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THE RELATIONSHIPS BETWEEN SELF-EFFICACY AND EMPLOYEE PERFORMANCE AMONG LIFE INSURANCE AGENTS IN MALAYSIA: THE MEDIATING ROLE OF RISK TOLERANCE

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ABSTRACT

This study examines the relationships between self-efficacy, risk tolerance, and employee performance among life insurance agents in Malaysia. Guided by Bandura's Social Cognitive Theory, four dimensions of self-efficacy—performance accomplishment, vicarious experience, social persuasion, and physiological/emotional states—were identified as independent variables. Risk tolerance was introduced as a mediating variable, linking self-efficacy to employee performance, the dependent variable. Data were collected through a structured questionnaire from 129 registered life insurance agents under the Life Insurance Association of Malaysia (LIAM) and analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings revealed that performance accomplishment and social persuasion significantly influenced risk tolerance, while vicarious experience and physiological/emotional states demonstrated weaker effects. Furthermore, risk tolerance exhibited a significant positive relationship with employee performance and partially mediated the effects of selected self-efficacy dimensions. Overall, the structural model explained 47% of the variance in employee performance, underscoring the importance of psychological and behavioural factors in shaping outcomes within high-pressure service industries. Theoretically, this study extends Social Cognitive Theory by incorporating risk tolerance as a mediator, thus advancing the understanding of how psychological resources translate into performance outcomes. Practically, the study suggests that insurance companies should enhance training and interventions that strengthen agents' confidence, adaptability, and risk-taking capacity to sustain performance and reduce turnover in increasingly digitalised and uncertain environments.

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TABLE OF CONTENTS

CHAPTER 1
INTRODUCTION

1.1 Background of The Study

The insurance industry in Malaysia has undergone significant transformation, particularly following the COVID-19 pandemic. The Life Insurance Association of Malaysia (LIAM, 2024) reports that over 82,000 registered life insurance brokers are currently enhancing national insurance penetration. The pandemic disrupted conventional operations, expedited digital adoption, increased consumer protection awareness, and transformed company strategies throughout the industry (Insurance | OECD, 2021.) Consequently, insurance agents were compelled to swiftly adjust to digital sales platforms, address changing consumer expectations, and maneuverer through increasingly saturated and competitive markets. These shifts underscore that resilience, adaptability, and psychological preparedness are increasingly vital factors of personnel performance in the sector.

Employee performance remains a central determinant of organizational success, particularly in service-based industries where revenue generation depends heavily on frontline sales agents. Performance encompasses not only task-related outcomes such as policy sales and client acquisition but also contextual behaviours including motivation, engagement, initiative, collaboration, and resilience (Campbell, 1990; Chen, 2023; Vuong & Nguyen, 2022). In the Malaysian life insurance landscape, sales agents frequently operate under high pressure, facing client rejection, commission-based income uncertainty, and demanding performance targets. Recent surveys (Malaysia, 2017)reveal ongoing challenges concerning turnover, burnout, and work-related stress, highlighting the necessity to investigate psychological aspects that facilitate sustainable performance.

Self-efficacy, rooted in Bandura’s Social Cognitive Theory (1997), denotes an individual's conviction in their ability to perform behaviors necessary to get desired results. It is widely acknowledged as a crucial psychological factor affecting work behavior, adaptation, tenacity, and motivation (Stajkovic & Luthans, 1998; Thi Mai Vy et al., 2021)