

The Effects Of Employee Loans On Productivity And Morale In Private Sector Institution: A Case Study Of Finsbury Park Limited

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Abstract

The research aimed to find out the impact of employee loan on employee productivity and morale downgrade at Finsbury Park Limited.

Despite other lending institutions after a memorandum of understanding giving out private institutions employee loans on the larger scale, as part of retaining employees for the private sector institution and helping those becoming economically stronger.

The deduction of monthly instalments make employee morale degenerate, while the availability of employee loans makes the proposition of employability lucrative.

The Objective of the research assessed the effects of employee loans on the morale of employees.

The pertinent questions were asked in the research like what are the effects of employee loans on workplace morale, and employee work productivity in a private sector institution? A mixed research methodology was used as questionnaires were scrutinized to remove bias. The researcher selected the respondents through random probability sampling for quantitative data and convenient non-probability sampling technique for qualitative data. The collected data were put into numerical tables and formulated charts, graphs and figures for better understanding.

The Main results through literary discussions, data collection, and finding analysis, it became transparent that employee loan is an important part of organizational offering and a prime factor that makes a seemingly ordinary job profile lucrative. In case of loan repayment, the negative impact is widely common for all employees.

The Recommendation of the research are, increasing the Loan Amount for Employees, Increasing the Time for Loan Repayment and Reducing the Loan Interest Rate.

Keywords: *Employee, employer, loans, morale, work place*

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I. Introduction

Background to issue

The loans and their convenience increase employee morale. However, as stated by (Grimsby, 2018), taking advantage of employee loans, employees retain their jobs even after underperforming. Management exploits the employees by forcing them to work longer hours, negatively impacting their morale. Employee loans are provided to retain employees and generate a sense of value for the organization. Employee loans make employees bound to the organization and failure of payment of the loans force the company to deduct loan instalments from the salaries.

As private sector institutions are not similar to that of banks or other commercial lending institutions and business sectors, the terms, potential risks, and impact of employees on the organization tend to be different.

Employee loans are found to improve and degenerate the level of production of an organizational task force. Considering Zambia as the background, where the majority of people live below the poverty line, and the aspect of employee loans is an important aspect of employee productivity and employee morale.

Gap in existing research

No research has been done on the subject matter and on the population at fins bury park hence the researcher undertaking the research.

This problem matters academically because it will add to board of knowledge to the researchers.

Research Objectives

Employee loans give employees the scope to attain facilities that they cannot afford from their regular salaries, making them more dedicated towards work. Current research aimed to assess the effects of employee loans on the morale of employees. It further aimed to analyze the ways, in which employee loans affect their work productivity.

- 1) To understand the effects of employee loans, workplace morale, and employee work productivity in a private sector institution.
- 2) To identify the issues pertaining to employee loans that hamper employee work productivity and employee morale in a private sector institution, such as Finsbury Park Limited.
- 3) To analyze the impact of employee loans on their morale and work productivity in private sector institutions with reference to Finsbury Park Limited.
- 4) To suggest suitable recommendations to mitigate the prevailing issues and facilitate their working psyche through loans at Finsbury Park Limited.

Structure of the paper

Title page, Main Body (Introduction, Method, Results, Discussion), References.

II. Literature Review

Theoretical foundation

Theory of Loan Priorities (Giotopoulos, 2019)

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 & Ahrendsen, 2018), there are three main sections in the Theory of Loan Priority, related to the different positioning and security aspects of loan approvals.

Secured Lending Theory (Caloughirou, 2019)

Considering the scope of recovering failed repayments of loans, there are two major loan types, secured loans and unsecured loans. As understood by (Berentsen & Waller, 2018), in the case of secured loans, lenders keep in their custody a property of the borrower, as a way of recovering the loan amount, if the borrowers fail to repay in time. On the other hand, there are unsecured loans, in which the borrowers do not offer any form of guarantees to the lenders for loan recovery and pay higher interest rates on the borrowed loans.

Limitation in existing literature

The gaps identified are that data have not been clarified, reported, or elucidated, there is incompleteness of data, timeliness of data, and there is lack of appropriate data coverage for policy decisions to shaky data flows of the research topic.

Clear rationale that leads to my research questions

The issue is that employee loans are given to the employees for their convenience and it acts as a sort of monetary benefit that employees of all organizational level utilize for making bigger purchases and facility availing. Employees stay in organizations to obtain employee loans as bonus to their job profile. The loans are used for house building, car buying, higher education of children and many other purposes.

However, the stress of paying the loans for a fixed monthly period reduces the scope of utility of money for the employees, which demotivates their morale. The demotivated morale of the employees gradually makes them feel captive through responsibilities and start to underperform. As supported by (Benson et al., 2018), taking legal binding as a pivot, organizational management often makes employees work longer hours, increasing the feeling of exploitation. Management, as stated by (Saha et al., 2018), on the other hand, is forced to retain employees despite their low productivity or misconduct, as the only means of recovering the allocated loans remains the salary of the employees.

Despite generating revenue, the Institution is making a loss as the morale and production levels at Finsbury Park limited due to stress caused by heavy loans on the employees as one of the contributing factors. Current research will shed light on the fact that employee loans create mental stress on the employee after the approval of the loan, affecting their morale.

III. Conceptual/ Theoretical Framework

Relevant Theory

Concept of Employee Loans

Employee loans have been a very effective monetary motivation process that aims at making employees more dedicated to their work and diverts their loyalty towards the organization. As assessed by (Ford et al., (2018),

employee loans generate their desirability among employees based on the ease of processing, the lowered rate of interest, and the value of workplace recognition, instead of the financial balance of the lent amount.

IV. Methodology

Research design

In general, there are two basic types of research conducted by researchers: primary and secondary. Primary research, as stated by (Sampson et al., 2018), is the research process in which researchers collect data for research directly from data sources with the participation of human participants. However, as argued by (Shields & Whetsell, 2018), on the other hand, there is a secondary research type, in which data and information are collected solely from the dominant literary sources that have already been presented by other prominent researchers, without the involvement of any human participant.

Population and sample for the study

Population of the Study

The population chosen for the current investigation is the human resource of Finsbury Park Limited employees in management and general employees which the population in number is 100.

Sample for the Study

Therefore, the present research has two samples: employees from management, who are in authoritative posts, and the General employees. The chosen sample size was 10 from the directorate and authoritative positions (directors and human resource personnel), 90 general employees of Finsbury Park Limited.

Sampling method (s) for the Study

There are several sampling techniques, which are implied for selecting the relevant samples, such as random probability and convenience non-probability. The researcher has opted for the random probability sampling method for the survey participants so that each of them has an unbiased opportunity to respond to the questions and express their opinions.

Sampling technique (s) for the Study

In terms of interviews, the sampling technique has been convenience so that only the eminent and eligible participants could be selected, who have sufficient knowledge of the research topic or issue.

Data Sources

Depending on the way the data are collected in research, there are two major types of data sources, primary data and secondary data.

Data Presentation and Analysis

As described by (Uerz et al., 2018), they are collected directly from human respondents, while secondary data sources are collected from literary sources such as books, journal articles, newspapers, government reports, and peer-reviewed articles. In the current research, both secondary and primary data were collected. In the current investigation, the researcher has also used online and offline surveys, as well as interviews, as means of collecting primary data, which are qualitative and quantitative in nature, respectively.

Reliability and validity of the study

The reliability and validity of the study analysis data depend on the type of data analyzed. In the current investigation, qualitative and quantitative data were collected from interviews and surveys, respectively. Regarding the analysis of interview-based data, as mentioned by (Ma et al., 2018), the use of transcripts and logical considerations of the researcher are required, which help them to critically analyze the findings based on literature. For the survey data, the survey question-answers were arranged in a tabulated format, with the frequency of responses being put along with their response percentages, options, and total respondents. The statistical findings were calculated using mean, mode, and standard deviation, which were analyzed using descriptive statistics. Finally, charts, bar graphs, and diagrams were used for data representation

Ethical and legal considerations of the study

In the current research, the researcher has maintained a very strict norm of ethical consideration. Firstly, it has been observed that no biased data have been provided to the investigation and all data, regardless of whether they were primary or secondary, have been kept in their true form. During interviews and surveys, the identities of the respondents were kept confidential, no irrelevant personal questions were asked, and no personal data was

used for any other purpose than the research itself, as per the 2018 Data Protection Bill (Lusaka Times, 2018). The respondents were not forced to do the research and were free to discontinue the same if they felt discomfort.

Study Limitation / Accessibility Issues

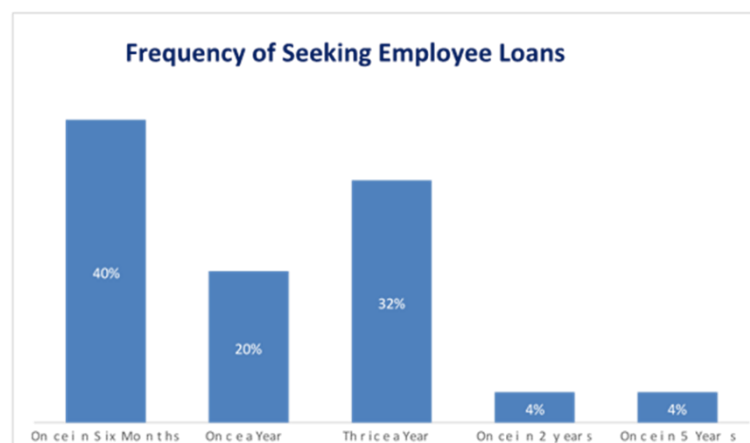
At the time of conducting research, researchers face the problems of accessing certain data sources, which is generally termed accessibility issues. As mentioned by (Ameen et al., 2018), accessibility issues arise as most researchers conduct their research with limited resources. In the current research, the researcher has mainly opted for interview and survey questions, the use of the internet, which at the time of the research was interrupted temporarily, making many respondents leave the survey in between. In terms of the interview, only a limited number of supervisors were available.

V. Findings / Results

How often do you take employee loans from Finsbury Park Ltd?

Options	Response Frequency	Percentage of Respondents	Total Respondents
Once in Six Months	30	40%	75
Once a Year	15	20%	75
Thrice a Year	24	32%	75
Once in 2 years	3	4%	75
Once in 5 Years	3	4%	75

Table 4.3: Frequency of Seeking Employee Loans

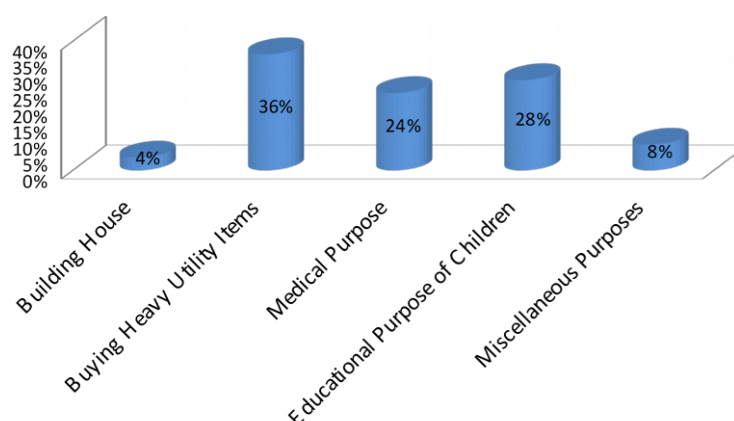


The third survey question and its response by the private sector employee show that taking employee loans is common practice.

Thirty respondents, representing the majority (40%) of the respondents, take employee loans once a month for six months. The second highest percentage of respondents, which is 32% of 24 of the total respondents take employee loans thrice in a year, while the percentage of taking employee loans once in a year is 20% of 15 of the total respondents and a total number of 3 of the total respondents take loans in two years and once in five years accounts least, each accounting a total of 4% of the total respondents.

Why do you take employee loans?

Purpose of Employee Loans



The fourth survey question above and its findings show that 36% of the total responding employees at Finsbury Park Ltd takes employee loans to buy heavy utility items, while 28% of the employees use the loan money for educational purposes of their children. It is also seen that 24% of total respondents use the money for medical purposes, while the least percentage of total respondents, accounting for 4% of the total, and use the money for building a house. There are also 8% of the total responding employees, who have opted to use the loan amounts for miscellaneous purposes.

VI. Discussion

This chapter highlights the summary, conclusion, and recommendation of the research, and the readers will be able to grasp the gist of the research.

Employee loans give employees the scope to attain facilities that they cannot afford from their regular salaries, making them more dedicated to work. Current research aimed to assess the effects of employee loans on employee morale. It further aimed at analyzing the ways in which employee loans affect their work productivity. These variables have been analyzed in this paper in the specific context of Finsbury Park Limited and will add to the board of knowledge to be used by future scholars.

Discussion of the study

Linking Objectives with Findings

Objective 1

The first objective of the current thesis aimed at understanding the effects of employee loans, workplace morale, and employee work productivity in a private sector institution and consider their respective significance in organizational setting. In order to meet the requirements of the current objective of the thesis paper, the secondary sources that are mainly focused on thematic and variable-based discussions, which again are presented in the literature review section. The subheadings including concepts of employee loans, the factors leading to employee loans, the benefits of employee loans, and the drawbacks of employee loans along with the theories related to employee loans provided detailed description about employee loans and its associated facts. A similar pattern of subheadings has also been used to assess employee productivity and employee morale.

Objective 2

The second objective of the current research has aimed at identifying the issues pertaining to employee loans that hamper employee work productivity and employee morale in a Private Sector Institution, such as Finsbury Park Limited. In order to meet the requirements of the current objective a combination of literary sources, survey question response, and interview question answers have been deemed necessary. The issues of employee loans as observed in the context of employee productivity and morale. The subheading, namely, challenges in providing employee loans to employees and challenges implementing loans to increase employee morale and productivity are considered useful for meeting the requirements of the current objective.

Objective 3

The primary data, which were required for the current objective of the research that indulges in analyzing the impact of employee loans on their morale and work productivity in Private Sector Institutions. With reference to Finsbury Park Limited, have been met with the data derived from the responses of the survey questions and interview questions. In terms of the survey questions that were asked to the Finsbury Park Ltd employees, it was noted that the questions numbered 3, 4, and 8, offered the perspective of the employees about the impact of employee loans on employee productivity and morale. In their response to survey questions, they have offered quantitative data that has reflected the views of the employees of Finsbury Park Ltd.

Objective 4

The current objective of the thesis tends to suggest suitable recommendations to mitigate the prevailing issues and facilitate their working psyche through loans at Finsbury Park Limited. The highest contribution has come from the primary data, although the secondary data made available in the literature review section have also provided ample information. As for the primary data, the response to survey questions number 9 and 10 asked the employees of Finsbury Park Ltd along with same survey question asked to authoritative employees have given ample idea about the preferences of the employees, as well as the employees who are engaged in authoritative actions. The detailed information gathered in the form of the responses to the interview questions 3 and 5 has also made the meeting of the aim of the current objective possible.

VII. Conclusion

Summary of key insights

As the current thesis finds its completion through literary discussions, data collection, and finding analysis, it becomes transparent that employee loan is an important part of organizational offering and a prime factor that makes a seemingly ordinary job profile lucrative. Considering the minimal benefits a lower-level employee gets, the employee loans cater to a lot of significance and often become the only valuable monetary facilities available. The employee loans give employees the ability to take loans which banks would reject, as the majority of ordinary employees do not possess the required collateral to be provided against bank loans.

Recommendations of the study

Increasing the Loan Amount for Employees

Increased loan amount for employee loans will improve employee satisfaction, as they will get loan approved in amounts that are sufficient for their desired purposes. Additionally, the lending of more money would also mean that the organization would earn more revenue from the interest imposed on the borrowers, which would be the employees of the institution. It is also worth the notice that employees will be satisfied after they get loans and that their satisfaction would help in improving employee productivity and morale evidently.

Increasing the Time for Loan Repayment

The management of the chosen organization would be able to retain high level of employee productivity and morale, in case it increases the repayment tenure for each loan. The longer repayment tenure would mean that the monthly installments that are supposed to be deducted from the monthly salaries of the employees would become smaller and the employees would be able to take home higher percentages of their salaries, making them satisfied and their lives easier to manage. The ability to manage the household despite the loan installments being deducted, the productivity and morale would remain high as the employees would be satisfied emotionally and economically.

Reducing the Loan Interest Rate

The reduction of the interest rate is also very effective in terms of retaining high employee productivity and morale at a high and satisfactory level. The lower interest in loan amount would mean that employees would have to pay very little interest over the principle amount they have borrowed, resulting in lower monthly instalments. However, in order to make the lower interest rates effective, the organizational management has to increase loan amount for lending, so that it can earn the same satisfactory amount of interest-based earning within a fixed period of repaying.

Offer Loans to Employees based on Priority

The employee loan offering, based on the priority of the employee instead of a first-come, first-serve basis, would make the employee loans more effective in generating satisfaction in the minds of the employees. The offering of the loans based on priority would also keep the employees satisfied, who opted for loan but did not get them due to limited funds of the organization. The offering of the loans based on priority would also be useful for not allowing regular borrowers who cut in the place of employees who need loan for the first time or less frequent times. The satisfaction generated from the incorporation of offering of the loans based on priority would retain employee morale and their productivity high.

Scope for future research

The current research paper, with all its focus as well as limitations, has a significant degree of potential in terms of the future scope that is concerned. The current research dives into the assessment of the impact of employee loans on the employee productivity and employee morale, as observed in the context of Finsbury Park Ltd, which makes it a source of secondary data for future aspirants striving to explore the same topic or topics closely resembling the current one. Considering the fact that the current thesis has its limitations, future researchers can take up the current research and enhance its qualities, as well as eliminate its shortcomings, for improving the degree of accuracy, it provides. To attain the highest degree of future scope for the current thesis paper, future researchers have ample scope to invest considerable amount of time to assess the essence of the literary work and take note, keeping in mind the ethical perspectives.

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