

# Employee Commitment in Public and Private Banks in India

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Received: April 15, 2015

Accepted: October 23, 2015

Online Published: October 28, 2015

doi:10.5539/ijbm.v10n11p199

URL: <http://dx.doi.org/10.5539/ijbm.v10n11p199>

## Abstract

The study assesses the employee commitment in the public and private banks and finds the difference in employee commitment with regard to all the three components of employee commitment i.e. affective commitment, normative commitment and continuance commitment in the public and private banks. The primary data has been collected from 203 employees through a structured questionnaire of employee commitment that measures affective, continuance and normative commitment. The t-test has been used to compare the three components of employee commitment. It was found that the employee commitment of public sector banks is better than private banks.

**Keywords:** employee commitment, affective commitment, normative commitment, continuance commitment, private banks and public banks

## 1. Introduction

In the present scenario, the accomplishments of the organization are not only dependent on how well the potential of employees are utilized, but also how accomplishments kindle commitment in the organization. The jobs in the organizations comprise of the complex roles that need skills as well as an aptitude to accustom to the changing environment. With less supervision and lesser organizational hierarchy, employees are given more autonomy to take decisions and manage day to day affairs. To ensure efficiency, the commitment is required. In the present era, the work is contracted out to other companies or individuals. So, the accomplishment of one company depends on the other company. The organizations will be concerned with the commitment level of these companies as it influences the performance.

Most of the studies on employee commitment are based on the demographic profile of the employees. The study by Ogba (2008) found that older bank employees are more committed than younger employees, and high-income employees are less committed than low-income employees. However, a study by Kaur and Sandhu (2010) found no difference in the three forms of commitment i.e. affective, continuous, and normative commitment at every stage of a career of an employee. Employees who are in the mid and late stage of career are more committed (i.e. affective, continuance and normative) than employees in an early stage of career. The research done by Khan and Zafar (2013) found that there is a positive relation between affective commitment and the employees' age and tenure. Organizational commitment in Indian banking sector has received inadequate focus. Organizational commitment is an important construct as it can be a predictor of work behaviours and behavioural intentions (Jaros et al., 1993). Organizational commitment is defined as 'the relative strength of an individual's identification with and involvement in a particular organization' (Mowday, Porter, & Steers, 1982, p. 27).

The strategic importance of developing employee commitment is not new (Walton, 1985). Rather than forcing employees' compliance with organizational goals and restricting employee discretion through narrowly-defined jobs, work simplification, close supervision, standardization of processes/outcomes, and extensive rules and procedures, the high-commitment approach to HRM attempts to create the conditions necessary to facilitate voluntary employee involvement and identification with organizational goals.

The research on organizational commitment in the Indian Banking Industry will find whether the employees are committed. This research attempts to fill this gap and to assess the level of employee commitment in the Indian banking sector. It is essential that employees are committed to something as the contrary of commitment is

alienation, and it is detrimental (Kobasa, Maddi, & Kahn, 1982). There are behavioural consequences of the employee commitment that affect the employer-employee relationship. Stronger commitment has positive implications (Meyer & Herscovitch, 2001).

With globalization, deregulation, technological advancements, socio-political and economic events, the world is witnessing a change in continuously redesigned employment trends (Morrison & Robinson, 1997; Todnem, 2005). With respect to it, employer-employee relations are subject to equally major changes (Guest, 2004; Robinson & Rousseau, 1994). In recent years, the employment relationships have transformed. Employees are not able to find the life-long security and need to change the jobs frequently. This global movement has created a need to find out how the employees perceive the workplace and behaviour, including, the concept of organizational commitment (Allen & Meyer, 1990; Klein, Becker, & Meyer, 2012; Meyer & Allen, 1997; Mowday, Porter, & Steers, 1982).

Organizational Commitment (OC) has turned out to be an important concept in organizational research. It shows how much the employee identifies with the organizational goals and is committed to them. It is imperative that competitive organizations must have committed employees if they have to grow in their industry, and banking is no exception in this area. The most competitive organizations adapt a high-performance, high-commitment strategy (Mowday, 1998; Tsui, Pearce, Porter, & Tripoli, 1997).

In a competitive environment, an organization can perform at its highest level only when employees are committed to organization's goals and objectives and work effectively. Ergo, it becomes a must to sustain and maintain the employee commitment in the existing work atmosphere.

## 2. Literature Review

The organizational commitment has been defined by various authors in different time periods. It can be traced in three periods. In the first period i.e., in 1960's, organizational commitment has been defined in different manners in academic literature. The most popular conceptualization is that organizational commitment is an affective attachment to the organization. Organizational Commitment (OC) is a measure of an individual's identification and involvement in an organization (Crewson, 1997), and how much the person feels for the organization (Grusky, 1966; Mowday et al., 1982). OC has three distinct components:

- (1) A strong confidence in and approval of the organization's goals and values;
- (2) A strong will to exert efforts towards the accomplishment of organizational goals; and
- (3) The Strong aspiration to remain a part of the organization (Porter, Steers, Mowday, & Boulian, 1974).

It has been studied as a uni-dimensional construct that focuses on the individual's emotional attachment to an organization (Porter et al., 1974) or the costs linked with exit (Becker, 1960). As the research in this field became more robust, the different viewpoints of commitment were brought together. A new aspect of commitment, which laid stress on different parameters, was accepted on the criterion that it has three distinct but related forms of commitment: affective, continuance and normative (Allen & Meyer, 1990).

Meyer and Allen (1991) developed the three component model that incorporates the uni-dimensional concept of OC, inclusive of the side-bet theory (Becker, 1960). A common idea, which connects all of the definitions stated in the first period, is that commitment connects individuals to a course of action. However, the difference in these definitions lay in the description of commitment.

Whereas, Becker (1960) suggests that commitment brings with it an awareness of the costs associated with leaving a course of action, Mowday et al. (1982) consider commitment to be an emotional attachment to the organization. Still others gave the concept that commitment is the feeling of obligations to be in the organization (Wiener, 1982). Meyer and Allen (1991) applied the terms, continuance, affective and normative, respectively, to differentiate among these three types of commitment.

Meyer and Allen (1991) said that commitment is a psychological state, which (a) describes the employees' relationship with the organization, and (b) has connotations for the assessment whether to continue or discontinue membership with the organization. Meyer and Allen (1991) recognize three different forms of organizational commitment: affective (AC), normative (NC), and continuance (CC) commitment. It reflects the varying degrees of employees' relationship with organization in context to all the three forms of OC. AC denotes an emotional attachment to, an identification with, and involvement in the organization, whereas NC is a feeling of obligation to be in the organization, and CC measures the cost attached with leaving the organization.

### 2.1 Commitment as Side-Bets

The commitment as side-bets is contributed by Becker (1960). He defined commitment with side-bet theory.

This perspective is an initial endeavor to build the concept of commitment that defines/suggests the relationship of individual with the organization. It says that employees are committed due to the hidden investments, stylized by Becker (1960) as “side-bets”, employees make while they are in the job. The term “side-bets” signifies the bundle of investments, prized by the individual, which would vanish if an individual leaves the organization. Becker (1960) suggests that with the course of time such investments pile up making it difficult for an employee to leave the activities which he or she has been doing consistently and repetitively in the organization. The fear of losing the investments as well as lack of alternatives makes the person more committed. The influence of the side-bet theory is seen in one of Meyer and Allen’s scale, the continuance commitment one.

The scale attempts to measure the side-bet approach, which is one of the three components of OC (Meyer & Allen, 1991).

### 2.2 *The Psychological Attachment Approach*

The focus point of the second period was given by (Porter et al., 1974). The approach of commitment moved from side-bets to the psychological affection with the organization. The exchange theory was the basis for the process of commitment (Mowday et al., 1982).

### 2.3 *Multi-Dimensional Approaches*

In the third period, multi-dimensional approaches defines commitment as the psychological attachment the person has with the organization, suggesting how much the employee has internalized or adopted the viewpoint of the organization (O’Reilly & Chatman, 1986; Meyer & Allen, 1984). Meyer and Allen (1984) became the main study of commitment. Meyer and Allen (1984) in their paper described that side-bet approach was not properly operationalized. Meyer and Allen put forward the continuance dimension as an improved demonstration of Becker’s (1960) side-bet approach. It was made to find that the extent to which employees feels committed to their organization by virtue of the costs that is attached with leaving. The most popular concept of organizational commitment is an affective attachment to the organization. It is measured by the Organizational Commitment Questionnaire, where it is stated as “*the relative strength of an individual’s identification with and involvement in a particular organization*” (Mowday et al., 1979, p. 226). The study of Organizational commitment is dependent on attitudinal organizational commitment (Mowday et al., 1979) and affective organizational commitment Allen and Meyer’s (1990). Both the concepts focus on employees’ identification and involvement with an organization i.e., they describe the link, bond or attachment an employee has with an organization. Affective commitment has been defined as “*employees’ emotional attachment to, identification with, and involvement in, the organization*” (Meyer, Irving, & Allen, 1998, p. 32). The Normative commitment was further added as a third dimension to this conceptualization of commitment (Allen & Meyer, 1990, 1991). It is defined as the obligatory sense of the employee, which in turn promotes a desire to stay with the organization. The three dimensions have been distinguished as a “three-component conceptualization of OC.”

The affective, continuance and normative commitment are psychological states that particularly suggest the employees’ relationship with the organization and have implication on the decision to continue the relationship with the organization. The committed employees tend to remain with the organization in difficult times, will be present at work regularly, put in a full day (and maybe more), shield the company’s assets and are dedicated to the company’s goals. Such commitment binds an employee to the organization. In this research, we will study these three components of organizational commitment i.e. affective, normative and continuance in public and private banks in India.

### 2.4 *Indian Banking Industry*

India has a matured banking system. The majority of the banks were established by the Indian entrepreneurs to provide aid to traders, agriculturalists and industrialists in the pre-independence era. The Indian banking has an origin in the late eighteenth century. The largest commercial bank State Bank of India (SBI) is the oldest bank of India. Formalized in 1806, the Reserve Bank of India takes the role of central banking in India. It was nationalized in 1947 and was given more powers.

The banking industry in recent times embraced the relationship banking principles (Axson, 1992; Berry, 1997; Holland, 1992). In an atmosphere where the bank employees role has undergone a change from “teller to seller” (Burton, 1991), employees are the key people in executing the relationship. For such bond employee commitment is required.

### 3. Research Methodology

#### 3.1 Measures

The bank employees in Madhya Pradesh, India were taken as the population for the research. A convenience sample of 250 was surveyed and collected; in accordance to past researches done with the sample sizes in the range of 200-400 (e.g. Allen & Brady, 1997; Karia & Asaari, 2006; Su et al., 2009). According to existing literature, the sample size with ten degrees of freedom per variable is adequate to provide the analysis with required statistical power (Mathebula, 2004). The sample size meets this standard. The sample frame comprises of employees from different departments like credits, operations, cash etc of fourwell established public and private sector banks. The usable questionnaire received were 203, thus having a high return rate of 80 percent.

The study uses the Organizational Commitment Questionnaire (OCQ) (Meyer & Allen, 1997) to measure the employee's organizational commitment in forms such as affective, normative, and continuance. OCQ has 18 items, six items for each type. Responses to the items are rated using a seven-point Likert scale and range from 1= 'strongly disagree' to 7= 'strongly agree'. Items 2, 8, 10, 12, and 14 the scores are reversed. A total of 203 employees from the public and private banks completed the questionnaire which is appropriate for the data analysis.

#### 3.2 Data Analysis Tool

To compare the affective, continuance and normative commitment of public and private banks the t- test is used.

### 4. Analysis

#### 4.1 Affective Commitment

The perception of public and private banking employees was compared on the basis of affective commitment by using the t-test.

Ho1: There is no significant difference between overall affective commitment of private and public Bank.

Ha2: There is significant difference between overall affective commitment of private and public Bank.

Group Statistics					
		N	Mean	Std. Deviation	Std. Error Mean
Affective Commitment	Private	103	5.46117	0.88935	0.08763
	Public	100	5.79667	0.77726	0.07772

Hypothesis	t-test value	Mean Difference	Std. Error Difference	Sig.	Result @ 10%
Ho1	-2.859	-0.3355	0.11736	0.005	Reject

Ho1 is rejected which means that there is a significant difference between affective commitment of public and private banks. The employees of the public banks are more attached to their organizations than private banks. The employees of the public sector are more emotionally attached to the organization than private banks. It is believed that they have a stronger motivation to add value to the organization.

#### 4.2 Continuous Commitment

Ho1: There is no significant difference between overall continuous commitment of private and public Bank.

Ha2: There is significant difference between overall continuous commitment of private and public Bank.

		N	Mean	Std. Deviation	Std. Error Mean
Continuous Commitment	Private	103	5.4029	0.9154	0.0901
	Public	100	5.775	0.7818	0.07818

Hypothesis	t-test value	Mean Difference	Std. Error Difference	Sig.	Result @ 10%
Ho1	-3.11	-0.372	0.1196	0.002	Reject

Ho1 is rejected which means that there is a significant difference between continuous commitment of public and

private banks. Employees of the public banks believe that the cost associated with leaving the organization is more than the private bank employees. They believe that rewards linked while they are related to the organization are more than when they leave. The employees of the public sector bank recognize the cost of leaving the bank will be higher than the private sector employees.

#### 4.3 Normative Commitment

Ho1: There is no significant difference between overall normative commitment of private and public Bank.

Ha2: There is significant difference between overall normative commitment of private and public Bank.

		N	Mean	Std. Deviation	Std. Error Mean
<b>Normative</b>	<b>Private</b>	103	5.4886	0.8798	0.0866
<b>Commitment</b>	<b>Public</b>	100	5.8016	0.759	0.0759

Hypothesis	t-test value	Mean Difference	Std. Error Difference	Sig.	Result @ 10%
Ho1	-2.71	-0.3129	0.1154	0.007	Reject

Ho1 is rejected which means that there is a significant difference between normative commitment of public and private banks. Employees of the public bank feels more obligated to stay with organization than private bank employees. It will help the employees to behave suitably and will do what is apt for the organization. The employees of the public bank will be more indebted and would carry the duties more willingly than private bank employees.

#### 4.4 Organizational Commitment

Ho1: There is no significant difference between overall organizational commitment of private and public Bank.

Ha2: There is significant difference between overall organizational commitment of private and public Bank.

		N	Mean	Std. Deviation	Std. Error Mean
<b>Organizational</b>	<b>Private</b>	103	5.4509	0.624	0.0614
<b>Commitment</b>	<b>Public</b>	100	5.7911	0.745	0.0744

Hypothesis	t-test value	Mean Difference	Std. Error Difference	Sig.	Result @ 10%
Ho1	-3.533	-0.3401	0.0962	0.001	Reject

Ho1 is rejected which means that there is a significant difference between organizational commitment of public and private banks. Employees of the public banks are more committed to their organization. The employees of the public banks have higher psychological bond that ties the employees to the organization than private bank employees.

## 5. Conclusion

The results suggest that “psychological bond” of the employees of public bank sector employees is higher than the private sector employees. The affective commitment score of employees of the public sector bank is also higher than private bank employees. The employees of the public bank identify themselves with their respective banks and have congruence in the goals and values adhered with the organization. It implies that they have a higher affective commitment than private bank employees. The normative and continuance commitment of the employees of the public sector banks is higher than private bank employees. The public bank employees are more indebted and realize the cost associated with leaving the organization. The public bank employees are more committed than private bank employees.

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