

RELATIONSHIP BETWEEN COMMITMENT, MOTIVATION AND EMPLOYEE PERFORMANCE IN INDIAN BANKS

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ABSTRACT

In modern times, Indian banking industry faces many challenges such as high turnover rate, overworked and de-motivated employees. High turnover rate is a major problem as it has a negative impact on an organization's performance which in turn, depends upon employee performance. Highly committed and motivated employees are likely to perform better. It is a great challenge for managers to maintain and increase employee performance. The current study examines the relationship among commitment, motivation and performance of employees in public and private sector banks in Lucknow district with the objective of suggesting strategies to enhance employee performance. The investigation is based on a survey of 215 employees. Statistical analysis shows positive relationship among commitment, motivation and performance of employees. The findings have great implications for policy makers and banking industry. However, the results have to be viewed with great caution when trying to generalize, as the survey is limited to a city.

KEYWORDS: *NPAs, Commitment; Motivation; Employee Performance, Job Satisfaction.*

Introduction

Organizational commitment is defined as the psychological attachment of the employee towards the organization. It expresses the strength of feeling of responsibility that an employee has towards the goal of the organization and his attachment towards the organization. Organizational commitment leads to increased performance and devotion of employees in the organization. Many studies states that commitment is positively related to a variety of attractive outcomes including job satisfaction and performance, and to a decline in an employee's intention to leave (Somers, 1995; Rue & Byars, 2005; Chen, 2007). In modern times, banking industry is facing many challenges like employee retention, high cost of recruitment, training, increased competition, increased regulation by the government and high rate of technological growth with mobile phones offering banking services (Bean, 2009; Omollo 2015). Overworked and de-motivated employees are the other major challenges faced by banking industry (Omollo 2015). The slowdown in the economy in the last few years led to a rise in bad loans or non-performing assets (NPAs). It is the biggest risk to Indian banks. Net NPAs amount to only 2.36% of the total loans in the banking system. Such stressed assets account for 10.9% of the total loans in the system. According to an IMF report 36.9% of the total debt in India is at risk and banks have capacity to absorb only 7.9% loss.

Employee turnover rate among bank employees in India is as high as 16.5% (Economic Survey, 2015-16). Competition in this sector has become very tough (Bresnahan 1982; Lau 1982) due to entry of

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new players (Ministry of Corporate Affairs, 2014). Organization performance directly depends upon employee performance; managers always try to find and apply best strategies for maintaining and increasing employee performance (Vosloban 2012). This can be said to apply to the banking sector as well. Studies postulate that highly committed and motivated employees put extra efforts in their jobs (Rich, LePine, and Crawford, 2010; Richman, 2006). Commitment and motivation have been reported to have positive relationship with job performance by Memari et al. (2013) and Kiruja and Elegwa, (2013) in developed nations. Despite this, others opine that few studies have been undertaken to understand relationship among commitment, motivation and performance of employees (Orpen, 1997; Isa et al., 2015; Dharmaneegara, et.al., 2016). Further, these have been confined to developed nations only. No study however, has been done to explore the relationship between employee commitment, motivation and performance of employee in India. Hence, a need was felt for undertaking the current study. The main objective of this study is to examine the relationship between commitment, motivation and performance of employee in banks in Lucknow district and suggest strategies for increasing employee performance.

Literature Review

- **Commitment:** According to Iqbal (2010) commitment is defined as the psychological contract of an employee with the organization. Commitment refers to the attachment of an individual to a certain task or his work. Committed employees play important role towards attainment of organizational goals. Meyer and Allen (1991) assert that three types of commitment develop namely affective, normative, and continuance commitment towards organizations. Affective commitment refers to the psychological attachment of employee towards the goals of their organizations. Thus, an employee stays in the organization for a long time when he possesses a high level of affective commitment towards organization. Normative commitment reflects as sense of responsibility towards the organization. Continuance commitment refers to the commitment based on employees' recognition of the expenses linked with leaving the organization. Therefore, employees with strong continuance commitment stay with their organizations mainly to avoid costs of leaving. Raju and Srivastava, (1994) state that if employees are strongly committed they willingly continue their association with the organization and devote considerable effort to achieving its goals. Commitment is not only responsible for employee retention (Porter et al., 1974; Koch and Steers, 1978) but also effects employee performance and efforts (Mowday, Porter, and Dubin, 1974; Mowday, Steers, and Porter, 1979; Romzek, 1989; Breaux, 2004). Many studies have found that organizational commitment increases employees' performance (Shore and Martin, 1989; Meyer et al., 1989; Meyer et al., 1993; Siders et al., 2001; Meyer et al., 2002; Vijayashree 2011; Jaramillo et al., 2005).
- **Motivation:** Motivation means to move or push towards satisfaction of a want (Butkus and Green 1999). Motivation examines the relationship among drives, needs and incentives (Minner, Ebrahimi, and Watchel, 1995). Shanks (2011) postulate motivation as the process that forces a person to attain some goal. According to Adams and Jacobson (1964), motivation deals with all the conditions that are responsible for variation in the quality, intensity and direction of behaviour. Motivation may be divided into two parts: extrinsic and intrinsic (Jiming and Xinjian, 2013; Amabile, 1993) Intrinsic motivation is developed from the intrinsic value of the work for the individual (for example, its interest value). Arousal, excitement and enjoyment are due to intrinsic motivation (Holbrook et al., 1984, p.137). According to Hackman and Oldham, (1980) feelings of happiness enhance intrinsic motivation which leads to employee performance. Extrinsic motivation refers to the motivation level influenced by external factors like salary, praise and status. Motivation is a force that propels employees to accomplish organizational goals (Kalimullah et al., 2010). It helps to encourage high quality work and positively influence people leading to desirable work behaviour. "A motivated employee produces more output in the organization" (Shadare & Hammed, 2000, p. 8). Organizations need to motivate their employees so that they can perform well and easily attain their goal.
- **Employee Performance:** Employee performance means employee output and productivity. Employee performance refers to the execution of job duties and responsibilities by employees in a timely manner. Performance of employee is very important for business success and constitutes an important aspect of employee behaviour at work. Employee performance leads to organizational effectiveness. In every organization standards are determined by the employer against which the performance of employee is rated on an annual or quarterly basis. Employee assessment is very important for the organization because it helps in certain areas that need

improvement. The word performance can be used to describe its different aspects such as societal performance; organizational performance, employee performance, and individual performance (Uddin, Luva and Hossia, 2013). Other studies have identified two dimensions of performance namely action or behavioural aspect and outcome or performance aspect (Campbell, 1990; Kanfer, 1990; Campbell, McCloy, Oppler and Sager, 1993; Roe, 1999). Shull and Schmitt, (2001) agree that employee performance leads to organizational outcomes such as customer satisfaction as well. Suesi (2002) suggested that rewards are the key motivators to increase the employee performance. Osterloh and Frey (2012) suggested that monthly rewards also increase the motivation and performance of employees. Training and feedback increase the performance of employees (Karia and Ahmad, 2000; Karia, 1999; Colombo and Stanca 2008; Sepulveda 2005; Konings and Vanormelingen, 2009; Armstrong 2000).

Based on the above literature review, we hypothesized:

H₁ : There is a positive relationship between commitment and motivation in bank employees.

H₂ : There is a positive relationship between commitment and bank employees' performance.

H₃ : There is a positive relationship between motivation and bank employees' performance.

The background information of the sample of the respondent is presented in Table 1.

Table 1: Demographic Characteristic of the Respondents

Demographic Characteristics	Frequencies	Percentage %
Organization		
Government	130	60.2
Private	85	39.4
Gender		
Male	137	63.4
Female	78	36.1
Marital Status		
Unmarried	90	41.7
Married	119	55.1
Widowed	2	.9
Divorced	4	1.9
Qualification		
Graduate	84	38.9
Post graduate	120	55.6
Others	11	5.1
Designation		
Officer	65	30.1
Assistant manager	76	35.2
Manager	73	33.8
Age (in years)		
Below 25	43	19.9
26 to 35	84	38.9
36 to 45	30	13.9
46 to 55	35	16.2
55 or above	23	10.6
Service(in years)		
Less than 1	29	13.4
1 to 5	74	34.3
6 to 10	45	20.8
11 to 15	38	17.6
More than 15	29	13.4
No of dependents		
Nil	74	34.3
One	44	20.4
Two	46	21.3
Three	40	18.5
Four	10	4.6
More than four	1	.5

Income per month		
Rs.30001 - Rs. 40000	66	30.6
Rs.40001 -Rs.60000	58	26.9
Rs.60001 - Rs. 80000	51	23.6
Rs.80001 and above	40	18.5

The demographic profile of the respondents is presented in Table1. 60.2% of the respondents were from public sector banks. Majority of the respondents were males (63%) and married (55.1%). Almost all the respondents were educated with about 55.6 % being post graduates, 38.9% were graduates. 35.2 % respondents were assistant manager, 33.8 % and 30.1 % were manager and officer respectively. Majority of the respondents (38.9 %) were young belonging to the age group of 26–35 years while 10.6 % were belonged to the age group of 55 or above. 34.4 % of respondents had worked for less than 5 years while 30.8 % respondents had been serving the bank forever 6 years. Income of 30.6 % of the respondents was between Rs. 30,001 to 40,000 per month while 26.9 % respondents belonged to the income group of Rs.40,000 to Rs. 60,000 and the rest earned more than 60, 000 per month.

- Methods:** The study was conducted on the employees of public and private sector banks in Lucknow district. Established scales were employed for the study after making suitable modifications. Commitment was measured through the scale developed by Meyer and Allen, (1990) which contains 12 items. Multidimensional work motivation scale developed by Marylène, Gagné et al. (2010) which has been used to measure motivation of bank employees. Specifically for this study employee performance scale was developed by the researcher especially for this study. It comprises 13 items. The responses on all scales were recorded on a 7- point Likert scale where 1=strongly disagree, 2=disagree, 3=somewhat disagree, 4=Neutral, 5=somewhat agree, 6=agree, 7=strongly agree.

For the purpose of the current study three public and three private sector banks in Lucknow district were randomly selected. Random sampling technique has been used to select the relevant sampling units because the respondents of the study were officer cadre employees of the banks. Data was collected from 350 respondents. 215 valid questionnaires were received back and used in the study.

SPSS version 20 was used for performing all statistical analysis. CFA was performed on each individual construct namely organizational commitment (OC), employee motivation and employee performance. Overall fit of the model to the data was determined by absolute and relative model fit statistics, which included chi-square χ^2/df ratio, root mean square error of approximation (RMSEA), Tucker Lewis Index (TLI), comparative fit index (CFI), and incremental fit index (IFI), (Bentler, 1990).

The results of CFA on OC yielded three sub dimensions namely organizational commitment which have three dimension, affective commitment (3-item measure), normative commitment (3-item measure), and continuance commitment (3-item measure). Overall comparative fit indices of the final measurement model suggested good model. χ^2/df ratio = 2.960; RMSEA = .046; GFI = .981; AGFI = .965; CFI = .960; IFI = .962; TLI = .940.

CFA done on motivation resulted in five dimensions (A motivation, Extrinsic regulation-social, Introjected regulation, Identified regulation, Intrinsic motivation). Overall comparative fit indices of the final measurement model suggested good model. χ^2/df ratio = 2.305; RMSEA = .048; GFI = .946; AGFI = .909; IFI = .920; CFI = .919; TLI = .882. The results of CFA on employee performance (13-item measure) are as follows: Overall comparative fit indices of the final measurement model suggested good model. χ^2/df ratio = 2.965; RMSEA = .068; GFI = .946; AGFI = .909; IFI = .920; CFI = .919; TLI = .882.

Structural equation modeling was performed to examine the relationship between commitment, motivation and employee performance. The overall model fit for path analysis: χ^2/df ratio = 2.701; RMSEA = .049; GFI = .808; AGFI = .807; CFI = .917; TLI = .907. The construct reliability was measured to assess the internal consistency of the observed indicator variables. It was computed from the sum of factor loadings, squared for each construct and the sum of the error variance terms for a construct. The reliability for commitment, motivation and employee performance was 0.839; 0.866 and 0.833 respectively (Table 2). Rule of thumb for a good reliability estimate is 0.7 or higher, which means that all items consistently represent the same latent construct. The standardized factor loading, squared multiple correlation, average variance extracted, and composite construct reliability for the measurement items

and the constructs were examined as evidence of convergent validity (Netemeyer, Johnston & Burton, 1990). The AVE for the latent constructs (Table 2) was significant and above .5 suggesting that the variables in the scale have an acceptable level of convergent validity in explaining the theorized constructs (Fornell & Larcker, 1981; Hair *et al.*, 1998; 2006).

Discriminant validity was examined by comparing the AVE estimates for each factor with the squared inter-construct correlations (SIC) associated with that factor (Fornell & Larcker, 1981). All construct AVE estimates were found to be larger than the corresponding SIC estimates which means that each construct is unique and captures some aspect of construct which other factors do not. This result establishes the discriminant validity of the scale (Fornell & Larcker, 1981; Netemeyer, Johnston & Burton, 1990) (See Table 2). So, it may be said that all the scales used in this study was found to be both reliable and valid. The standardized factor loadings in the measurement model and average variance extracted are good, i.e. above 0.50. These values point towards sound psychometric property of the scale as suggested by Hair *et al.* (2006).

Structural equation modeling was performed to examine the relationship between commitment, motivation and employee performance. The results are shown in Table 3. All paths indicated positive relationships. Motivation has a highly significant relationship with employee performance as compared to commitment. The results reveal a positive relationship between commitment and motivation, leading to acceptance of H1. We also find a positive correlation between commitment and employee performance. Thus, H2 is accepted. Motivation and employee performance are found to be positively related, so H3 is accepted.

Table 2: Validity and Reliability

	CR	AVE	SIC	ASV	Commitment	Motivation	Employee performance
Commitment	0.839	0.647	0.351	0.246	0.824		
Motivation	0.866	0.734	0.531	0.243	0.639	0.859	
Employee performance	0.833	0.615	0.511	0.259	0.581	0.745	0.873

Table 3: Relationship among Commitment, Motivation, and Employee Performance

				Estimate	S.E.	C.R.	Sig.	Results
H₁	Commitment	<---	Motivation	0.379	0.124	3.064	0.002	Accepted
H₂	Employee performance	<---	Commitment	0.178	0.065	2.747	0.006	Accepted
H₃	Employee performance	<---	Motivation	0.216	0.063	3.451	***	Accepted

Discussion

The current study shows that both commitment and motivation have a statistically significant relationship ($p < 0.000$) with employee performance in the banking sector. Our findings are supported by literature. A study by Memari *et al.*, (2013) had revealed a positive relationship between organizational commitment and employees' job performance. Chen *et al.*, (2006) had confirmed positive relationship between organizational communication, organizational commitment and job performance. The findings of Tumwesigye (2010) reveal that employee commitment is important in the employee turnover process and assert high relationship between employee commitment and employees turnover. It means that employees' turnover rate is highly determined by the level of employee commitment. So, Indian banks need to focus on enhancing employee commitment which would increase employee performance and decrease employee turnover rate. To increase employee commitment, bank management should focus on development a sense of belonging among less experienced employees. Therefore, banks may try many things such as organizing orientation programme, encourage employees to eat lunch together, encourage communication among employees and promote friendliness and connectedness. Management may conduct 10-15 minutes programme such as showing a short movie or telling stories etc. at lunch time or after working hours. This will be helpful in developing a feeling of connectedness and sense of belonging.

The findings pertaining to significant relationship between motivation and employee performance also find support in literature. Kiruja and Elegwa, (2013) found that employee motivation has positive relationship with employee performance. This means that enhancing employee motivation improves

employee performance. Similar findings were reported in a study conducted in a beverage industry where Hashimet *et al.*, (2014) found positive relationship between motivation and employees performance. They said that employees are motivated to perform at higher levels by job security, reasonable salary and other additional incentives. However, Deeprise (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. This implies that bank management need to focus on increasing motivation of bank employees which will increase their performance. To increase motivation bank could try many things such as increased responsibility, employee recognition and reward good work (Sara *et al.*, 2004). Managers should correct employees confidentially and provide continuous feedback and win their trust (Baldoni, 2005).

The current study indicates a positive relationship between commitment and motivation. Our findings find support in the literature. Nazilah *et al.*, (2012) postulate that overall motivation, altruistic understanding, self-enhancement and self-protection subscale are positively correlated to organizational commitment. Other studies have found that there is a negative relationship between intrinsic motivation and affective commitment towards the organization and positive relation between extrinsic motivation and continuance commitment and normative commitment (Berg and van den 2011). Bank management may focus on developing motivation among employees in some other ways as well. Skills development workshops for less experienced employees may be conducted. This will be a win-win situation for both the parties: organizations will benefit from skilled, motivated and committed employees and employees will have the opportunity to polish their professional skills, which may lead to a higher position later on. It is important to inculcate the feeling of respect among employees, clearly define responsibilities, take their feedback, create learning opportunities and provide fair and competitive salaries as well as non-financial benefits.

Conclusion

In the era of globalization, competition is high because of fast changing demand and business environment. Employee performance plays a very important role in meeting organizational objectives of banks. The current study adds to the literature of service industry, banking sector in particular and draws the attention of policy makers and bank management in creating a work environment which will develop and strengthen the employee commitment and motivation. Bank management needs to understand that employee commitment is very important for goal achievement. According to Frank *et al.*, (2004) commitment involves all levels of organization so a series of actions and steps (Shaw, 2005) that require effort and involvement of organizational members (Robinson *et al.*, 2004) with clear and continuous communications (Kress, 2005) need to be undertaken. Highly motivated and committed employees will lead to more production and effectiveness (Mitroff and Denton, 1999; Milliman, Czaplewski and Ferguson, 2003). Motivated and committed employees get highly involved in their work and emotionally attached to their organization which leads to increase performance of employee. This in turn can lead to greater profitability, customer satisfaction, growth, and productivity. The current study however, is limited to Lucknow district.

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