects job performance.

![Figure 1. Theoretical model](image-url)
3. Method

3.1. Sample selection and data collection

This research employs a quantitative research approach. Quantitative research is a method that utilizes numbers and statistics in the collection and analysis of measurable data. Through quantitative questions posed, researchers can utilize objectively measurable data. The quantitative research method collects structured data through measurement instruments such as questionnaires or systematic observations. The population of this study comprises finance companies in the field of second-hand car financing in the Banten Province. In this research, the sample is determined using the Slovin's formula. To utilize the Slovin's formula, one must first establish the tolerance limit (e), expressed in percentage terms.

The smaller the tolerance limit used, the higher the level of sample accuracy in representing the population in the company. Conversely, the larger the tolerance limit used, the smaller the accuracy of the sample in representing the company. The sample in this study consists of employees working in second-hand car financing companies in the Banten Province. The sample characteristics are employees who have worked for more than 4 years because these employees have experienced the era before COVID until the recession issue era.

The researcher utilizes Partial Least Squares (PLS), a program capable of analyzing data and conducting both parametric and non-parametric statistical calculations based on Windows, to estimate the paths between constructs indicated in the research model.

3.2. Variable Measurement

We utilized six items from the role conflict scale developed by [26], along with five items from the role ambiguity scale also developed by [26]. Three items from the role overload scale developed by [27]. Three items were used to measure performance [28]. Additionally, 2 items were utilized to measure recession, where [29] suggests that indicators explaining a recession include lower demand for goods leading to reduced job vacancies and increased difficulty in job searches.

4. Results

This research was conducted after the end of 2023 to find out the extent of the effect of recession issues on companies. As a result, 286 responses were collected. Of these, 34 failed the examination phase and resulted in 252 usable responses.

4.1. Reliability and validity
Table 1. Reliability and AVE

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's alpha</th>
<th>Composite reliability (rho_a)</th>
<th>Composite reliability (rho_c)</th>
<th>Average variance extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRI</td>
<td>0.941</td>
<td>0.948</td>
<td>0.971</td>
<td>0.945</td>
</tr>
<tr>
<td>JP</td>
<td>0.876</td>
<td>0.897</td>
<td>0.922</td>
<td>0.798</td>
</tr>
<tr>
<td>RA</td>
<td>0.988</td>
<td>0.988</td>
<td>0.991</td>
<td>0.955</td>
</tr>
<tr>
<td>RC</td>
<td>0.924</td>
<td>0.945</td>
<td>0.938</td>
<td>0.716</td>
</tr>
<tr>
<td>RO</td>
<td>0.753</td>
<td>0.824</td>
<td>0.848</td>
<td>0.652</td>
</tr>
</tbody>
</table>

Table 1 shows the AVE values of the constructs of impact recession issue, job performance, role ambiguity, role conflict and role overload. As shown, each such latent construct or variable has an AVE value above 0.5, which indicates that each construct has a good validity value for each indicator or questionnaire statement used. Each of these latent constructs or variables also has a combined reliability value above 0.7, which indicates that each of those latent constructs or variables has a good validity value. In this study, the role overload variable has the smallest AVE value.

Figure 2. SmartPLS 4
4.2. Hypothesis Testing

Table 2. Hypothesis Testing

<table>
<thead>
<tr>
<th>Impact Recession Issue</th>
<th>Original sample (O)</th>
<th>Sample mean (M)</th>
<th>Standard deviation (STDEV)</th>
<th>T statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>-&gt; Role Ambiguity</td>
<td>0.959</td>
<td>0.96</td>
<td>0.011</td>
<td>8.380</td>
</tr>
<tr>
<td>Impact Recession Issue</td>
<td>0.866</td>
<td>0.867</td>
<td>0.021</td>
<td>4.305</td>
</tr>
<tr>
<td>-&gt; Role Conflict</td>
<td>0.75</td>
<td>0.752</td>
<td>0.034</td>
<td>2.123</td>
</tr>
<tr>
<td>Role Ambiguity</td>
<td>-0.299</td>
<td>-0.304</td>
<td>0.08</td>
<td>3.719</td>
</tr>
<tr>
<td>-&gt; Job Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role Conflict</td>
<td>-0.499</td>
<td>-0.493</td>
<td>0.099</td>
<td>5.031</td>
</tr>
<tr>
<td>-&gt; Job Performance</td>
<td>-0.125</td>
<td>-0.127</td>
<td>0.074</td>
<td>1.985</td>
</tr>
</tbody>
</table>

Based on the data processing results in Table 2, the influence of the recession issue on role ambiguity is indicated by the original sample estimate of 0.959 and a T-statistic value of 8.380, which is greater than the T-table value of 1.96. Therefore, Hypothesis 1 is accepted. Modern recessions differ from traditional (or simple) recessions because there is a higher occurrence of permanent job losses [30]. Using repeated cross-sectional studies on civil servants in Northern Ireland, [31] found that severe recessions are associated with increased job demands, role ambiguity, and so on. Ultimately, this ambiguity decreases their job performance. Similarly, for Hypotheses 2, 3, 4, and 5, the T-statistic values are greater than the T-table value of 1.96. High role ambiguity and role conflict will decrease employee performance. Employees will feel pressured by these conditions, leading them to lack targets or motivation in their work. This final finding is consistent with many previous empirical accounting studies on the relationship between role stress and performance [22], [23], [24].
Meanwhile, for Hypothesis 6 which states the impact of role overload on work performance, the original sample estimate is -0.125 and the T-statistic value is 1.985. This T-statistic value is greater than the T-table value of 1.96. However, the difference is not too big from existing standards. Further investigation revealed that during the recession crisis, not all employees experienced role overload. Some employees don't feel burdened by asking for it. On the other hand, work becomes lighter because several divisions handle the workload of other divisions, such as when the marketing division is reassigned as a collector. This situation was also influenced by the decline in sales experienced by one of the finance companies. The decline in sales could be caused by the company's inability to compete by providing attractive discounts or promotions like competitors.

However, several companies experience the effect of role overload, where the large amount of work due to the work from home policy makes work less effective and efficient due to indirect coordination with fellow workers.

5. Conclusion

This study aims to understand the impact of recession issues on role stress and job performance. We also examine relevant contextual situations that exacerbate or mitigate the negative effects of role stress. With the recession issue, it is evident that if a company experiences fluctuations in organizational factors such as orders, sales, and capital availability. Decreased sales occurred in the second quarter of 2023, but there was an increase again in the third and fourth quarters of 2023. In reality, the recession issue did not affect all companies uniformly. This study has limitations as some companies refused to participate as samples, especially branches located in Tangerang. However, several finance companies were considered sufficient to represent the situation. Future research is recommended to delve into other aspects that are still rarely studied. Aspects from the manager's perspective also need to be considered.

Conflicts of Interest: The authors declare that there are no conflicts of interest regarding the publication of this paper.

References


