

## ORGANIZATIONAL COMMITMENT IN PUBLIC SECTOR BANKS: A COMPARATIVE STUDY OF INDIA AND SRI LANKA

T. MANGALESWARAN\*, P.T. SRINIVASAN\*\*

*\*Dean and Senior Lecturer, Faculty of Business Studies, Vavuniya Campus of the University of Jaffna, Sri Lanka*

*\*\*Professor and Head, Department of Management Studies, University of Madras, Chennai-600005, India.*

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### ABSTRACT

This study compares organizational commitment of employees in Public Sector Banks in India and Sri Lanka. The investigation is based on a questionnaire survey of a sample of 449 employees drawn from 3 Public sector Banks in India and 281 employees from 2 public sector Banks in Sri Lanka. The key areas of analysis include the affective commitment, continuance commitment and normative commitment. The statistical analysis shows that there are significant differences between PSBs of two countries. The findings are discussed.

**Key words:** Organizational commitment, Public Sector Banks

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### 1.0 INTRODUCTION:

The success of an organization depends not only on how the organization makes the most of human competences, but also how it stimulates commitment to an organization. Employee commitment, together with a competent workforce, seems to be of decisive importance for an organization to be able to compete in quality and to go along with changes. The skills needed in organizations have changed in the last fifteen years mainly as a consequence of new technologies and automation. Newer concepts of organizations based on creativity and learning concepts are emerging and will require more responsibilities of employees (Nonaka and Takeuchi, 1991; Senge, 1990).

Commitment is concerned with the level of attachment and loyalty to an organization among its employees. Organizations increasingly compete to attract and retain the most able staff and those committed to the organization might be expected to have longer tenure. Demands to compete through high quality require a workforce willing to display the motivation, flexibility, and belief in product or service that produces high performance, and commitment should help to ensure this. Indeed, Walton (1985) has contrasted a traditional relationship between employer and employee based on control with one based on commitment, arguing that all organizations need to pursue a high commitment approach if they are to survive.

### 2.0 LITERATURE REVIEW:

Commitment is an attitude on the part of the employee towards the organization where he is working. It is often defined as a strong desire to remain in a particular organization; a willingness to exert high levels of effort on behalf of the organization; and a definite belief in, and acceptance of the values and goals of the organization. In other words, this is an attitude reflecting employees' loyalty to their organization (Luthans, 2002).

Mowday et al. (1982) suggest four categories of variables affecting commitment: personal characteristics, job characteristics, work experiences and structural characteristics.

Earlier studies of commitment focus on the effect of commitment on employee-turnover (e.g. Mowday et al., 1982). However, in the words of Allen and Meyer (1990), what employees do in the job is as important, or more important, than whether they remain. It turned out to be difficult to get empirical evidence on the effects of commitment. The most important reason is that it is difficult to measure a direct relationship between, for example, the profit of the organization and commitment, because there are too many intervening factors (Van Breukelen, 1996). Lawler et al. (1995) choose to measure the effects as perceived by managers. They conclude that commitment (and involvement) have positive effects on, among other things, productivity, quality and competitiveness. They also found, like Gallie and White (1993), that committed

employees are more satisfied.

Organizational researchers agree that a consensus has not yet been reached over the definition of organizational commitment (Scholl, 1981; Benkhoff, 1997; Mowday, 1998; Suliman & Isles, 2000a, 2000b; Zangaro, 2001). Scholl (1981) indicates that the way organizational commitment is defined depends on the approach to commitment that one is adhering to. Accordingly, organizational commitment is defined either as an employee attitude or as a force that binds an employee to an organization. According to Suliman and Isles (2000a), there are currently four main approaches to conceptualizing and exploring organizational commitment. There is the attitudinal approach, the behavioral approach, the normative approach and the multidimensional approach.

The attitudinal approach views commitment largely as an employee attitude or more specifically as a set of behavioral intentions. The most widely accepted attitudinal conceptualization of organizational commitment is that by Porter and his colleagues who define organizational commitment as the relative strength of an individual's identification with, and involvement in a particular organization (Mowday et al., 1979). They mention three characteristics of organizational commitment (1) a strong belief in and acceptance of the organization's goals and values, (2) a willingness to exert a considerable effort on behalf of the organization and (3) a strong intent or desire to remain with the organization. Within this approach, the factors associated with commitment include positive work experiences; personal characteristics and job characteristics while the outcomes include increased performance, reduced absenteeism and reduced employee turnover.

The second approach refers to the organizational commitment as behaviour (Suliman & Isles, 2000b; Zangaro, 2001). The focus of research according to the behavioural approach is on the overt manifestations of commitment. The behavioural approach emphasizes the view that an employee continues his/her employment with an organization because investments such as time spent in the organization, friendships formed within the organization and pension benefits, tie the employee to the organization. Thus an employee becomes committed to an organization because of "sunk costs" that are too costly to

lose. Becker's (1960) side bet theory forms the foundation of this approach. According to him, employee commitment is continued association with an organization that occurs because of an employee's decision after evaluating the costs of leaving the organization. He emphasizes that this commitment only happens once the employee has recognized the cost associated with discontinuing his association with the organization.

The normative approach is the third approach, which argues that congruency between employee goals and values and organizational aims make the employee feel obligated to his/her organization (Becker et al., 1995). From this point of view, organizational commitment has been defined as "the totality of internalized normative pressures to act in a way which meets organizational goals and interests" (Weiner, 1982).

The last approach, the multi-dimensional approach, is relatively new. It assumes that organizational commitment is more complex than emotional attachment, perceived costs or moral obligation. This approach suggests that organizational commitment develops because of the interaction of all these three components. Several studies, according to Suliman and Isles (2000b) have contributed to this new conceptualization of organizational commitment. They credit Kelman (1958) as the earliest contributor for the multidimensional approach. Kelman lay down the foundation for the multidimensional approach when he linked compliance, identification and internalization to attitudinal change. Another earlier contributor is Etzioni (1961) who, as cited by Zangaro (2001), describes organizational commitment in terms of three dimensions; moral involvement, calculative involvement and alienative involvement, with each of these dimensions representing an individual's response to organizational powers. Moral involvement is defined as a positive orientation based on an employee's internalization and identification with organizational goals. Calculative involvement is defined as either a negative or a positive orientation of low intensity that develops due to an employee receiving inducements from the organization that match his/her contributions. Alienative involvement on the other hand is described as a negative attachment to the organization. In this situation, individuals perceive a lack of control or of the ability to

change their environment and therefore remain in the organization only because they feel they have no other options. Etioni's three dimensions incorporate the attitudinal, behavioural and normative aspects of organizational commitment.

The most popular multi-dimensional approach to organizational commitment is that of Meyer and his colleagues. In 1984, Meyer and Allen, based on Becker's side-bet theory, introduced the dimension of continuance commitment to the already existing dimension of affective commitment. As a result, organizational commitment was regarded as a bi-dimensional concept that included an attitudinal aspect as well as behavioural aspect. In 1990, Allen and Meyer added a third component, normative commitment to their two dimensions of organizational commitment. They proposed that commitment as a psychological attachment may take the following three forms: affective, continuance and normative forms.

Meyer and Allen (1984) defined affective commitment as "an employee's emotional attachment to, identification with, and involvement in the organization", continuance commitment as "commitment based on the costs that employees associate with leaving the organization", and normative commitment as "an employee's feelings of obligation to remain with the organization". Each of these three dimensions represents a possible description of an individual's attachment to an organization.

Meyer and Allen originally measured their three components (Affective commitment, Continuance commitment and Normative commitment) with eight items indices. However, they later developed (Meyer et al., 1993) six-item measure for each of the three components.

### **3.0 NEED FOR THE STUDY:**

The present study as part of the doctoral research of the first author compares the organizational commitment of Public sector Banks in India and Sri Lanka. Almost all research regarding organizational commitment has been conducted in Western societies, especially in the United States and Great Britain. Though research in Asian countries has investigated organizational commitment with respect to the firm level, there are hardly any studies involving cross-cultural

comparison engaging firms from more than one country, particularly in the banking sector. This effort is to fill the identified research gap.

### **4.0 OBJECTIVE OF THE STUDY:**

To compare the organizational commitment of employees of Public sector banks in India and Sri Lanka.

### **5.0 HYPOTHESIS:**

H0: Organizational commitment of employees of Public sector Banks in India will not significantly differ from that of Public sector banks in Sri Lanka.

The hypothesis is operationalised by considering the three dimensions of organizational commitment as separate variables as well as organizational commitment as a composite measure.

### **6.0 METHODS:**

This study was conducted in Public sector banks in India and Sri Lanka. To measure the employee commitment a questionnaire was used to collect the data. For confidentiality reason the names of the banks studied in both countries, are not disclosed in this paper.

#### **Sample**

Two public sector banks in Sri Lanka and three public sector banks in India were selected to study the organizational commitment. The employees of the banks were the respondents to the study. The sample for the present study consists of 730 respondents from both the countries. 449 out of total respondents were from India and 281 from Sri Lanka. The respondents were working in different departments of the Branches and Regional offices of the Banks. There were totally 1000 questionnaires distributed and 730 filled in valid questionnaire were received back and used in the study. The response rate of the questionnaire survey was 73 percent.

#### **Sample Profile**

The background information of the sample of respondents is presented in order to get clear picture of the sample. Table I provides some basic background information about the respondents.

Table1: Selected background characteristics of the respondents

Selected dimensions	PSBs in India (N=449)		PSBs in Sri Lanka (N=281)		Total PSB (N=730)	
	Frequency	%	Frequency	%	Frequency	%
<b>Age</b>						
Age<45	107	23.8	86	30.6	193	26.4
Age>=45 and <51	217	48.4	91	32.4	308	42.2
Age>=51	125	27.8	104	37	229	31.4
<b>Gender</b>						
Male	392	87.3	176	62.6	568	77.8
Female	57	12.7	105	37.4	162	22.2
<b>Marital status</b>						
Married	434	96.7	238	84.7	672	92.1
Unmarried	15	3.3	43	15.3	58	7.9
<b>No. of Children</b>						
0	13	3.0	18	7.6	31	4.6
1	110	25.3	32	13.4	142	21.1
2	266	61.3	108	45.4	374	55.7
3& above	45	10.4	80	33.6	125	18.6
<b>Academic quali.</b>						
Below degree	15	3.3	206	73.3	221	30.2
Bachelor degree	295	65.7	69	24.6	364	49.9
Postgraduate .degr	13	2.9	1	0.4	14	1.9
Master & PhD	126	28.1	5	1.7	131	17.9
<b>Professional qua.</b>						
Yes	171	38	35	12.5	206	28.2
No	278	62	246	87.5	524	71.8
<b>Designation</b>						
Officer	260	57.9	72	25.6	332	45.5
Asst. Manager	66	14.7	127	45.2	193	26.4
Manager	123	27.4	82	29.2	205	28.1
<b>Department</b>						
Regional office	120	26.7	73	26	193	26.4
Branch	329	73.3	208	74	537	73.6
<b>Years in Current org.</b>						
Years>=24	221	49.2	122	43.4	380	52.1
Years<24	228	50.8	159	56.6	350	47.9
<b>Years in Current job</b>						
Years>=4	266	59.2	126	44.8	421	57.7
Years<4	183	40.8	155	55.2	309	42.3

### Measures

The data were collected by the use of structured questionnaire containing eighteen questions. It was designed to enable us to test employees' perceptions about employee commitment (Affective commitment, Continuance commitment and Normative commitment). Meyer et al., (1993) organizational commitment scale was used for this study. It consists of eighteen items with a five-point response pattern ranging from 1: Strongly disagree to

5: Strongly agree. It comprised three dimensions -Affective commitment, Continuance commitment and Normative commitment, each consisting of six items.

### 7.0 DATA ANALYSIS:

Researcher used the statistical package for social sciences (SPSS) and AMOS for data analysis of this study. The reliability of the subscales used for this study was assessed by Cronbach alpha coefficient. The structural validity of the

organizational commitment scale was assessed by confirmatory factor analysis. To find out the significance of difference between both the countries on organizational commitment t-test was used.

**Reliability**

The internal consistency of the subscales assessed by cronbachs coefficient alpha revealed that exclusion of the item-11 "if I had not already put so much of myself into this bank, I might consider working elsewhere" for continuance commitment and the items 13 &14 "I do not feel any obligation to remain with my current employer", and " Even if it were to my advantage, I do not feel it would be right to leave my bank now" for normative commitment improved the reliability significantly. Hence these items were excluded from further analysis. This resulted in a satisfactory alpha value of 0.69 for affective commitment and 0.66 for normative commitment and a fair alpha value of 0.57 for continuance commitment. The alpha for the overall organizational commitment scale was 0.73 establishing the internal consistency of the measure.

**Confirmatory Factor analysis**

The results of the Confirmatory Factor Analysis (CFA) lend and support to the three factor structure of organizational commitment, based on the Goodness of fit Index=0.889. The three factor solution CFA indices indicate that the three-factor solution of the organizational commitment scale best approximates the factor structure of the original authors. The three factors were named factor1: Affective Commitment, 2: Continuance Commitment and factor 3: Normative Commitment according to the original author's nomenclature.

**T-test**

To establish whether organizational commitment differs significantly between Public sector banks in India and Public sector banks in Sri Lanka, T-test for equality of means (independent sample) was applied. Means, SDs and t- value were computed for organizational commitment in order to test the hypothesis of this study. The result in this regard is presented in table 2.

**Table 2: T-test for Employee Commitment of Public Sector Banks**

	Public Sector Banks in India		Public Sector Banks in Sri Lanka		
	N= 449		N= 281		
	Mean	SD	Mean	SD	t- Value
Affective commitment	3.91	.614	3.70	.53	4.65**
Continuance commit	3.41	.588	3.31	.48	2.28*
Normative commitment	3.68	.580	3.56	.46	2.98**
Overall commitment	3.67	.419	3.53	.36	4.71**

\*P<.05, \*\*P<.01

The mean scores varies from 1 to 5, where 1 indicates extremely poor commitment, about 1 to 2 indicates average commitment, whereas the mean score 3 to 4 indicates good commitment and the mean score above 4 indicates very good commitment.

Affective commitment as indicated by the mean score, for both the countries shows a good affective commitment. It demonstrates that the employees of both countries PSBs are emotionally attached to the organization. However, the affective commitment (3.91) to PSBs in India is more than PSBs in Sri Lanka (3.70).

Continuance commitment reflected by the mean scores, for both the countries is also impressive. It shows that the

employees of both the countries' PSBs benefit by remaining a long period in the same organization. Nevertheless continuance commitment score (3.41) to PSBs in India is better than PSBs in Sri Lanka (3.31).

Normative commitment as seen from the mean score is equally high for the both the countries. It shows that the employees of both countries PSBs have feelings of obligation to continue in the organization though the normative commitment (3.68) to PSBs in India is better than PSBs in Sri Lanka (3.56). Thus the overall commitment of PSBs in India and PSBs in Sri Lanka is high with the overall commitment to PSBs India (3.67) being more than PSBs in Sri Lanka (3.53).

The analysis shows that out of the three dimensions in two dimensions the difference between both countries is highly significant ( $P < .01$ ) and in the remaining dimension also the difference is significant ( $P < .05$ ).

From the above analysis the null hypothesis is rejected and the alternative hypothesis organizational commitment of employees of public sector banks in India will significantly differ from that of public sector banks in Sri Lanka-is accepted

### 8.0 DISCUSSION AND CONCLUSION:

This research compared organizational commitment of employees in Public sector banks in India and Sri Lanka. The results reveal that employee commitment differs between PSBs in India and PSBs in Sri Lanka. It is seen Indian PSBs employees are more committed to their Banks than their counter parts. This may be due to the demographic variables such as age, gender, marital status, academic qualifications, and tenure etc. Considering age, older employees are higher in PSBs in India (76.2%) than PSBs in Sri Lanka (69.4%). Mathieu and Zajac (1990), Allen and Meyer (1993), and Meyer and Smith (2000) have found that age is a reason for organizational commitment. Tenure also influences the organizational commitment. In Indian PSBs 49.2% of the respondents have served more than 24 years though it is only 43.4% in Srilankan PSBs. Mathieu and Zajac (1990) also observed that perceived higher tenure might be reason of more commitment. The tenure in the current position being more than four years is for 59.2% of the employees in Indian PSBs while it is only 44.8% for the Sri Lankan PSBs. Organizational commitment could be more for the Indian sample due to 38.1% of the employees having professional banking qualifications as against 12.5% for the Srilankan sample.

In conclusion, Srilankan PSBs can study and implement the human resource related practices followed by the Indian PSBs to enable them to raise their employee's commitment. Efforts to enhance organizational commitment of employees in banks should take cognizance of their demographic profile.

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