

# The Influences of Accountants' Potential Performance on Their Working Process: Government Savings Bank, Northeast, Thailand

Prateep Wajeetongratana

**Abstract**—The purpose of this research was to study the influence of accountants' potential performance on their working process, a case study of Government Savings Banks in the northeast of Thailand. The independent variables included accounting knowledge, accounting skill, accounting value, accounting ethics, and accounting attitude, while the dependent variable included the success of the working process. A total of 155 accountants working for Government Savings Banks were selected by random sampling. A questionnaire was used as a tool for collecting data. Descriptive statistics in this research included percentage, mean, and multiple regression analyses.

The findings revealed that the majority of accountants were female with an age between 35-40 years old. Most of the respondents had an undergraduate degree with ten years of experience. Moreover, the factors of accounting knowledge, accounting skill, accounting a value and accounting ethics and accounting attitude were rated at a high level. The findings from regression analysis of observation data revealed a causal relationship in that the observation data could explain at least 51 percent of the success in the accountants' working process.

**Keywords**—Influence, Potential Performance, Success, Working Process.

## I. INTRODUCTION

**N**OWADAYS there is an increasingly fast change in economics due to intense competition in both the domestic and world marketplace. It is imperative for any organization to improve their efficiency and effectiveness of their working process to survive in this intense competition. The banking business is one of the most important industries that may affect the domestic economy directly. Commercial banks act as a medium to collect depositary money so that people and business can borrow money to spend or invest; therefore, the improvement of commercial banks is extremely important in terms of invigorating customer service standard [1].

Government Savings Banks have significantly ameliorated the creation of many forms of loans. There are many spin-off businesses created from these loans. It is still true for the commercial banking business that a higher risk loan can create a higher profit. Hence, commercial banks must learn risk management and try to reduce non-performing loans or NPL

as much as possible. The Government Savings Banks have an average rate of NPL of about 0.94 which is acceptable during a turbulent economy [2]. Capital regulation is often motivated by the assumption of moral hazard behavior of banks. Information asymmetries and deposit insurance shield banks from the disciplining control of depositors. These shows within an option pricing framework that banks with limited liability can then increase shareholder value by decreasing capital and increasing risk. The increasing default probability goes to the expense of the deposit insurance. By exposing the bank's own funds to potential risks - flat capital requirements can reduce, but do not eliminate the moral hazard incentives. This is mainly because the amount of capital a bank has to set aside against credit risk does not depend on the bank's asset quality. Other authors show within portfolio models that flat capital requirements may even increase risk-taking incentives instead of lowering them. This argues that the forced increase in expensive capital financing reduces a bank's expected return. The bank, in turn, tries to increase its profitability by investing in riskier assets. In some cases, the default probability may even increase. It points out that risk-based capital requirements can eliminate risk-taking incentives if risk weights are correctly chosen.

The positive assessment of risk-based capital requirements strongly depends on the chosen risk weights. Empirical evidence suggests that the risk weights of Thailand crude to reflect the underlying risk. Finding the capital requirements under Basel I explain only 5% of the banks' loan performance. The literature reviewed above abstracts from rigidities and adjustment costs. Accordingly, in those models, banks never hold capital in excess of the regulatory minimum. In practice, however, banks may not be able to instantaneously to adjust capital or risk due to adjustment costs or illiquid markets. Furthermore, under asymmetric information, capital issues could be interpreted as a negative signal with regard to the bank's value, rendering banks unable or reluctant to react to negative capital shocks instantaneously. However, a breach of the regulation triggers costly supervisory actions, possibly even leading to the bank's closure. Hence, banks have an incentive to hold more capital than required (a so-called capital buffer) as an insurance against a violation of the regulatory minimum capital requirement. This incentive increases with the probability of breaching the regulatory minimum and, hence, with the volatility of the capital ratio. However, raising capital is

Asst. Prof. Dr. Prateep Wajeetongratana is with Faculty of Management Science, Suan Sunandha Rajabhat University, Bangkok, Thailand (phone: 06621601485; fax: 06621601491; e-mail: prateep.wa@ssru.ac.th).

relatively costly compared to raising insured deposits. This trade-off determines the optimum capital buffer. In summary, the buffer theory argues that banks try to hold a capital buffer on top of the regulatory minimum in order to avoid a violation of minimum capital requirements. Hence, banks with high capital buffers are predicted to aim at maintaining their capital buffers while banks with low capital buffers are predicted to aim at rebuilding appropriate capital buffer. German savings banks have some special features, which we have to consider in our analysis. German savings banks are a public sector bank, which means that they are owned by communities, districts, or Länder. There are three tiers within the savings bank sector: local saving banks, Land banks, and the Deutsche Girozentrale. Local savings banks are municipal, or district institutions incorporated under public law as independent legal entities. Local savings banks are usually permitted to operate only in their own region, and their investment in securities and other assets are subject to restrictions.

## II. LITERATURE REVIEW

A study of the influence of accountants' potential performance on the working process is based on the idea of the Balance Scorecard which explained that there are four important factors to be considered. These four factors are the money factor, the customer factor, the process factor, and the learning factor [3]. Factors influencing the working process may differ from one employee to the next employee. Chainalin Veerasavnic (2005) stated that the potential performance included five important characteristics: professional knowledge, professional skill, professional value, professional ethics, and professional attitude [4]. This research study is aimed to study the influence of accountants' potential performance on the success of the working process. It is aimed to study the accountants who were working at the Government Savings Banks in the northeast area of Thailand. The findings of this study will be used to develop the best way to increase efficiency of the working process of accountants to increase customer's satisfaction and increase the customer loyalty to commercial banks in Thailand. As the correlation between job characteristics and job performance, the related researches clearly proved that employees' cognition of job characteristics would affect their performance as well as inspire them. For example, in Thailand's study about the electronic industry in Taiwan, the job characteristics and job satisfaction have a positive correlation with job performance. Job characteristics contain everything relevant to factors and attributes which are related to job. The concept was generated by the purpose to improve the working efficiency and productivity. At present, the most acceptable model of job characteristics addressed by Hackman and Oldham combined the needs of personal growth and the static and dynamic analysis in mental status. This model was taken as the framework of this research to explore the influence of job characteristics on job performance. The definition of job performance is the staffs' behaviors and working result.

Researchers mostly measure staffs' performances by job performance. Job performance means how much the employees have done for organizational goal, said Campbell. Campbell also pointed out that job performance is the presentation when the staffs want to fulfill the expected or regulated role per the request of the organization. Job performance is behavioral, incidental, measurable and multifaceted, and is also the sum of intermittent incidents that employees have done in a standard duration in the organization; it can be used effectively to drive the variables which are set in advance. As a subjective dimension to the evaluation of job performance, the personal characteristics, ability and conduct are the critical points; as an objective dimension the productivity and the rate of attendance are standards of measuring. In brief, this research intended to know the influence and correlation of transactional leadership/transformational leadership.

Organizational commitments to accountants' job performance are through empirical method to understand the correlation among the leadership efficiency of county/city mayor. Also, the result of this research can be as a reference for management practice and operation of human resource. The mandate of savings banks, which is laid down by the savings bank law, is to foster asset formation and the supply of loans. Originally, their mandate was not commercial profit making, but the provision of loans on favorable terms to less well-off people, to small and medium-sized enterprises, and to public authorities in the region of the respective savings bank. Although, public sector banks do follow these lines of business until today, with the passage of time, they have become universal banks. In addition to their original purpose, all saving banks aim at working on profitable terms today. They still operate in their region and hence, do not compete with other savings banks. However, they compete with credit cooperatives in the countryside and commercial banks in cities for most forms of banking business. If an association is found, top management may be able to reduce information inaccuracies, thus improving employee performance. Of course, this is only a partial analysis, as we do not determine the cost of removing information inaccuracies. Management's problem is to balance the cost of removing information conflicts and asymmetries against the benefit of improved employee performance. Disparity between preferences and perceptions will not necessarily result in poor employee performance. Performance may also be a function of employee skills and the environment (e.g., state). Hence, good performance may occur even when employees prefer actions that are contrary to those preferred by top management. On the other hand, conflicting preferences do not automatically lead to poor performance. Employees can be induced to act in the best interests of top management with appropriate incentive systems, even if certain employee preferences (e.g., for leisure) are in conflict with those of top management (e.g., higher employee effort). This is an example of the difference between congruencies in the strict sense, which is a goal, or preference congruence, and congruence in the weak sense,

which is behavioral or performance congruence. Although behavioral congruence leads employees to act in the best interest of top management, goal, or preference, congruence can actually reduce incentive and monitoring costs.

### III. METHODOLOGY

The objective of this research was to study the influence of accountants' potential performance on the success of the working process. The population of this study was 253 accountants who were working at Government Savings Banks in northeast Thailand. A random sampling technique was performed to get a sample group that included 155 accountants [3]. Specifically, the research drew 155 names from a total of 256 names from a box. Then, the researcher went to interview all 155 accountants using a questionnaire [5]. The Likert five-scale questionnaire was utilized as a tool for collecting data. The assumption of this research was set as the potential performance of these accountants had an influence on the success of their working process. The independent variables included accounting knowledge, accounting skill, accounting value, accounting ethics, and accounting attitude while the dependent variable included the success of working process. Descriptive statistics utilized in this research included percentage, mean, and multiple regression analyses.

The research conceptual framework is shown in Fig. 1.

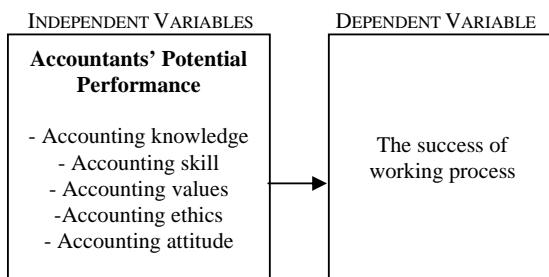


Fig. 1 Research Conceptual Framework

### IV. FINDINGS

The findings revealed that the majority of respondents were the factors of accounting knowledge, accounting skill, accounting values, accounting ethics, and accounting attitude were rated at a high level in which accounting ethics was rated at the highest level. The overall potential performance of these accountants was at a very high level.

TABLE I  
THE DESCRIPTIVE OF ACCOUNTANTS' POTENTIAL PERFORMANCE

Accountants' Potential Performance	Mean	Interpretation
- Accounting knowledge	3.64	Effective
- Accounting skill	3.67	Effective
- Accounting values	3.59	Effective
- Accounting ethics	3.65	Effective
- Accounting attitude	3.53	Effective
<b>Overall Mean</b>	<b>3.64</b>	<b>Effective</b>

The findings from the regression analysis of the observation data revealed a causal relationship that the observation data could explain at least 51 percent of the success in accountants' working process. In addition, the accounting skill was the best factor in explaining success in the working process.

### V. DISCUSSION

From the study, it can be concluded that the accounting attitude was rated as the highest level. This can be explained by the high standard of accounting ethics and the strong code of conduct in the accounting profession and community. The findings of this research concurred with the finding from the study of Aviluck Kumdee (2010) who studied the potential performance of the general administrative officials and found that knowledge and ethics were rated with the highest level of importance [6]. In addition, the findings also revealed that the accounting skill was the best factor in explaining the success in accountants' working process. This also can be explained by the nature of the accounting profession that requires a special skill and training. Moreover, the accountants have to be people who are thorough and meticulously with numbers and large amounts of information. The findings also concurred with the findings of Suthida Sukontapatipak (2006) who studied the factors of success for insurance employees and found that intelligence and skills are the most important factors of success [7]. We assume, then, that the existence of preference conflicts may be costly to the organization because they can increase incentive costs and costs of suboptimal employee performance. As part of this study, we attempted to determine whether there is any association between preference conflicts and employee performance. Again, we provide no evidence on the extent to which reductions in preference conflicts will produce higher benefits from better employee performance. Previously, we indicated that one source of conflict is incomplete information about the relative importance of performance criteria. For example, a faculty member who emphasizes research rather than teaching may perform "poorly" because the system weights classroom performance relatively high. This source of conflict could result from an inaccurate perception of the relative importance of teaching. Alternatively, the same individual may have a correct perception of the weights applied to teaching and research, but still prefer a greater emphasis on research. This is an example of an incongruent preference for, rather than an inaccurate perception of, the relative importance of teaching and research in performance evaluation.

### VI. RECOMMENDATION AND FUTURE STUDIES

Since accounting ethics was rated at the highest level which means, the majority of accountants think, it is an important factor. Therefore, the commercial banks should promote this factor and make it the strength of the company. Maybe commercial banks should screen potential applicants for this factor.

A limitation of this paper came from sampling only a small group of accountants who may not represent opinions of the mainstream accountants working in Thailand. Therefore, the findings may not be generalized to the commercial banking industry in Thailand. Therefore, future research should use random sampling technique with a large and diverse sample groups. A significant influence of job characteristic was found in the ability of problem solving and the passion of innovation, job autonomy, job importance and job diversity all significantly positively influenced the ability of problem solving, and job autonomy was the most powerful predictor. It presents that if the accountants have higher perception of the independence and autonomy of the job, they will have greater performance on the ability of problem solving and the passion of innovation. Accountants consider more in job importance and job diversity, and consequently will have a better performance on the ability of problem solving. This result of this research showed that idealized influence and management by exception had a positive influence on the ability of problem solving and the passion of innovation. It indicates that when the consensus and identification to leadership style of administrator are higher, accountants tend to have higher job performance. Therefore, the administrators of county and city government should apply idealized influence well, and shall bring vision and decision. In this case, staffs will trust and respect their administrator and be willing to be managed for the achievement of organizational goal and the improvement of the organization. In this paper, we examine how Thailand savings banks adjust capital and risk during the period 1994-2002. We are particularly interested in the question how banks consider capital regulation in their capital and risk decisions. We estimate a modified version of the model developed by S. Sukontapatipak [7]. In addition to the standard dummy approach in a pooled regression used by the literature, we use dynamic panel data techniques as a robustness check. Compared to former research, we impose fewer restrictions with regard to the impact of regulation on capital and risk adjustments. We complement this dummy approach with a rolling window approach. The rolling window approach has the advantage that it does not impose ad hoc restrictions with regard to the impact of regulation on capital and risk adjustments. Furthermore, this approach allows the impact of regulation to change continuously depending on the amount of capital the bank holds in excess of the regulatory minimum. We find that regulation has an impact on adjustments in capital and risk assets in several interesting aspects. In line with the literature, we find that banks adjust capital faster than risk. In contrast to the literature, we find mixed evidence that banks with low capital buffers adjust capital faster than banks with high capital buffers. Besides, we also find mixed evidence for risk adjustments. With respect to the coordination of capital and risk, we find evidence that banks with low capital buffers try to rebuild an appropriate capital buffer by raising capital and simultaneously lowering risk. In contrast, banks with high capital buffers try to maintain their capital buffer by increasing risk when capital increases.

However, banks with high capital buffers do not adjust capital when risk changes. Besides, banks with medium-sized capital buffers do not seem to coordinate capital and risk. In summary, our findings are in line with the hypotheses derived from the buffer theory.

#### ACKNOWLEDGMENT

The author would like to thank Assoc. Prof. Dr. Luedech Girdwichai, president of Suan Sunandha Rajabhat University, Bangkok, Thailand for the full financial support.

#### REFERENCES

- [1] Bank of Thailand. Public relation information. 2012. [www.bot.or.th/Thai/pages](http://www.bot.or.th/Thai/pages).
- [2] Government Savings Bank. Annual report of 2012. [www.gsb.or.th/annualreport.php](http://www.gsb.or.th/annualreport.php).
- [3] P. Tacharin. "Path from strategy to practice: Balance Scorecard and Performance Indicator," Bangkok: Chulalongkorn Printing. 2004.
- [4] C. Veerasatavanich. International Education Standard (IES). Accounting Professional. January issue. 2005.
- [5] T. Yamane, "Statistics: An introductory analysis," 3<sup>rd</sup> edition, 1973, New York, Harper and Row.
- [6] A. Kumdee. "Potential Performance of General Administrative Official," Khon-Kan University. 2010.
- [7] S. Sukontapatipak. "Factors of Success for Insurance Employees," Insurance Journal. Special issue. 2006.