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A Systematic Review Of The Effect Of Employee Loans On Productivity And Morale In Quasi-Government Institutions - A Case Study Of Workers Compensation Fund Control Board Zambia

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Abstract
Employee loan schemes are increasingly adopted by quasi-government institutions as part of employee welfare strategies aimed at improving work outcomes. This study examines the effect of employee loans on productivity and morale using secondary data drawn from published public-sector and quasi-government workforce studies. A quantitative explanatory approach was employed, relying on comparative evidence from institutional reports and peer-reviewed studies. The findings indicate that access to employee loan facilities is associated with improved morale, reduced financial stress, and enhanced productivity indicators such as work focus and task completion. The study concludes that employee loan schemes contribute positively to organizational performance when supported by transparent policies and effective financial management structures.

Keywords: *Employee loans, Productivity, Employee morale, Quasi-government institutions, Employee welfare*

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I. Introduction

As a part of creating value for the organization, employee retention and employee motivation, loans are given to employees from their respective organizations, so that employees can avail facilities with the bulk of money received. On one hand, the employees are motivated as they get the scope of loans, on the other they get mentally depressed when the organizational management exploits the employees based on legal terms of employee loans.

The organization offering employee loans, as stated by Lin, Schmid, and Xuan (2018), only have the employee salary as the collateral against their loans and therefore, they face the issue of retaining employees who underperform intentionally to be dismissed from the work, generating low productivity. In the current study, the impact of employee loans on employee morale and its subsequent effect in employee productivity is discussed in detail with a special reference to Workers Compensation Fund Control Board, a Quasi-Government Institution.

Despite other lending institutions giving Quasi- Government Institutions employees loans on the larger scale, as a part of retaining the employees for the Quasi-Government and help those becoming economically stronger, Quasi-Government Institutions provide employee various types of loans such as, house loans, Car loans and Cash loans at a less interest rate to the labors which considering the living standards of the Institutions service labors tend to be very less and the legal binding vogue. The loans and their convenience make the employee morale high. On the other hand, as stated by Grimsby (2018), taking advantage of employee loans, employees retain their jobs even after underperforming and the management exploit the employees by making them work for longer hours, impacting their morale in a negative way.

The Workers Compensation Fund Control Board is a Quasi-Government Institution established under an Act of Parliament, Act No 10 of 1999 article 271 of the Laws of Zambia known us Workers Compensation Act. The institution has many functions among them, to revise the law relating to the compensation of workers for disabilities suffered or diseases contracted during the course of employment; to provide for the merger of the functions of the Workers Compensation Fund Control Board and the Pneumoconiosis Compensation Board; to provide for the establishment and administration of a fund for the compensation of workers disabled by accidents occurring or diseases contracted in the course of employment. To provide for the payment of compensation to dependents of workers who die as a result of accidents or diseases, to provide for the payment of contributions to the fund by employers, to provide for the appointment of powers of a workers Compensation Commissioner, the establishment and functions of a Workers Compensation Fund Board and a Workers Compensation Tribunal and to provide for matters connected with and incidental to the foregoing.

The Institution is headed by a commissioner assisted by Directors of different departments such as Human Resources and accounts. The department has over 1000 members of staff in different portfolios countrywide. The Institution Head Office is located at the Workers Compensation House along Moffat Road, Ndola.

Research Specific Objectives

Based on the research aim, this current study aims to achieve certain objectives. These are listed below:

- To identify the issues pertaining to employee loans that hamper employee work productivity and employee morale in an Institution, such as Workers Compensation Fund Control Board
- To analyze critically the impact of employee loans on their morale and work productivity, with reference to the Workers Compensation Fund Control Board.

II. Methodology For Literature Review Analysis

The article examines a range of literary sources that have been sought out, assessed and referred to in order to make in depth comprehension of the chosen thesis topic and the legitimacy of the variables, in the context of being related to one another. As mentioned,

Empirical Literature Review

Employee Loans

Employee loans have been a very effective monetary motivation process that aims at making employees more dedicated towards their work and divert their loyalty towards the organization. As assessed by Ford, Agosta, Huang and Shannon (2018), employee loans generate its desirability among employees based on the easy of processing, lowered rate of interest and the value of workplace recognition, instead of the financial balancing of the lent amount. All employers of business organizations strive towards consistent earning of profit, which can be realized by making the organizational human resource effective, loyal and motivated. Considering the importance of retaining employees, organizations offer the facility of lending a certain amount of money to the employees, considering their salaries as the scale for the loan amount and imposing minimal interest rates, contributing to an easy loan processing mechanism, namely employee loans.

The accounts department of the organization regulates employee loans. As argued by Sani, Mohd-Khan, Noor and Saifoul (2018), employee loans are a clever way of earning revenue, as the employee offer interest over their loan amounts on one hand and their developed loyalty towards their organization makes them more dedicated towards their work. Employee loans use a simple mechanism where the accounts department of the organization deducts a certain amount of loan instalment from the salaries of the employees, therefore, reducing the chance of instalment failure.

Factors leading Employees to seek Loans

Employees take loan from their employers on a frequent basis; however, there are factors that do show the scenarios, which lead employees to consider taking employee loans. Firstly, the ease of loan processing is a major factor that makes employees seek employee loans. It is seen that as employee loans do not require mortgaging of assets as collateral, thereby making employees with no assets eligible for loans. As supported by Wickelgren (2018), employees of the lower section of the organization seek employee loans most frequently, as they lack the opportunity of taking loans from banks due to their lack of assets at disposal.

It is found that the salary scale of the employees determines their frequency of opting for employee loans from their employers and therefore, is a major factor. As lower salaries make the employees unable to make bigger purchases within a short time, they prefer taking loans from the employers, unlike higher paid employees who take employee loans less frequently. Considering the fact that employees with higher salaries also take employee loans, Goenner (2018) argued that employee salary could not be the factor for employee loans. The lifestyle of the employees makes them seek loans and attain facilities, as their regular salaries are not sufficient for meeting their demands.

As employees get loans from their employers, loyalty towards the organization increases as on one hand the organization is perceived for its valued offerings for its employees and the convenience afforded by the employees with the loan money. As stated by Javed (2018), employee loans make employees motivated at work, which again is an indirect influence of the generated loyalty towards the organization. As opined by Ghulam, Dhruva, Naseem and Hill (2018), as employees get motivated; they perform better, increasing productivity of the company and earning more scope of earning. Employee loans help the employees to attain holidays in desired locations, family functions, buying heavy household electronics and even cars, bikes and many more. Therefore, it can be assumed that employee loans help with socio-economic development of the lower levels of society. As mentioned by Bibi, Balli, Matthews and Tripe (2018), sudden flow of cash among the lower living standards of employees, make them upgrade their living standards.

Theories related to Taking Loans by Employees

Theory of Loan Priorities

The Theory of Loan Priority comes into existence in terms of the distribution of the shares of return-based profit among the lenders and the responsibility of asset management in case the debtor fails to repay the loan amount in time. As mentioned by Dodson and Ahrendsen, (2018), there are three major sections in the Theory of Loan Priority, which related to the different positioning and security aspects of loan approvals.

In the first section, it is said that the first lender making an insecure loan to a borrower needs to share a certain percentage of the profit with the later lender. In the second section, the later lender gets to share the profit with the first lender in case he or she makes a secured loan, while the first makes an unsecured loan. Lastly, when the first lender makes a secure loan, he or she tends to have priority over the later lender. As stated by Jahera Jr (2018), the base of the Theory of Loan Priority considers the role of security and the time of the loan as prime factors, which only changes the priority imposition between the different lenders within a single organization.

Theory of Loan Commitments

In a general context, the banks play the role of large-scale lenders for domestic, personal, organizational and commercial purposes. As the number of borrowers remains high in the market and the chance of failed repayment becomes equally high, every bank maintains a set of rules that are used for determining the eligibility criteria of the borrowers, based on the level of potential risks, interest rate application, norms for failed loan recovery and transactional methods. The formulation of the banking norms forms the foundation of the Theory of Loan Commitments. Considering the importance of loans, as identified by North and Wilson (2018), many organizations have developed a system for loan allocation, taking guidelines from the banking norms and modifying them as per the requirements.

Employee Morale

As an employee works in his working environment, the culture of the workplace, the ethical considerations and the scopes for benefit determine the degree of employee satisfaction, which is considered in a collective form as employee morale. As mentioned by Raman and Sambamoorthy (2018), employee morale simply signifies the level of employees' job satisfaction levels and the associated feeling of being valued by the organizational management. Employees at the workplace play specific roles and based on the role they play, they develop a sense of self-esteem within the taskforce of the organization, which gradually leads to a scale of mental satisfaction.

Factors influencing Employee Morale

Employee morale, seen from a break down structural point is the outcome of multiple aspects, which can be considered as the factors of employee morale. As mentioned by Rajalakshmi and Naresh (2018), one of the major factors of employee morale is the organization, in which employees work. Every organization has its own set of priorities and the more the organization is focused on human resources and their interests the higher the employee morale becomes.

Secondly, the type of work is another factor that influences the level of employee morale. It is found that as employees engage in work, that consistently retains the insecurity of job and makes employees work harder for long duty hours make their morals low. As mentioned by Kaplan et al. (2018), in case of target-based jobs, employees face the consistent threat of losing their jobs if their targets are not achieved, which makes their morale low. In a similar parameter, it is found that employee morale remains high in higher management and in permanent employees, as they do not face the issue of financial and job-oriented insecurities.

Employee morale is also affected by the nature of rewards provided by the employers of an organization. As opined by Babalola, Stouten, Euwema and Ovadje (2018), the employee-rewarding process generates bi-polar outcomes; when all the employees get rewards or the scope of getting rewards remains attainable, employee morale improved, while selective rewards make the employees' morale low. The offering of rewards directly impacts on the self-esteem of the employees in the workforce, and it is often seen that employees who get rewards for their work, get competed by their colleagues, creating an unhealthy working atmosphere that has the potential of lowering employee morale.

Impact of Employee Morale on Organizational Productivity

Employee morale is directly associated with the aspect of organizational productivity. Higher morale is generated as employees of an organization feel satisfied with the organization they are working for, making them more dedicated and the unscheduled absence rate decline. High morale of employees makes them obedient to the management, which Makes the employee allocation and production chain consistency easily attainable. As comprehended by Smith, Wallace, Vandenberg and Mondore (2018), high morale of employees is also responsible for their commitment, which is significant in respect of employee turnover reduction. High morale of employees reduced the scope of time wastage at the workplace, as employees enjoy their work and refrain from wasting time. As mentioned by Messersmith, Kim and Patel (2018), the use of less time, low turnover of employees and the consistency as well as obedience towards the management contributes to higher productivity and lower internal costs, resulting in refined organizational productivity.

Employee morale is disrupted and declines when employees face scenarios, in which they must share their skills, acquiring new ones and lacking substance that satisfy their mental needs that change over time. As identified by Panagopoulos, Hochstein, Baker and Pimentel (2018), as organizational management takes in changes in the existing framework, the employees are faced with situations in which they must learn the use of the changed processes and develop skills afresh, which makes their morale low. It is seen that employees crave for scope of growth in the workplace, giving less emphasis on the aspect of monetary bonuses or incentives.

Productivity of Employees

In technical terminology, work productivity can be determined as the average generated from the total work produced by an employee, within an hour, with limited resources invested in. As noted by Johansen et al. (2018), work productivity can be measured on various scales of work, however, the parameters and process of measurements remain the change. Seen from an organizational perspective, productivity of work is calculated in terms of the total produce in the context of total money invested in the total number of employees within a certain amount of time.

The work productivity of the employees determines the cost of manufacturing products and offering services as the final pricing of the products must include the internal cost of production, which high work productivity brings within the budget, while low productivity exceeds. As supported by Ojo, Bailey, Chater and Hewson (2018), workplace productivity of the employees can be improved by the assistance of the management, who provide employees guidelines that would make the employees work skillfully, generating a high number of products and services for the organization.

Relationship of Employee Work Productivity on Overall Organizational Productivity

The productivity level of a single employee does not influence the organizational performance level. However, as common factors start influencing the productivity of the employees on a large scale, the organizational performance declines. As assessed by DeGeest, Follmer and Lanivich (2018), each organization has interconnected with an interdependent department of employees, therefore, the productivity level of one department hampers the productivity of the other, making the overall productivity of the employees decline rapidly. The workplace productivity helps in determining the internal cost of production of products or the offering of services to the customers. As stated by Bendickson, Gur and Taylor (2018), taking cue from the aspect of internal cost, and the fact that organizations tend to have a fixed budget, that help in retaining a satisfactory profit margin or objective, the overall company or organization restricts its productivity level, which if seen from the aspect of grass root analysis, point at employee productivity.

As employees perform better based on the motivations they derive from the management and the workplace, the ratio to cost and production become favorable for higher business margin and the organization tend to use that profit for better implementation of strategies making it perform better. As stated by Tomczak, Lanzo and Aguinis (2018), employee productivity is the reflection of organizational productivity.

As employees of one department perform better and are productive, the following work process also starts on time, retaining the right amount of quality and quantity within the allocated budget. In every organization the official duty and the available use of resources tend to be limited, which seen in the context of the employee productivity determines what quality and quantity of products and services the organization can provide to its customers and clients, which directly determines the organizational productivity.

Impact of Employee Loans on Employee Morale

Employees' productivity, dedication towards work and the attitude towards their respective organizations have deep links with the morale of the employees. As affirmed by Cartwright and Cooper (2018), employee morale is affected by the internal factors the most and the employee loan is the most important factor of them all. Employee loans are given on fixed and equal parameters, which make them generate a morale standpoint within the organizations. The availability of employee loans within an organization makes the employees feel associated with a company that can secure and improve the lives of the employees and morally get motivated. As identified by Chukwudumebi and Kifordu (2018), every company in which employee loan facility is provided; there remains an eligibility criterion, which judges the employees equally, promoting employee morale to reach new heights.

Impact of Employee Loans on Employee Work Productivity

Employee loans are significant for organizational productivity and growth as the employee productivity levels get affected by the loans they take or the loans they do not get. The offering of employee loans affects the productivity level of the employees in positive as well as in negative ways. As employees get loans from their employers in the form of employee loans, they feel secure and the realization of desires availed from the loan money makes life easy, comfortable, which motivates the employees to perform better and be more productive. As opined by Ferrando and Ruggieri (2018), as employee loans are perceived as a benefit of working as a part of an organization, employees perform better to show a sense of gratitude through performing better that adds ups to the profit of the organization. Employee loans generate pressure on the employees as the loan amounts are deducted from the salaries and the only way to earn extra money depends on better performance-based incentives, making the employees become more productive without much motivation.

Theoretical Models related to the Impact of Employee Loans on their Work Productivity and Morale
Maslow's Hierarchy of Needs Model

Considering the complexity of the shifts in the nature of the demands of employees, Maslow formulated Hierarchy of Need Model, which distinguishes the needs of employees in three broad and five levelled sections, offering in depth knowledge of the aspect that the employees' value in the context of passing of time. As mentioned by Haider, Ahmed, de Pablos, and Latif (2018), considering the transition from unemployment to employability, employees in their initial phase in organizations tend to strive for the basic needs, which include food, money, rest and tangible objects. In the second level of needs, the security of job and safety at the workplace reigns supreme.

However, as identified by Li, Chen and Hui (2018), an employee can only tend to reach the subsequent level of need, if the prior level of need is fulfilled. After attaining job security and safety employees focus on developing professional workplace ties in order to satisfy the needs of belongingness. In the next section employees feel the esteem needs, which makes them value recognition, prestige and achievement. While the first two levels of needs form the category of basic needs, the latter two form the category of psychological needs. After the passing of considerable amount of time at the workplace, the need for self-actualization takes place, which makes an employee realize their position in the organization and their significance.

Herzberg's Two-Factor Theory

Considering the ways which motivate employees at the workplace and retain them for long periods, the Two-Factor Theory by Herzberg can be referred to as an informative tool for assessing the cause of employee motivation and dissatisfaction. The theory proposed the idea that there are two different types of factors, among which one type of factor, namely motivators, makes employees motivated towards their work, and on the other hand, there are hygiene factors that generate satisfaction. As stated by Hur (2018), although both the factors in Herzberg's Two-Factor Theory are relatively close to one another, they are very different, as the former tends to make employees motivated, while the latter tends to retain the employees in the organization.

Considering the Herzberg's Two-Factor Theory in the context of the employee loans, it can be seen that employee loans would fall in the category of motivation factors, while the fairness of the employee loans processing, improvisation of interest and the ease of lending would act as the hygiene factors in the origination. The theory makes it clear that in order to retain the consistency of employee productivity motivators are needed to be provided after regular intervals, whereas the hygiene factors will be required to make the working environment harness a positive culture that support the motivating factors.

Vroom's Expectancy Theory

Vroom's Expectancy theory provides an insight into the minds of the employees regarding the outcome of greater efforts, better productivity and dedication at the workplace. It becomes comprehensible that if employee productivity degrades, it is the result of lesser effort by the employee and the lessening of efforts in conscious and intentional. Considering the Vroom's Expectancy Theory, in the context of employee loans affecting the morale and productivity of the employees, it can be said that the negative impact of loan repayment stress is not great enough to dissuade an employee from performing better. As mentioned by Da Motta Veiga and Turban (2018), the terms and conditions of the employee loans are well known to the employees in most cases and therefore, there is very little logic behind getting depressed by repaying loan amounts.

Stacy Adam's Equity Model

Stacy Adam's Equity Model sheds light on the fact that equality of scope and benefit can be responsible for the positive as well as negative outcomes. As mentioned by Lee and Ha-Brookshire (2018), the Equity model makes it evident that rewarding the employees who perform better, makes the underperforming employees further de-motivated and leads to undermining productivity from the workforce as a single unit. Stacy Adam's Equity

Model shows that rewards can only generate motivation for a selected number of employees, while the lack of scope for rewards for every employee makes a considerable percentage of the entire taskforce lack motivation. As argued by Druckman (2018), instead of selective rewards, general rewards make the entire taskforce strive towards better productivity and higher targets and therefore, any actions provided to specific employees make the issue of discrimination apparent. As not all employees of an organization offer the same performance, it is important that talented and skilled employees be retained through rewarding.

Challenges in Providing Loans to Employees

Providing loans to employees is not simple in the context of the consequences that follow afterwards. As identified by Us (2018), business organizations do not have stored capital similar to that of banks and other financial organizations therefore, the lending capacity remains limited, making only a limited percentage of the employees get loans. The determining criterion of employee loan eligibility becomes a major challenge to overcome, as biased preferences gradually creep within the organization. Another major challenge in providing employees with employee loans is the tax slabs that business organizations have to abide by. As assessed by Porter (2018), business organizations lend money to their employees in exchange for a certain amount of interest imposed on them, making the money commercially used, which increases the tax imposition on the organizations, which often cuts in the profit percentages.

Another major challenge in employee loan providing is the approval of loans based on employee salaries and tenure of duty remaining in the organization. As the management of an organization, as opined by Brown et al. (2018), only considers the salary of the employee as the collateral, there remains the consistent risk of the employee leaving the organization during the loan repayment, making the organization bear the load of the loss of money. It can be argued that there are laws ensuring that employees do not leave organizations during their loan repayment, there is however, no scope for the management to improve the productivity of the employees. It is found that many employees take advantage of the legal bindings and do less work at the workplace being immune to losing their jobs.

Challenges in Implementing Loans to increase Employee Morale and Productivity

Providing employee loans does not ensure that employees develop a higher morale at the workplace and offer better productivity in terms of being productive. In addition, there are certain challenges that make the employee loans unsuccessful attempts in boosting employee morale and productivity. Firstly, employee loans are provided by the organizations, and they seek to recover the money fast, thereby making the minimum monthly instalments considerably high. As stated by Chia-Hao and Ting-Ya (2018), as instalments are deducted from the salaries of the employees; they get less money in hand despite working with dedication at the workplace make their morale low, despite knowing the fact that they are to repay the loan amount.

Ways to Boost Employee Morale and Employee Productivity

Considering the way employee morale is affected; ways can be identified for boosting employee morale. Firstly, employee morale can be boosted by making employees feel that their jobs are more than a mere way of earning money. The management of organizations must make the employees aware of the impact of their work on the larger spectrum of society. As mentioned by Aidoo (2018), aligning work with higher purpose in life makes employee morale high.

Secondly, offering employees extra time off their duty after a session of high-pressure period at the workplace so that they can indulge the extra time in personal creativity makes employee morale high. As noted by Hamid, Uli, Johari, Osman and Wen (2018), as employees get more time for their personal activities; they psychologically feel positive and their morale uplifts naturally. Thirdly, organizing functions and short parties at the workplace for having fun with the employees reduces the stress of organizational formality and releases the stress generated through organizational hierarchy. The fun at the workplace makes the working atmosphere lighthearted and the employee morale improved considerably.

Linking Literature with Current Research through Conceptual Framework

The current literature review presented justifies all the research objectives in their fullest forms, offering in depth knowledge of all the available data associated with the research topic in general. The first objective of the research, which aims to assess the concepts of employee productivity, employee loans, employee morale and organizational productivity, has been justified with critical discussion presented in the Concept of Employee Morale, Concept of Work Productivity of Employees, Concept of Employee Loans and Relationship of Employee Work Productivity on Overall Organizational Productivity sections. Offering in depth knowledge about the variables of research makes the entire research insightful and concrete.

The second and third objectives of the research, which aims to identify the issues that influence employee loans to hamper the best productivity of employee morale, employee productivity and organizational productivity, has been justified by discussion provided in the literature review article as well. The discussions taking place in Concept of Employee Loans, Impact of Employee Loans on Employee Work Productivity, Impact of Employee Loans on Employee Morale and Relationship of Employee Work Productivity on Overall Organizational Productivity, sections make the second objective justified.

The topics discussion in sub-heads such as Ways to Boost Employee Morale and Employee Productivity, Challenges in Implementing Loans to increase Employee Morale and Productivity and Challenges in Providing Loans to Employees directly hinted at the current research objective. However, the details about the chosen company have not been included to provide generic depth to the discussions.

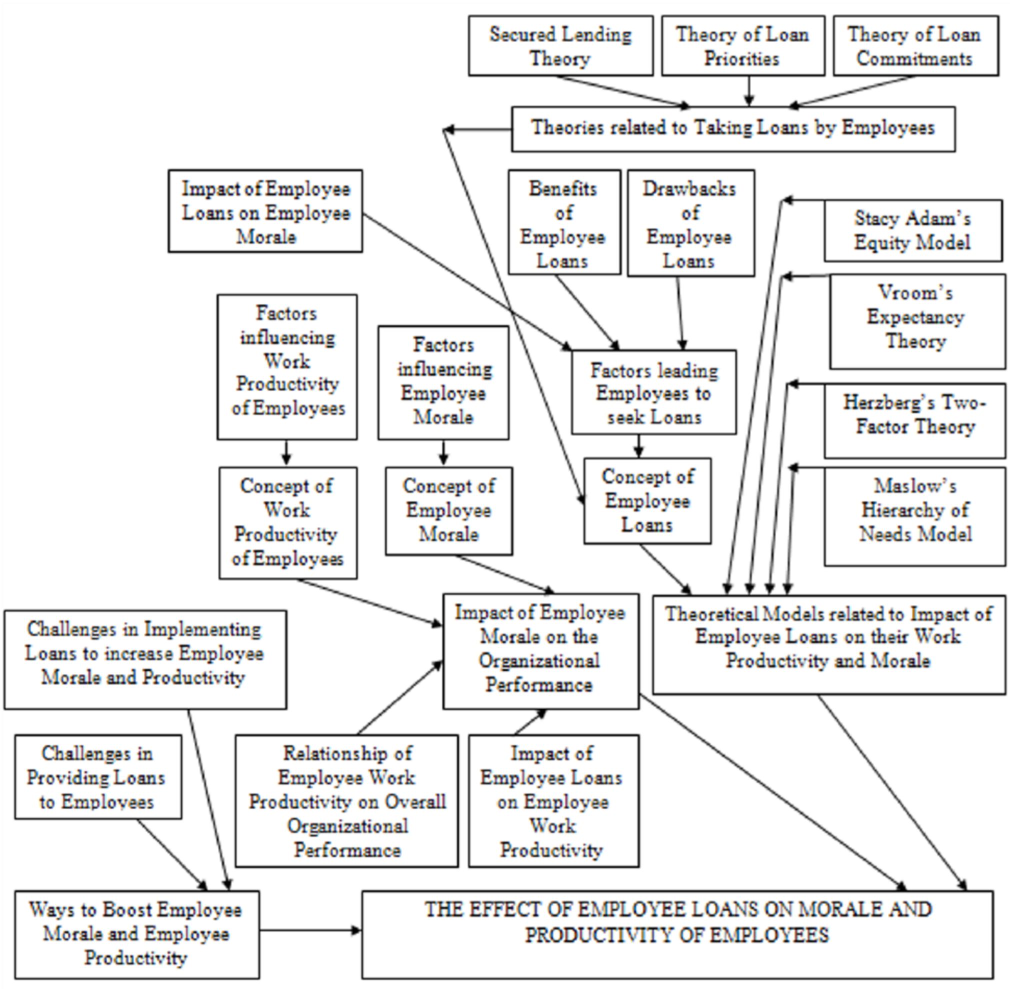

Figure .1: Conceptual Framework

III. Conclusion

Although the current article offers a wide variety of in-depth knowledge about research topic variables and their associated aspects, some evident gaps have remained unattended. As mentioned by Danese, Manfe and Romano (2018), in literature review articles, not all the related aspects are discussed, and researchers often had to select one option from the alternatives, making the scope of future improvement a reality. In the current research the researcher, due to the limitation of the time, had to limit the circumference of literary sources. Another major gap that remained in the article is the lack of literary works that directly linked the research topic variables.

It is found that in the current article, the researcher had to make the use of logical approach to connect the contents of one literary source to another. The research topic assessment could have been much better if the researcher were to find sources that discussed the research variables directly in the context of one another. Lastly, it was also found that the research could not access all the online libraries for the high access charges. As the current research tends to have a fixed budget, the researcher had no way of accessing all the paid online libraries.

The current article has provided the in-depth knowledge the researcher needed to carry out the research and select research methods in the following article. In the current article all the theoretical models, relevant theories and variables have been discussed, accessed and communicated in the light of the research topic. The article acts as the background of literary knowledge for the entire research.

The contents of the current article, considering their placement in sequence, gives a proper idea of the impact on employee loans on the morale and productivity of the employees. A rational perspective makes it evident that the current article and the topics discussed in its subheadings offer ample hint for formulating strategies that can solve the issues highlighted in the research and can help in attaining the goal of the study. The article also provides information about the gaps in literature, which makes the scope of future improvement identifiable.

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