



ORGANIZATIONAL COMMITMENT IN BANKING INDUSTRY- AN ANALYSIS

Srinivas Kolachina* Prof. S.V.Raju** Dr. T. N. Murty***

*Research Scholar in Human Resource Management, Acharya Nagarjuna University, Nagarjuna Nagar.

**Professor in Commerce & Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar.

***Director, Nimra College of Business Management, Vijayawada.

Abstract

In today's competitive world, organizations can perform well only when the employees in such organizations are committed and work effectively in teams. Employees work together in teams can prove that they are worth being part of these organizations. The employees' commitment in work enables them to achieve career and personality development. The researcher used univariate and multivariate statistical tools t-test, factor analysis, cluster analysis, one way analysis of variance and regression to examine the perception of organizational commitment practices in public sector banks (PSBs) and Private sector Banks (PRSBs).

Key Words: Organizational Commitment, Banking, Values, Employees.

Introduction

The term *commitment* has become an imperative part of management jargon today. Commitment is a psychological state that binds an individual to the organization. It refers to the likelihood that an individual will stick to the organization, feel psychologically attached to it, whether the job is satisfying or not. Companies often mistake employee retention for commitment. It would be wrong to say that an employee who stays with the company is committed. The various forms of commitment coexist simultaneously, yet are distinguishable from each other.

Types of Employee Commitment

There is now a substantial body of evidence demonstrating the benefits to organizations of having a strongly committed workforce. In the 90s, Allen and Meyer proposed an analytic view of organizational commitment, splitting it into three definable components – affective, continuance, and normative commitment. Affective commitment is the emotional attachment of an employee to organizational values – how much an employee likes the organization. Continuance commitment is a measure of the willingness of an employee to continue working for the same organization. Normative commitment deals with the feelings of obligation, or sense of responsibility an employee feels towards the organization. Though each component of organizational commitment may affect other components, for the purpose of designing management strategies, it is easier to segment and visualize the three types of organizational commitments in order to bolster them according to need. (www.employmentcrossing.com)

Affective Commitment

Affective commitment describes the emotional attachment of an employee to an organization and explains how much employees want to stay at their organization. If employees are affectively committed to their organization, it means that they *want* to stay at their organization. The employees with high level of affective commitment will enjoy the relationship with the organization and are likely to stay for a longer period. They typically identify the organizational goals, feel that they fit into the organization and are satisfied with their work. Employees, who are affectively committed, feel valued, act as ambassadors for their organization and are generally great assets for organizations.

Continuance Commitment

Continuance commitment is the degree with which the employees believe that leaving the organization would be costly. If the employees have a high level of continuance commitment, will stay with an organization because they feel that they must stay. For example, the employee feels quitting the job may lead to an unacceptable length of unemployment. On the other hand, the employees may feel that they will lose a certain degree of status if they leave a well-respected organization such as a top law firm or research company. Thus, Continuance commitment relates to how much employees feel the need to stay at their organization. In continuance commitment, the underlying reason for their commitment lies in their need to stay with the organization. Possible reasons for needing to stay with organizations vary, but the main reasons relate to a lack of work alternatives, and remuneration. This type of commitment occurs when an employee weighs up the pros and cons of leaving the organization. The perceived losses, or "side bets," can be monetary professional or social. The severity of these "losses" often increases with age and experience. The employee is more likely to experience continuance commitment if he is in an established, successful role, or if he has had several promotions within one organization. A good example of continuance commitment is when employees feel need to stay with their organization because their salary and fringe benefits



won't improve if they move to another organization. Such examples can become an issue for organizations as employees that are continuance committed may become dissatisfied (and disengaged) with their work and yet, are unwilling to leave the organization. (www.effectory.com/thought-leadership/blog/3-key-types-of-organizational-commitment)

Normative Commitment

Normative commitment relates to how much employees feel that they should stay at their organization. Normatively committed employees feel that leaving their organization would have disastrous consequences, and feel a sense of guilty about the possibility of leaving. Reasons for such guilty vary, but are often concerned with employees feeling that in leaving the organization they would create a void in knowledge/skills, which would subsequently increase the pressure on their colleagues. Such feelings can, and do, negatively influence the performance of employees working in organizations. Individuals with Normative Commitment stay with organizations because they feel they should. This type of commitment occurs when the employee feels a sense of obligation to the organization, even if the employee is unhappy in the role given, or even if an employee wants to pursue a better opportunities. They feel that they should stay with their organization, because it's the right thing to do. This sense of obligation can stem from several factors. The employees might feel that they should remain with the organization because it has invested money or time in their training. Or perhaps it provided a reward in advance, such as paying for college tuition etc.

Organizational Culture in Banking Industry

The rapid changes in national and international economic scenario have brought in a metamorphic change in the Indian banking system. The banking in our country is no longer the same as it used to be a couple of years ago; nor is it expected to remain the same a couple of years after. The manifestation of change in the system is large and vivid in all its forms; be it structural, attitudinal or qualitative. This transformation in our banking system has been possible mainly because of the following factors:

- Liberalized monetary, economic, and banking policies.
- Level playing field for both public and private sector banks.
- High level of mechanization and increased use of Information Technology.
- Downsizing the workforce through Voluntary Retirement Scheme (VRS).
- Reducing Government stake and more equity participation by the public.
- Stringent prudential norms and transparent accounting practices.
- Increased customer expectations following acute competition among banks.

The breath-taking competition among the banks has now become a “quest for survival”. Earlier banking was virtually a monopoly of the public sector banks with full protection from the state. However, the process of reforms in the Indian banking system has paved the way for more liberal and free market forces. Now the banks, more particularly the public sector, feel the real heat of the competition. The reductions in interest rate, dwindling margins and more number of players to serve as reduced number of bankable clients have all added to the woes of the banks. The customer has finally come to hold the center-stage and all the banking products are tailor-made to suit his tastes and preferences. This spurt in the banking environment in the country has bereaved the banks of all their comforts and many of them grapple with the change. The complexities of the situation call for a thorough re-engineering of all the resources available with the banks including their “Human Resources”.

Banking is an organization basically of the people, by the people and for the people. Hence, the need and importance of human element in a bank can hardly be ignored. A thorough re-orientation in the attitude of the workforce is the need of the hour to respond to the challenges lying ahead of them. Man Power Management is undoubtedly the most decisive rather the most sensitive and the critical areas of management are to be handled with utmost care and diligence. It is always the people who are the victims of any change in policies, guidelines or methods. Their attitude, behaviour, commitment, and interpersonal relationship are changed either for the better or for the worst with every change that comes in their way. The changed banking environment has posed serious challenges before the bank managements. They have to fall in line with the global standards adopted by the new private and foreign banks in order to remain competitive in the market. The “Human Resource Development” (HRD) Departments have to play a more proactive role in shaping the workforce to face the challenges. Change is inevitable. With the fast change in the global economic scenario, the banking system cannot remain unaffected. However, the change in the Indian Banking System has been a bit too fast. There have been some cross currents flowing to resist the change. Though, such resistances are mercurial. Eventually, the Human Resource Development departments in the banks have come in to play a far greater role in transforming the mind-set and attitude of the banking people by taking the change in their stride. It is, therefore, rightly said: “You cannot change the direction of the wind, but you can certainly adjust the sail”.



Employees Commitment in Banks

Commitment as a concept demands a specific and congenial climate to take root. It enriches the work life in banks and aims to link productivity with a sense of personal fulfillment. Commitment involves all management decisions and practices that direct, affect or influence the Human Resources in the banks. In recent years, increased attention comes from the realization that the bank employees enable the banks to achieve its goals and the management and development of these resources is critical to a bank's success.

Employee commitment is useful to both bank and its employees:

- It enables a bank to build managerial resources of quality and leadership.
- It inculcates an effective culture of teamwork.
- It creates value systems, which are conducive to growth.
- It motivates employees to provide prompt and innovative services to customers.
- It creates a sense of belonging among the staff.
- It will help a bank to develop and utilize the potential of workforce so as to achieve its goals.
- It will help to develop and maintain the quality of work life in the bank.
- It will improve the behavioural patterns of the staff and their commitment to the bank.

Commitment can offer the following benefits to employees:

- To sharpen existing skills.
- To acquire new skills.
- To discover and exploit their potential.
- To improve overall personality and career prospects.
- To perform existing and future roles effectively.
- To provide job satisfaction and self-actualization.

Thus, HRD helps to make a bank and its staff more effective and strong.

Need and Significance of the Study

Employee's commitment has been an important factor to determine the success of an organization. Employee commitment to an organization has acquired increasing demand as it aids the organizations to retain more staff and thereby increase in expected achievement, productivity and effectiveness. No organization in the current ambitious world can execute at peak levels unless each employee is committed to the organization's objectives and performs as an effective team member. Some people are committed to their jobs because they love what they do, or because their goals align with those of the company. Others might stay because they fear what they could lose if they leave. Still others might stay because they feel obligated to the company, or to their manager. Therefore the importance of employee commitment for organizations is well documented. All three forms of commitment highly influence the length that employees stay with organizations. Administrators usually adjust their leadership behavior to accomplish the mission of the organization, and this could influence the employees' commitment. Failure to understand the nature of organizational commitment leads to a lack of understanding of employees' attachment to the organization and in turn leads to deficient management strategies that fail to reach their assumed goals. There is a large body of research demonstrating the impact of organizational culture on various dimensions. The results of the research reviewed here by suggest that the organizational culture can also have an effect on employee's commitment. To begin with these issues, it is therefore indispensable at the part of the Researcher to understand the relationship between organizational culture and employee's commitment to have long business sustainability in the competitive world especially in banking sector which is the focal point of this present market idea of research.

Objectives of the Study

1. To evaluate the present commitment level of employee's in select Public and Private Sector Banks.
2. To study the influence of personal organizational details of the employees on commitment.

Methodology

The methodology of the study is based on the primary as well as secondary data. The study depends mainly on the primary data collected through a well-framed and structured questionnaire to elicit the well-considered opinions of the respondents. The Multi-Stage Random Sampling is adopted to obtain the responses from the employees of both Public and Private Sector Banks. The researcher has taken 5 PSBs and 5 PRSBs located in Krishna District. Multi-Stage Random Sampling Method is used in the study to select the sample. A total of 600 questionnaires have been distributed and out of which 283 from PSBs and 270 from PRSBs are received. After the scrutiny of these questionnaires, 15 questionnaires from PSBs and 28



questionnaires from PRSBs are rejected on account of incomplete responses. Finally, 268 and 242 completed questionnaires with a total of 510 from PSBs and PRSBs respectively are used for the present study.

Organizational Commitment- Discussions and Results

The opinion of the banking employees' organizational commitment and its effectiveness is examined in PSBs and PRSBs. It was hypothesized that employees' organizational commitment would be positively related to banking developments effectively. Most of the banks both PSB and PRSB practice the following organizational commitment for the benefit of the banks and its employees.

Table 1.1: Organizational Commitment Practices

Particulars	Frequency No	Frequency Yes	Total
Career development opportunities make the employees committed to their banks	148(29%)	362(71%)	510(100%)
Every employee in the bank feels that the organization is very committed to them	47(9.2%)	463(90.8%)	510(100%)
The personal involvement in organizational activities gives employee sacrifice	422(82.7%)	88(17.3%)	510(100%)
There is no feeling of switching over the banking job	19(3.7%)	491(96.3%)	510(100%)

From the above table it is inferred that 71% of the bank employees focus on career development opportunities that make them committed to their banks, 90.8% of the bank employees are committed to the banks development as their banks are in turn committed for their welfare. It is further inferred that only a minimum of 17.3% of the employees personal involvement in banking development makes them sacrifice in other activities whereas only a minimum of 3.7% of the bank employees concentrate more on their developments that reduce their attachment to work for a particular bank and therefore have no feeling to switch over from the banking jobs. Therefore it is concluded from the above table that the employees' organizational commitment in the PSBs and PRSBs plays an important role for their career development that motivates them to commit themselves in work.

Factors of Organization Commitment

Factor analysis has been applied to analyze a large number of variables by identifying common and unique sets of variance that are referred to as dimensions, factors, or components. It allows the researcher to summarize and reduce the data. The process of summary and reduction allows the data to be described by a much smaller number of variables than the original. In this study, the researcher has taken all 18 elements of employees' perception towards their banks practicing effective organizational commitment and the results are discussed below:

Table 1.2: KMO and Bartlett's Test-Employees Commitment

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.821
Bartlett's Test of Sphericity	Approx. Chi-Square	4377.819
	df	153
	Sig.	.000

From the above table it is found that KMO measure of sampling adequacy is 0.821, Bartlett's Test of Sphericity with approximated chi-square value 4377.819 are statistically significant at 5 percent level. This indicates all the eighteen variables are normally distributed and suitable for data reduction.

Table 1.3: Communalities - Employees Commitment

Particulars	Initial	Extraction
I would be happy to spend the rest of my career in the Bank I work	1.000	.584
I really feel as if the organizations problems are my own	1.000	.607
I do not really feel part of a family at my organization	1.000	.541
I do not feel emotionally attached to the banking organization	1.000	.636
The organization has a great deal of personal meaning to me	1.000	.462
I do not feel a sense of belonging to the organization	1.000	.608



I do not feel any obligation to remain with my current bank	1.000	.423
Even if it is to my advantage, I do not feel it is right to switch over from the bank I work	1.000	.554
I would feel guilty if I leave the banking job right now	1.000	.500
The bank in which I work deserves my loyalty	1.000	.724
I would not leave the bank I work right now because of a sense of loyalty	1.000	.532
I would not leave the bank I work right now because of a sense of loyalty	1.000	.606
It would be very hard to quit my banking job right now even if I wanted to	1.000	.587
Too much of life would be interrupted if I decide to leave the banking job	1.000	.587
Right now staying in the banking job is as much of a necessity as of desire to leave the organization	1.000	.468
I believe I have very few options to consider quitting my banking job right	1.000	.590
One of the negatives of leaving the banking job would be scarcity of alternate assignments	1.000	.553
Leaving would require considerable sacrifice as the offer benefits from the new organization do not match up with the benefits of the current banking job	1.000	.396

Extraction Method: Principal Component Analysis.

From the above table it is found that eighteen variables of banking employee commitment exhibit the variance 0.396 to 0.724. This implies these eighteen variables establish considerable variance 39.6% to 72.4%. This variance range is statistically significant at 5% level and the segmentation process can be done for these eighteen variables.

Table 1.4: Total Variance Explained - Employees Commitment

Component	Initial Eighteen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of	Cumulative %
1	5.658	31.431	31.431	4.234	23.525	23.525
2	2.819	15.662	47.094	2.834	15.743	39.267
3	1.381	7.671	54.764	2.790	15.497	54.764
4	1.266	7.031	61.795			
5	.960	5.333	67.128			
6	.842	4.679	71.807			
7	.751	4.172	75.979			
8	.686	3.812	79.791			
9	.541	3.003	82.794			
10	.525	2.918	85.712			
11	.462	2.565	88.277			
12	.435	2.419	90.696			
13	.356	1.975	92.671			
14	.343	1.904	94.575			
15	.297	1.650	96.225			
16	.277	1.537	97.763			
17	.217	1.205	98.967			
18	.186	1.033	100.000			

Extraction Method: Principal Component Analysis.

From the above table it is found that eighteen variables are reduced into three predominant factors with individual variances 23.525, 15.743, and 15.497 and the total variance 54.764%. This shows that the eighteen variables of PSBs and PRSBs commitment are reduced into three predominant factors to represent their respective underlying variables. The following information clearly explains the variable loadings in each factor.



Table 1.5: Rotated Component Matrix [a]

Particulars	Component		
	1	2	3
The bank in which I work deserves my loyalty	.847		
I really feel as if the organizations problems are my own	.774		
I would not leave the bank I work right now because of a sense of loyalty	.717		
The bank has a great deal of personal meaning to me	.664		
I would not leave the bank I work right now because of a sense of loyalty	.662		
I would feel guilty if I leave the banking job right now	.551		
I do not really feel part of a family at my organization	-.505		
One of the negatives of leaving the banking job would be scarcity of alternate assignments		.724	
I believe I have very few options to consider quitting my banking job right now		.723	
It would be very hard to quit my banking job right now even if I wanted to		.700	
Too much of life would be interrupted if I decide to leave the banking job		.699	
Right now staying in the banking job is a s much of a necessity as of desire to leave the		.581	
Even if it is to my advantage, I do not feel it is right to switch over from the bank I work			-.694
I do not feel any obligation to remain with my current bank			.635
I do not feel emotionally attached to the banking organization			.600
I do not feel a sense of belonging to the organization			.597
I would be happy to spend the rest of my career in the Bank I work			-.540
5 Leaving would require considerable sacrifice as the offer benefits from the new organization do not match up with the benefits of the current banking job			.464
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

From the above table it is found that **the first factor comprises of seven variables namely:**

- The bank in which I work deserves my loyalty (.827)
- I really feel as if the organizations problems are my own (.774)
- I would not leave the bank I work right now because of a sense of loyalty (.717)
- The organization has a great deal of personal meaning to me (.664)
- I would not leave the bank I work right now because of a sense of loyalty (.662)
- I would feel guilty if I leave the banking job right now (.551)
- I do not really feel part of a family at my organization (-.505)

Therefore this factor is known as **“Affective commitment”**

The second factor comprises of five variables namely

- One of the negatives of leaving the banking job would be scarcity of alternate assignments (0.724)
- I believe I have very few options to consider quitting my banking job right now (0.723)
- It would be very hard to quit my banking job right now even if I wanted to (0.700)
- Too much of life would be interrupted if I decide to leave the banking job (0.699)
- Right now staying in the banking job is a s much of a necessity as of desire to leave the organization (0.581)

Hence the second factor is known as **“Normative Commitment”**



The third factor comprises of six variables namely

- Even if it is to my advantage, I do not feel it is right to switch over from the bank I work (-.694)
- I do not feel any obligation to remain with my current bank (.635)
- I do not feel emotionally attached to the banking organization (.600)
- I do not feel a sense of belonging to the organization (.597)
- I would be happy to spend the rest of my career in the Bank I work (-.540)
- Leaving would require considerable sacrifice as the offer benefits from the new Organization do not match up with the benefits of the current banking job (.464)

Therefore the third factor is known as “**Continuance Commitment**”

Findings of the Study

1. 71% of the bank employees accept effective organizational commitment in banks paves way for their career development opportunities. 90.8 % of the bank employees’ are committed to the banks’ development as their banks are in turn committed for their welfare.
2. It is further inferred that only a minimum of 17.3% of the employees commit their personal involvement in banking activities by sacrificing their personal activities whereas only a minimum of 3.7% of the bank employees express that they do not feel any difference in switching over the banking jobs.
3. The bank employees’ perception towards organizational commitment practices can be revealed through three predominant factors namely Affective Commitment, Normative Commitment and Continuance Commitment.
4. The banking employees in PSB agree with their banks practicing affective commitment, normative commitment, whereas the private sector banks are more committed to continuance commitment.
5. It is found that 194(38%) Banking employees are highly committed employees and they strongly agreed with their banks practicing affective commitment, normative commitment and continuance commitment. It is further found that the second group cluster employees 191(37.5%) are Opportunity seekers and disagree with the banks practicing affective commitment, normative commitment but strongly agree towards their banks practicing continuance commitment.
6. It is further found that 125(24.5%) are unenthusiastic employees who disagree with their banks affective commitment, normative commitment, continuance commitment.
7. Bank employees in the age group above 50 years agree with their banks practicing effective affective commitment. Employees in the age group 41 to 50 years agree their banks practicing effective normative commitment and bank employees in the age group 31 to 40 years agree to their banks practicing effective continuance commitment. Male bank employees agree to their banks practicing effective affective commitment, normative commitment whereas female bank employees agreed to their banks practicing effective continuance commitment.
8. The Senior Managers agree to their banks’ practicing effective affective commitment. The deputy managers expressed satisfaction on their banks focusing on the practices of normative commitment and the Chief Managers accept their banks following the practice of continuance commitment practices. Bank employees with professional qualification agree to their banks practicing effective affective commitment similarly, under graduate qualification employees accepted their banks practicing effective normative commitment.

Suggestions of the Study

1. The employees have started realizing the significance of hefty pay packages, rewards and recognitions. Therefore the banks should provide proper recognitions to gain the commitment of the employees.
2. The banks determine the worth of the employees based on self evaluation, evaluation by the appraiser and by the reviewer which could be made absolutely transparent to increase the reliability of the banks among its employees.
3. The sustained growth of the banking industry purely depends on their transformed committed talent pool of employees which are to be appraised using effective measurement system reflecting on the employee turnover.
4. The positive relationship existing among the commitment and the factors of organizational culture suggests that proper evaluation leads to loyalty among employees and increased reputation of the banks and reduce churn out.
5. The commitment of the employees shows a positive relationship with the career growth opportunities providing scope for developmental needs of the employees.
6. It can be suggested that with assured expansion of the banking industry, the job opportunities are sure to boost up, which could be sustained only by developing skill sets making the workforce employable and trainable, and guiding the market with excellence through quality, the Indian way.



Conclusion

Employees at junior level and middle level are influenced by goal oriented culture whereas the top level people are influenced by dynamic culture. Excellence through quality is emphasized to widen the banking services in the midst of heavy competition prevailing between public and private sector banks. Both PSBs and PRSBs provide learning opportunities on the job through participative culture and make the employees to have continuous affective and normative commitment. The PSB and PRSBs have taken up various cultural practices to reduce the gap between demand and supply of skilled employees. The next generation job aspirants are expected to possess a positive attitude towards the profession and equip themselves with the required skills to enter the Banking industry. Long run benefits accrue to the employees attuned to sustained performance and consistent hard work with career aspirations. The Public and private sector banks are expected to upgrade their product/service quality to meet the requirements of the global customers with global standards.

Scope for Further Research

The HRM subsystems can be evaluated and studied in detail individually like Training and Development, Performance Management and Career Growth. The retention policies followed by banks can be researched to arrive at models and techniques. The role of effective HR department managing the various practices is to be detailed separately. The recruitment process has to be analyzed step by step by critically examining the stages such as pre, during and post.

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