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# Effect of Economic Crisis on Job Satisfaction: An Empirical Study on Employees in The Banking Sector with Reference to North Central Province, Sri Lanka

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**A B S T R A C T**

In Sri Lanka, a severe economic crisis marked by soaring inflation and a depreciating Rupee against the US Dollar has created significant challenges for individuals and sectors across the country. This study focuses on assessing the impact of this economic crisis on job satisfaction of banking sector employees in the North Central Province. This study identifies several independent variables characterizing the economic crisis, including financial crisis, allowance and wage cuts, reductions in the workforce, and expenditure cutbacks. The dependent variable for this research is the job satisfaction of banking sector employees. Data was gathered from 130 bank employees using a structured questionnaire to gauge their agreement or disagreement. The data was analyzed with the use of descriptive statistics, correlation analysis, and regression analysis. This study reveals that financial crises and allowance and wage cuts in Sri Lanka's North Central Province have no significant detrimental impact on job satisfaction among banking sector employees. However, it does highlight that the reduced workforce and decreased expenditures have a notably adverse effect on job satisfaction in the banking sector in the North Central Province of Sri Lanka.

Keywords: Economic crisis, Financial Crisis, Job satisfaction, Allowance and wage cuts, Reduction workforce, Reducing expenditure

## 1. Introduction

The term "economic crisis" encompasses situations where financial institutions or assets experience significant devaluation (Shibly, 2017). It creates an uncertain context that profoundly influences people's outlook on life and their assessments of their work environments (Markovits , Boer, & Van Dick, Economic crisis and the employee: The effects of economic crisis on employee job satisfaction, commitment, and self-regulation, 2014). Examples of such crises include stock market crashes, currency crises, financial bubble bursts, and sovereign defaults (Shibly, 2017). In Sri Lanka, the economy has been grappling with a severe crisis, marked by rising inflation, depreciating Sri Lankan Rupee against the US Dollar, and a host of economic challenges (George, George, & Baskar, 2022). The banking sector is a pivotal contributor to the nation's economy, and employee satisfaction is essential for its continued success. This study investigates the impact of this economic crisis on job satisfaction among bank employees in Sri Lanka. Job satisfaction, defined as a positive emotional state resulting from work evaluation, plays a critical role in an employee's contribution to an organization (Locke, 1976). Despite high job stress, banks have traditionally taken measures to enhance employee job satisfaction (Sankalpa, Ekanayake, & Punchi-manage, 2012), (Weerasinghe, Dedunu, & Jayani, 2017). This research delves into how the ongoing economic crisis in Sri Lanka has affected job satisfaction among bank employees. To explore this, Herzberg's two-factor theory was adopted, emphasising "motivator factors" contributing to job satisfaction and "hygiene factors" preventing job dissatisfaction (Fontova, et al., 2020). This research delves into how the ongoing economic crisis in Sri Lanka has affected to job satisfaction among bank employees. To explore this, Herzberg's two-factor theory was adopted, emphasising "motivator factors" contributing to job satisfaction and "hygiene factors" preventing job dissatisfaction (Fontova, et al., 2020). The economic crisis in Sri Lanka has created substantial challenges, from currency depreciation to food and fuel shortages, significantly impacting the daily lives of its citizens in the banking sector, employees face increased job stress due to fuel shortages, transportation issues, and threats to job security, such as wage cuts and increased living costs. This study examines the intricate interplay between the economic crisis and job satisfaction, focusing on the banking sector's employees who confront the brunt of these challenges. It sheds light on the evolving dynamics in the context of Sri Lanka's ongoing economic turmoil.

The banking sector in Sri Lanka is a significant contributor to the country's economy and financial system (Lanka, 2021). However, the nation currently grappling with a severe economic crisis characterized by rising foreign debt, declining foreign reserves, inflation, irregular currency management, and rupee depreciation (George, George, & Baskar, 2022). This economic downturn has exerted substantial pressure on job satisfaction among banking employees, exacerbated by factors such as the fuel crisis, transportation issues, electricity shortages, and salary cuts. These challenges have led to decreased job satisfaction, subsequently impacting organizational performance. While countries like Greece, Spain, and Portugal have experienced economic recessions, research on the interplay between economic crises and job satisfaction, especially within the Sri Lankan context, remains scarce.

Despite previous studies exploring various factors affecting job satisfaction in Sri Lanka (Sankalpa, Ekanayake, & Punchi-manage, 2012), (Weerasinghe, Dedunu, & Jayani, 2017), (Wickramasinghe & Perera, 2012), there is a notable knowledge gap regarding the specific impact of the economic recession on job satisfaction in Sri Lanka. Addressing this gap is crucial, given the current severe economic crisis, making it imperative to investigate this intersection of economic downturn and job satisfaction (Feleki , Karamanis, & Arnis, 2021), (Chatzopoulou, Vlachvei, & Monovasilis, 2015), (Markovits, Boer, & Van Dick, 2014), (Frasquilho, 2017). The researcher develops the research questions and hypothesis based on the following objectives.

01. To identify the impact of the financial crisis on job satisfaction.

02. To identify the impact of cut wages and allowances on job satisfaction.

03. To identify the impact of staff reduction on job satisfaction.

04. To identify the impact of reducing expenditure (T&D) on job satisfaction.

## 2. Methodology

The conceptual framework is a person's views about how specific variables or concepts are connected to one another, as well as an explanation of why certain variables are associated with one another (Sekaran., 2021). A good conceptualization is a process of transitioning from a broad topic to a specific research question. This study is based on four independent variables and one dependent variable. The dependent variable of the study was job satisfaction which was evaluated against four independent variables: financial crisis, allowance and salary cuts, decreasing spending, and workforce reduction. To implement the relationship between variables, the conceptual framework is illustrated as follows.

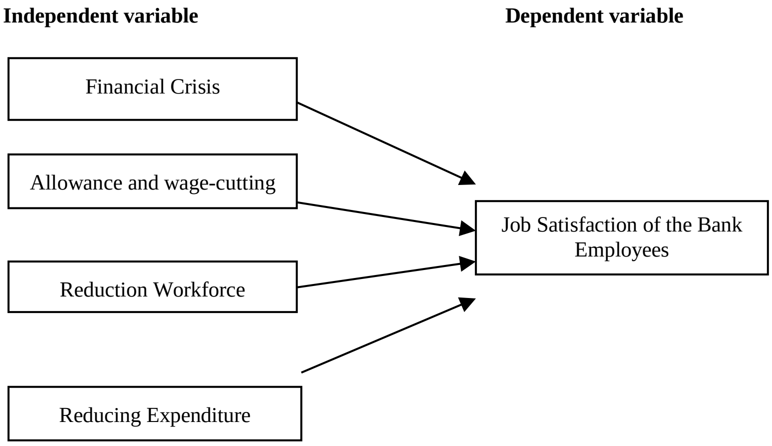


**Fig 2.1- Conceptual Framework**

This research is an applied research study that adheres to a quantitative research design. A survey approach was used as the research strategy. The target population for this study consist of all employees who are working in public and private banks in North Central Province. According to the Morgan chart, it interpreted the sample of the study should be 217, as per the time and resource constraints the researcher restricted the sample size to 130 employees which was identified using the convenient sampling technique. This study is based on the primary data collected by the employees in both public sector and private sector banks in North Central Province. The researcher gathered primary data using a structured questionnaire with the use of a Google form. In this study the questionnaire developed with the support of prior research conducted by the scholars in the relevant area.

Data analysis was conducted using descriptive statistics, correlation, and regression analysis. Furthermore, the researcher used the SPSS statistical software for data analysis. Descriptive statistics are conducted using frequencies, measures of central tendencies, and dispersion. Correlation analysis was used to identify the significant relationship between independent variables and dependent variable while Regression analysis was used by the researcher to determine the impact of independent variables on the dependent variable.

## 3. Results and Discussion

The population of this research covered all the banking sector employees in the north-central province. The sample of research might refer to a subgroup or subset of the population. By analyzing the sample, the researcher should be able to derive findings that are generalizable to the population of interest (Sekaran., 2021). The study region is the North Central Province. The researcher distributed 130 questionnaires to collect data from the banking employees, among them 112 responded to the questionnaire which represents a response rate of 86%.

**Table 3.1- Demographic Analysis**

| Description | Range | Frequency | % |
|---|---|---|---|
| **Aware of the current Sri Lanka economic crisis** | Yes | 101 | 90.2% |
| | No | 11 | 9.8% |
| **Gender** | Male | 57 | 50.9% |
| | Female | 55 | 49.1% |
| **Marital Status** | Single | 38 | 33.9% |
| | Married | 74 | 66.1% |
| **Current working area** | Anuradhapura | 68 | 60.71% |
| | Polonnaruwa | 44 | 39.29% |
| **Years in total working at the Bank** | Less than 1 year | 23 | 20.5% |
| | 1 to less than 2 years | 21 | 18.8% |
| | 2 to less than 5 years | 26 | 23.2% |
| | 5 to less than 10 years | 27 | 24.1% |
| | 10 years or more | 15 | 13.4% |
| **Phrases describe the job** | School leaver | 8 | 7.1% |
| | Internship Employee | 25 | 22.3% |
| | Temporary Employee | 9 | 8.1% |
| | Permanent | 70 | 62.5% |

Source: Constructed by Researcher, 2023

The demographic analysis provides insights into the population for the study. The majority of the respondents were aware of the current economic crisis in Sri Lanka, with 90.2% having knowledge about it. This indicates that the study could be very relevant and provide useful insights into how the economic crisis influenced job satisfaction among bank employees in the north-central province. Among the respondents, 50.9% were male and 49.1% were female which indicates that the majority of respondents were male. among the respondents, the majority were married (66.1%). Regarding the current working area, more respondents were from Anuradhapura (60.71%) than Polonnaruwa (39.29%), which may reflect the differences in economic activity and opportunities in these regions. Around 62.5% of respondents were permanent employees, indicating workforce stability, while 22.3% of respondents were internship employees, indicating the prevalence of temporary contracts in the region.

**Table 3.2- Reliability statistics – Independent and dependent variables**

| | Cronbach's Alpha | No of Items | Internal Consistency |
|---|---|---|---|
| **Independent Variables** | | | |
| **IVFC** | 0.841 | 5 | Acceptable |
| **IVAW** | 0.797 | 5 | Acceptable |
| **IVRW** | 0.768 | 4 | Acceptable |
| **IVRE** | 0.854 | 5 | Acceptable |
| **Dependent Variable** | | | |
| **DVJS** | 0.912 | 7 | Acceptable |

Source: Constructed by Researcher, 2023

The reliability analysis shows that all the independent and dependent variables have acceptable internal consistency, as indicated by Cronbach's alpha values exceeding the threshold of 0.70. This means that the items within each variable are strongly correlated and measure the same underlying construct consistently. Specifically, the independent variables are economic crisis related to the financial crisis, allowance and wage cuts, reduction in workforce, and reduction in expenditure are all reliable measures in this study, with Cronbach's alpha values ranging from 0.797 to 0.854. This suggests that these variables are sound indicators of the financial challenges faced by organizations and can be used to assess their impact on job satisfaction. Job satisfaction is highly reliable, with a Cronbach's alpha value of 0.912. This indicates that the items measuring job satisfaction are consistent and accurately reflect the concept being studied.

**Table 3.3- Skewness and Kurtosis**

| | N | | Skewness | Std. Error of Skewness | Kurtosis | Std. Error of Kurtosis |
|---|---|---|---|---|---|---|
| | Valid | Missing | | | | |
| **IVFC1** | 112 | 0 | -1.268 | .228 | .592 | .453 |
| **IVFC2** | 112 | 0 | -1.192 | .228 | 1.971 | .453 |
| **IVFC3** | 112 | 0 | -.900 | .228 | 1.143 | .453 |
| **IVFC4** | 112 | 0 | -.508 | .228 | .409 | .453 |
| **IVFC5** | 112 | 0 | -.858 | .228 | .543 | .453 |
| **IVAW1** | 112 | 0 | -.961 | .228 | .998 | .453 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **IVAW2** | 112 | 0 | -.318 | .228 | -1.045 | .453 |
| **IVAW3** | 112 | 0 | -.558 | .228 | .137 | .453 |
| **IVAW4** | 112 | 0 | -.408 | .228 | -.448 | .453 |
| **IVAW5** | 112 | 0 | -.049 | .228 | -1.260 | .453 |
| **IVRW1** | 112 | 0 | -.653 | .228 | .639 | .453 |
| **IVRW2** | 112 | 0 | -1.255 | .228 | .744 | .453 |
| **IVRW3** | 112 | 0 | .356 | .228 | -1.314 | .453 |
| **IVRW4** | 112 | 0 | -1.278 | .228 | 1.249 | .453 |
| **IVRW5** | 112 | 0 | .225 | .228 | -1.318 | .453 |
| **IVRE1** | 112 | 0 | -.247 | .228 | -.483 | .453 |
| **IVRE2** | 112 | 0 | -1.061 | .228 | 2.031 | .453 |
| **IVRE3** | 112 | 0 | -.548 | .228 | -.142 | .453 |
| **IVRE4** | 112 | 0 | -.242 | .228 | -.707 | .453 |
| **DVJS1** | 112 | 0 | -.359 | .228 | -.809 | .453 |
| **DVJS2** | 112 | 0 | -1.005 | .228 | .957 | .453 |
| **DVJS3** | 112 | 0 | -.519 | .228 | .345 | .453 |
| **DVJS4** | 112 | 0 | -.907 | .228 | .122 | .453 |
| **DVJS5** | 112 | 0 | -1.015 | .228 | 1.841 | .453 |
| **DVJS6** | 112 | 0 | -.459 | .228 | -.131 | .453 |
| **DVJS7** | 112 | 0 | -.172 | .228 | -.739 | .453 |

Source: Constructed by Researcher, 2023

The researcher initially evaluated whether the acquired data is normally distributed by employing skewness and kurtosis, which are two analytical ways to evaluate the data set's normality. According to the results, none of the matrices associated with all variables surpass the aforementioned threshold and remain between - 2 and +2, suggesting that the acquired data set is normal.

**Table 3.4- Correlation Analysis**

| | **IVFC** | **IVAW** | **IVRW** | **IVRE** | **DVJS** |
|---|---|---|---|---|---|
| **IVFC** | 1 | | | | |
| **IVAW** | .200* | 1 | | | |
| **IVRW** | .385** | .645** | 1 | | |
| **IVRE** | .232* | .700** | .602** | 1 | |
| **DVJS** | .347** | .563** | .640** | .756** | 1 |

Source: Constructed by Researcher, 2023

The correlation measures the direction and intensity of the linear relationship between quantitative variables. It is a technique for determining the mutual effect of variables on one another (Sekaran., 2021). Pearson Correlation assesses the direction, strength, and significance of bivariate connections between all variables. In this study, four independent variables were identified: IVFC (Financial Crises), IVAW (Allowance and wage cuts), IVRW (Reduction Workforce) and IVRE (Reduce Expenditure), while the dependent variable is DVJS (Job Satisfaction).

IVFC has a positive and moderate correlation with DVJS (r = 0.347**), which suggests the positive relation of financial crises on job satisfaction is significant but not higher than 0.5. IVAW has a positive and strong correlation with DVJS (r = 0.563**), which means that Allowance and wage cuts have a significant positive relationship with job satisfaction. IVRW has a positive and moderate correlation with DVJS (r = 0.640**), indicating that a reduction in the workforce consists of a significant positive relationship with job satisfaction. IVRE has a positive and strong correlation with DVJS (r = 0.756**), which describes that significant positive relationship with job satisfaction. Overall, the correlation analysis suggests that all the IVs have a significant relationship with job satisfaction, but the strength of the relationship varies. The strongest predictor of job satisfaction among the four independent variables is reducing expenditure.

**Table 3.5: Model Summary and Model validity table**

| **Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** |
|---|---|---|---|---|
| **1** | .799[a] | .639 | .625 | .27836 |

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| **1** | (Constant) | 1.382 | .244 | | 5.658 | .000 |
| | IVFC | .099 | .055 | .114 | 1.803 | .074 |
| | IVAW | -.038 | .057 | .058 | -.659 | .511 |
| | IVRW | -.184 | .058 | .267 | -3.196 | .002 |
| | IVRE | -.449 | .062 | .610 | -7.197 | .000 |

Source: Constructed by Researcher, 2023

According to (Sekaran., 2021), regression analysis is a set of systematic processes for investigating the relationships between dependent variables and autonomous variables. The standardized Coefficients show the direction and strength of the relationship between each independent variable and the dependent variable. The Unstandardized Coefficients represent how much the dependent variable changes with a one-unit increase in the independent variable while holding all other independent variables constant. According to the regression results, IVFC has a positive, but not statistically significant, relationship with job satisfaction, as its p-value (Sig.) is greater than 0.05. IVAW has a positive relationship, but it is also not statistically significant. IVRW has a negative and statistically significant relationship with job satisfaction, given that the p-value is less than 0.05. IVRE has a strong negative and highly significant relationship with job satisfaction, as indicated by its large magnitude of the standardized coefficient (Beta) and a very low p-value. Overall, this regression analysis suggests that IVRW and IVRE are the most important predictors of the dependent variable, while IVFC and IVAW do not appear to have a significant impact.

## 4. Summary and Conclusion

According to the findings of the results it revealed that the financial crisis and cutting wages and allowances did not have any significant negative impact on job satisfaction among employees in the banking sector in North Central Province, Sri Lanka. However, staff reduction and reduced expenditure on training and development have a significant negative impact on job satisfaction among employees in the banking sector in North Central Province, Sri Lanka. This can be identified through the following hypothesis accepting table.

**Table 4.1: Hypothesis testing**

| Hypotheses | Beta | P-value | Decision |
|---|---|---|---|
| **H1: A financial crisis has a negative impact on job satisfaction.** | 0.099 | 0.074 | Rejected |
| **H2: Cutting wages and allowances have a negative impact on job satisfaction.** | -0.038 | 0.511 | Rejected |
| **H3: Staff reduction has a negative impact on job satisfaction.** | -0.184 | 0.002 | Accepted |
| **H4: Reducing expenditure (T&D) has a negative impact on job satisfaction.** | -0.449 | 0.000 | Accepted |

Source: Constructed by Researcher, 2023

This research investigates the impact of the economic crisis on job satisfaction among banking sector employees in the North Central Province, of Sri Lanka. Four key independent variables were used to define the economic crisis: financial crisis, allowance and wage cuts, deduction of the workforce, and reduced expenditure.

The findings reveal that the financial crisis has a positive but statistically insignificant impact on job satisfaction ($\beta = 0.099$, $p = 0.074$), contrary to previous studies conducted by (Jaros, 2017), (Papavasili, 2019). Cutting allowances and wages also showed no significant negative impact on job satisfaction ($\beta = -0.038$, $p = 0.511$), differing from research by (Lai, 2016), (Wang Wen, 2016). However, the deduction of the workforce significantly and negatively affects job satisfaction ($\beta = -0.184$, $p = 0.002$), aligning with findings from (Wickramasinghe & Perera, 2012), (Khan, 1990). Similarly, reducing expenditure on training and development significantly reduces job satisfaction ($\beta = -0.449$, $p = 0.000$), consistent with research by (Lai, 2016), (Pilipiec, 2021). Therefore, among these economic crisis factors, workforce deduction and expenditure reduction on training and development notably decrease job satisfaction among North Central Province banking sector employees, as evidenced in this research.

## 5. Recommendations

The current study attempts to identify the impact of the economic crisis on job satisfaction of employees. Here, the study targets only the banking sector employees in the North Central Province, Sri Lanka and does not consider other banking sector employees in different provinces. Therefore, these findings are limited to the banking sector employees in North Central Province. Not only that they have not considered the other employees in different sectors in the north central province and another limitation is that the findings were limited to the employees in the Banking sector. Hence, these findings are not useful for getting the final decision of the economic crisis on the job satisfaction of employees in Sri Lanka. Because here the data was collected considering only banking sector employees in a single province of the country. Therefore, future researches can be developed by considering employees in different provinces in Sri Lanka and considering job satisfaction of employees in different industries too. Additionally, this study only collects data for a short period of time. There is limited time to gather data and as a result, there may be some changes to the data over time. Then, this area is presented to upcoming researchers therefore they may conduct their own research while compensating for various time periods. For this study, the researcher collected data only from 130 respondents where future researchers can increase the sample size further.

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