

An Investigation of the Factors Affecting Organizational Commitment in Banking Sector Employees

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Abstract:

Commitment has been repeatedly identified as an important variable in understanding the work behaviour of employees in organizations. To specify the factors that improve staff's organizational commitment is an important focus in the human resources strategies of banks. The employee's commitment to an organization relies mainly on their level of productivity and the organization's commitment to support them. Unfavourable conditions of office environment can have negative influences on employees' commitment toward organization. In this paper we have investigated the factors that have an impact on the employees' organizational commitment with reference to the banking sector of Pakistan and some suggestions have made to bring awareness and increasing employees, organizational commitment. **Key Words:** Organizational commitment, job satisfaction, Countenance commitment

This article can be cited as:

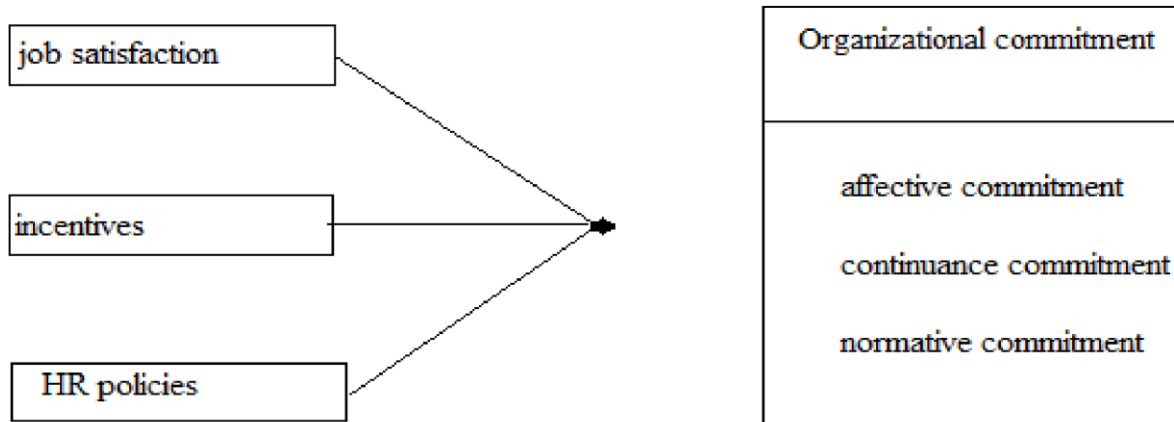
Amjad, I. Ahmad, A & Alam, N. (2016). An Investigation of the Factors Affecting Organizational Commitment in Banking Sector Employees, Journal of Arts and Social Sciences, 1(2), 63 – 79.

3

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Introduction:

Commitment is defined by Dunn, Dastoor and Sims (2012) with respect to the power of identification of an individual with specific organization and involvement in specific organization. In any case, organizational commitment may in general classified by three aspects: a strong trust in and recognition of the goals and values of the organization, an eagerness to put forth substantial effort in support of the organization, a specific need to sustain organizational relationship. According to their definition, commitment takes place when the people empathize with and broaden endeavor towards the objectives and values of the organization. There are many studies which have been done about the affiliation of organizational commitment either towards only the apparent



organizational support or towards the job involvement and job satisfaction. In contrary, few studies have also been carried out on the relationship of these three factors towards the organizational commitments (Sajid Bashir & M. Ismail Ramay 2008). In addition, there is very few research performed for the identification of factors affecting the organizational commitment among banking sector in (Pakistan Journal of Advanced Management Science Vol. 2, No. 1, March 2014).

Apart from managerial and technical aspects, employers are considered as backbone of any industrial development. To utilize employer's contribution they should be provided with good working conditions to boost their job

satisfaction. A number of studies investigate the concept of organizational commitment. Meyer and Allen's (1991) developed a three-component model of OC. The three component model consists of effective commitment, continuance commitment and normative commitment. Effective commitment is emotional attachment to an organization. Employees who are satisfied with their job have higher affection towards their workplace than who are less satisfied. Continuance commitment is the attachment based on the accumulation of valued side bets like pension, skill transferability, relocation, and self-investment that vary with organizational membership. Normative commitment is the attachment that is based on motivation to conform to social norms regarding attachment and obligation.

Job satisfaction is often considered in terms of intrinsic and extrinsic factors. Intrinsic factors (e.g., opportunities for advancement and growth, recognition, responsibility, achievement) promote job satisfaction, whereas extrinsic factors (e.g., supervision, pay, policies, working conditions, interpersonal relations, security) prevent job dissatisfaction Szymanski & Parker (1996).

In addition, Organizational commitment can also be affected by human resource practices such as skills, opportunity to participate, incentives which are positively related to bank branch performance. Many researchers have investigated relationship between HRM practices and employees' commitment such as Becker et al. (1997) argued that HRM practices directly linked with employee skills, motivation, and work design, resulting in behavioral outcomes such as creativity, productivity, and discretionary effort. Becker et al. (1997) and Dyer and Reeves (1995) examine employee outcomes as they are predicted to be affected most directly.

Whereas Paul and Anantharaman's (2004) showed that HRM practices and organizational commitment are positively linked.

As the significance of the employee commitment is increased, this concept is becoming highly vague (Aydogdu&Asikgil, 2011). There are many factors which justify this concept. However the highly severe risk is according to an expert “the sudden increase of the corporate reformation and downsizing that has found out thousands of employees quitted previously”. These practices have significant costs for employee loyalty and commitment to an organization. If an organization is complimentary to downsize and terminate the employees at preference, it may no longer hope for the same level of involvement, commitment and loyalty from its employees.

This study is to explore the factors that have an impact on the employees’ organizational commitment with reference to the banking sector of Pakistan and the suggestions for the banking sector to bring awareness about employees’ organizational commitment. This study could be helpful for the banking sector to enhance their benefits programs, policies and wage structures in order to appeal, recruit as well as retain further competent candidates. This research can be useful for the banks in Pakistan to focus such factors, due to the fact that their advantages are not just for the employees but also can help the banks for long time specifically in maintaining the work force turnover.

The hypotheses to be tested under study are:

H1: In organizational commitment (normative, continuance, and affective commitment) a significant contribution is from job satisfaction

H2: In organizational commitment (normative, continuance, and affective commitment) a significant contribution is from job involvement.

H3: In organizational commitment (normative, continuance, and affective commitment) a significant contribution is from perceived organizational support

2-METHODOLOGY

This study was designed to investigate the commitment level of Commercial Bank and Islamic Bank employees to find out the effect of various aspects (pay and fringe benefits, relation with co-workers supervision, nature of job, performance appraisal and training and development, etc.) on job commitment.

2.1-Population and Sample:

The research was assumed to be done in the banking industry. The population of the research was the employees of banks situated in the city Lahore, which is not a representation of the whole industry. In addition to this it must be known that the questionnaire and the response from the respondents is just a reflection of the perceptions of the volunteers and therefore there would be compromise on the depth of the data.

The stratified random sampling technique has been used to select a random sample of top five Commercial Banks i.e. Habib bank, allied bank, bank alflah, MCB, bank al habib and five Islamic banks

i.e. Meezanbank, Bankislami, Burjbank, Dubaiislamicbank, Albaraka bank.

The employees of randomly selected commercial Banks and Islamic Banks were included in the sample. The target audience was managers and other staff.

2.2-Variables and instruments:

The dependent variable in this study was organizational commitment that was measured through independent variables (job satisfaction, incentives and HR policies).

Questionnaire was used with a number of variables related to job commitment. The questionnaire covered following aspects: pay and fringe benefits, nature of job, training and development, performance appraisal, and relation with co-workers. The researcher has adopted different questions from

different questionnaire. Job satisfaction questions were adopted from a paper by Suman Devi and Ajay Suneja (Dec.2013). The questions regarding incentives were adapted from a research paper published by Atallah, Mohammed Tayser, Alsharah(2014), Questions regarding HR practices were adopted from a research paper published by Muhammad ZafarIqbal,MuhammadIrfanArifandFurrakh Abbas(November 2011) and questions regarding organizational commitment were adopted from a research paper published by authors YoridAhsan Zia and Muhammad Tufail.

The variables Job satisfaction, Human resource policies, incentive and Job commitment was measured by using following items in the questionnaire.

Table 1: Summary of variables with their reliability measures

	Factors names	Items used to measure Factors	Number of items	Cronb Alpha
Factor 1	Job Satisfaction	<ol style="list-style-type: none"> 1. I am satisfied with the amount of time I have to perform various job activities. 3- My supervisor is a fair and reasonable person. 4- My organization has a fair system of rewarding employee performance. 5- I get a sense of satisfaction from the work I do. 	5	0.975
Factor 2	Incentives	<ol style="list-style-type: none"> 1. Bank is keen on employee satisfaction by offering them financial incentive 2. Bank takes care of employee career. 3. Bank is keen to provide good rewards to outstanding employees. 4. Bank provides its employees' salaries and wages that match with size and job 5. Bank encourages employee's innovation and creativity and his talents development 	5	0.942

Factor 3	Human Resource Policies	<ol style="list-style-type: none"> 1. In our organization, salary and other benefits are comparable to the market. 2. In our organization, compensation is decided on the basis of competence or ability of the employee. 3. The duties of every job are clearly defined in our organization. 4. Each employee has clear about his duties and responsibilities. 5. Job performance is an important factor in determining the incentive compensation of employees. 	5	0.979
Factor 4	Job Commitment	<ol style="list-style-type: none"> 1. I do not feel any obligation to remain with my current employer 2. Right now, staying with my department is a matter of necessity as much as desire 3. This organization deserves my loyalty 4. This department has a great deal of personal meaning for me 5. For me this is the best of all possible organizations for which to work 	5	0.983

The reliability of the questionnaire items was checked through a pilot survey of 50 respondents and Cronbach's alpha coefficient was calculated. Table I shows that these coefficients for all factors are greater than 0.9, that is good scale for reliability.

2.3- Data Collection Methods

Survey method was used to collect information through questionnaire from the randomly selected commercial banks and Islamic banks employees. In this regard the employees of Habib Bank Limited, Meezan Bank Limited, Standard Chartered Bank, and Bank Alfalah volunteered to answer the survey questionnaire.

2.4-Data Analysis Methods

Both descriptive and inferential Data analysis techniques has been used to interpret research data and for testing stated hypothesis. For descriptive statistics diagrams and frequency tables has been obtained for demographic variables i.e Gender, Age, Education, Department, Position, Experience,

salary, working hours etc. and for inferential statistics regression analysis technique has been used to find out the regression estimate.

Table 1 to table 8 is showing proportions of different categories for the measured demographic variables.

Table 2: Frequency table for the variable Gender

Variable	Frequency	Percentage
Male	225	75
Female	75	25

Table 1 shows that there are 75% male and 25% female bank employees are participating in this study.

Table 3: Frequency table for the variable Age Group

Variable	Frequency	Percentage
15 – 25	45	15
26 – 35	36	12
36 – 45	78	26
Above 45	141	47

Table 2 shows respondent's age group and a large frequency corresponding to Above 45 class.

Table 4: Frequency table for the variable, Level of Education

Variable	Frequency	Percentage
Undergraduate	48	16
Graduate	79	26
Post – Graduate	173	57

Table 3 shows that more of the bank employees that are selected in sample have post graduate degree as a bank employee.

Table 5: Frequency table for the variable Department

Variable	Frequency	Percentage
Human Resource	26	8
Loan	42	14
Cash	38	12
Service	69	23
Corporate	78	26
Retail	47	15

Frequency table 4 is showing that there are 8% from human resource, 14% from loan, 12% from cash, 26% from corporate and 15% respondents are from retail department.

Table 6: Frequency table for the variable Position as an employee

Variable	Frequency	Percentage
General Staff	67	22
Officer	42	14
Principal Officer	83	27
Manager	108	36

The above table is indicating that 22% among respondents are general staff employee, 14% are officers, 27% are Principal officer and 36% are managers.

Table 7: Frequency table for the variable Work experience

Variable	Frequency	Percentage
Half-year	44	14
1 year	5	1
1-2 years	98	32
2-5 years	90	30

More than 5 years	63	21
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Table 7 is showing that more respondents have 1-5 years experience in banking sector of Pakistan.

Table 8: Frequency table for the variable Salary

Variable	Frequency	Percentage
20,000 – 30,000	65	21
30,000 – 40,000	9	3
40,000 – 50,000	84	28
50,000 – 60,000	64	21
Above 60,000	78	26

Table 9: Frequency table for the variable Work hours

Variable	Frequency	Percentage
4 hours	70	23
6 hours	67	22
8 hours	65	21
More than 8 hours	98	32

Table 9 is showing more counts against the class (More than 8 hours) means that more of the respondents are working more than 8 hours at their work places.

Regression analysis:

To test the Hypothesis we developed a multi-variate regression model with the dependent variable of organizational commitment on set of 3 independent variables including Job satisfaction, Human resource policies and Job incentives.

The adjusted R-squared coefficient in Table 10 for this multi-variate regression model is 0.941, with significance p-value indicating that the

independent variables are explaining the variability of the dependent variable to a large extent.

Table 10: Adjusted R square for Model (A)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.970 ^a	.941	.940	1.63679	.941	1559.694	3	296	.000

Table 11: Estimates in regression model.

	Estimate	S.E.	C.R.	P	Label
Jobsatisfaction <--- job commitment	1.000				
incentive <--- job commitment	.816	.011	75.500	***	
Humanresource <--- job commitment	.863	.010	88.245	***	

In the p-value column, three asterisks (***) are indicating that p-value is smaller than .001 and therefore regression weights are statistically significant in the model A. Therefore Job satisfaction, incentives and Human resource policies have statistically significant regression coefficients for dependent variable and have an impact on employee's organizational commitment.

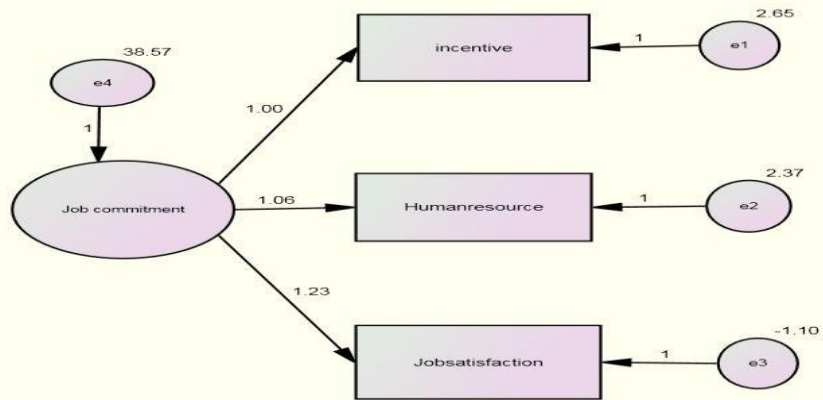
3- Conclusion and Recommendation

The research on the factors influencing employee's organization commitment in banking sector of Pakistan provided with various factors. It is likely to conclude that banks can receive positive organizational consequences

through employee commitment as it is crucial facet. High employee commitment may lead to increase productivity, motivation of employees and efficiency of the work whereas low commitment results in absolutely opposite results. Similarly, it is essential to sustain high extent of employee commitment in the course of empowerment, development, supervision and leadership. Drastic organizational changes tend to decrease commitment which ultimately results in increased stress, job insecurity and reduced trust and job revamp. Therefore, organizational commitment has robust relationship with the job functioning it is significant to underpin it by utilizing correct human resources strategies.

When employer rewards employees for their attentiveness, employers fulfill the fundamental need for the recognition of the productive employees. Employees receive the concrete signals like bonuses, positive work evaluations and raises. In contrast, intangible approaches are also helpful for instance difficult tasks responsibilities and being acknowledged at the staff meetings. Organization takes in the people with various values and behaviors. Hence bank employers ought to ask for employee response, for example inquiring what they should do to be better at their jobs. It leads to make employees deem as their comments count up and employers get further impending into what their employees want to be committed. Eventually, loyalty is the main aspect of employee commitment comprising of respect, equality and trust between employee and employer.

Model



After analyzing the concept of employee commitment, following are some suggestions which may helpful in improving the commitment of employee in the banking sector:

- The strategy of fair profit sharing founded on an established policy and flexibility in working hours for the employees who are not able to work for long hours gets for making employees believe that the management is committed to them
- Provision of incentives such as car loans, medical proposal, pension proposal, furniture loans and rising the time period's employees may performing in organization even after getting the retirement age. In this way, employees get the point that organization is committed to its workers which in turn the employees would try to be committed to the organization.
- Carry out exit interviews is another way out to improve employee commitment ever since the interviewee would be parting the organization. It is considered that they would expose uncertainties in the job design or the management responsible for low self-esteem among the employees. This information can be useful for the management to execute ways to allow the employees build commitment in their job.

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