

# **The Effect of Employee Characteristic and Workplace Characteristic on Employees Commitment in Banking Industry**

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## **Abstract**

*This study was conducted with the aim to determine the effect of employee characteristic and workplace characteristic on employee commitment in banking industry in Malaysia. It further examined which workplace characteristic gave the highest effect on employee commitment.*

*Data was collected through distribution of questionnaires to 350 bank's employees in Selangor, Kuala Lumpur, Perak, Penang and Johor. Findings revealed that genders have insignificant effects on employee commitment while age, education level and tenure period have significantly influence the employee commitment. In term of workplace characteristics, all the four variables which are training, compensation practice, employee's relationship and participation on decision making have significant effect on employee commitment. Among the four variables, participation on decision making give the highest effect on employee commitments. This implies that the involvement of employee in decision making enable to create a sense of belonging to the employee and inspire them to attach longer with the organization. It is expected that this study will benefit not only to scholars, bankers and human resources policy but also provide theoretical contribution.*

**Keywords:** Employee Commitment, Employee characteristic, workplace characteristics, participation in decision making, banking industries

## **Introduction**

The employment rate as in September 2013 in Malaysia has jumped to 67.5% due to robust job growth that came from service sectors (Sander, 2013). Service sectors offers a diversity of job opportunity from low level to high level position, from north to south; east to west geographical area and provides various jobs attractiveness to ensure that the employee will be committed with the organization. Committed employee is an important asset to the organization who contributes to the success of the organization (Mohamad, Shin, Siang, Fu & Kin, 2013) and lead to favorable outcome to the organization. Organization especially banking industry requires high employee commitment to sustain competitive advantage. As bank was considered the most stressed out sectors in the world (Ebiringa, 2011), having committed employee becomes more crucial.

Specifically, in banking industry high number of employee is required to provide services to public. However, high workload and stringent time frame to meet the deadline lead to increase in turnover rate in banking industry (Ab Rahman, 2012). The employee turnover will incur additional cost as the organization needs to recruit and train new staff. Hence, the organization demands committed employees. Owing to the importance of employee commitment, there have been many studies on employee commitments in various industries for example He, Li, and Lai (2011) in hospitality industry, Dixit and Bhati, (2012) in auto component industry, Lee and Chen, (2013) in tourism industry and Messner (2013) in information technology industry. However, prior study paid less attention to the employee commitment in banking industry. There are proposed conceptual model that determine whether personal characteristic affect the employee commitment by Rehman et al., (2013) in Pakistan and Khanifar, Hajlou, Abdolhosseini, Ataei, and Soltani, (2012) in Iran. No empirical result was found from both studies. Thus, there is a gap in knowledge on how employee characteristic can influence the employee commitment. In addition, there are also studies that investigated the effect of job

satisfaction on employee commitment (Ismail, 2012; Suma & Lesha, 2013; Lumley, Coetzee, Tladinyane, & Ferreira, 2011; Hassan, Kibriya, & Nawaz, 2013) which include pay, promotion, supervision, benefit, work function and employee relationship. Those previous studies were conducted in Albania, South Africa and Pakistan. Evidence should be drawn from other country as different culture and economic exist in term of attractiveness offers by the organization from various countries. Specifically, in Malaysia the culture from ethnic diversity offers different attractiveness and organization support in workplace. The attractiveness and organization supports enable to attract applicants to join the company and encourages existing employees to stay longer with the company. The attractiveness and support provided by the organization makes the workplace having different characteristic from others. The workplace characteristic should have the value needed by employee. This research intends to examine whether employee characteristic and workplace characteristic affect the employee commitment. Both factors are interrelated as the workplace need employees to run the operation and employees need workplace for surviving. Specifically from employees characteristic perspective, this study aims to determine whether gender, age, education level and tenure period affect the employee commitment. On the other hand, from workplace characteristic point of view, this research aims to identify whether training, compensation practice, employee relationship and participation in decision making affect the employee commitment. This study further examined which is the most workplace characteristic that affect the employee commitment.

Findings from this research are expected to contribute not only to the existing employee commitment literature, but also to the management of banking industry in Malaysia. It provides the strategic insights on the employee characteristic and workplace characteristic impact towards employee commitment. Although this research focuses on banking industry, it provides a framework that can be relevant and applicable in employee commitment field for other Malaysian organizations. This research also will be beneficial to Malaysian government agencies such as the Human Resources Ministry to enhance public policy and increase the quality of labour and working environment in the country. Theoretically, this study is expected to give a new path for future researcher by combining the Three Components Model by Meyer and Allen (1997) and Perceived Organizational Support (POS) in employee commitment research field.

## **Literature Review**

The banking industry in Malaysia began in early 1900 resulted from the thriving profits from rubber plantation and the tin industry. The first domestic bank was Kwong Yik (Selangor) Banking Corporation Berhad in year 1913 and now Malaysia has 27 licensed commercial banks (Bank Negara Malaysia, 2014). The demand from banking services in Malaysia coupled with tremendous growth of banking services internationally made the banking sectors more challenging and in order to overcome this challenging situation, banks need their experienced and talented employee. Thus, banks need to focus on the factors attribute to employee commitment.

Anitha (2014) defined employee commitment as the level of commitment towards the organization and its values. When the employee is committing to the organization, they will have the awareness and responsibility to the organization's success as well as boosting

colleague's motivation. Employee commitment has been researched by previous researchers including Ogba, (2008) that examined the effect of income and age on employee commitment in Nigeria; Arustei (2013) investigated the factors that influence the employees commitment in hotel industry in Romania and Altaf and Naqvi, (2013) investigated the employee commitment enhances team efficacy on telecom sector in Pakistan. The current study investigates the effect of employee characteristic and workplace characteristic on employee commitment.

### **Employee characteristic and Employee commitment**

Employee characteristic is a feature that serves to distinguish between employee's commitments; specifically for this study employee characteristics refer to gender, age, education level and tenure. Employee's commitment plays an important role for the organization goal and success.

According to Irfanullah, Farhatullah, Hamid, Nawaz and Yar (2013) gender can be explained as being male and female based on the cultural and social differences. Balay and Ipek (2010) stated that there are many research to examine the impact of gender in employees' commitment. One of that was research done by Kargar (2012) which studied the evaluation of organizational commitment of employees in Iran. 127 employees from the university were selected to answer the questionnaires. The result revealed that there is no statistically significant difference between females and males. Female and male employee will cooperate to increase the level of productivity and efficiency of the companies.

Age is one of the important demographic factors. Swaminathan and Ananth (2009) examined the impact of demographic factors on employee engagement in Chennai India. 50 questionnaires were collected. The result revealed that age has positive relationship with employee's commitment. The older employees have higher contribution and loyalty to the employees' commitment compare to the younger employees. In addition, other previous researchers also found that age has significantly influence employee commitment (Newstrom, 2007; Nawaz & Kundi, 2010 & Ogba, 2010).

Irfanullah, et. al., (2013) defined level of education as a qualification or an entry for someone to apply a suitable job. Research carried out by Salami (2008) investigated the relationships of demographic factors with organizational commitment of industrial workers in Nigeria. 320 questionnaires were distributed to employees working in service and manufacturing organization. The result showed highly qualified employees has higher commitment compare to the less qualified employees because of their maturity, positions and responsibilities in the organization.

In addition, Akintayo (2010) studied the impact of work-family role conflict on organizational commitment in Nigeria. Surveys were conducted with 247 participants of public and private organization. The results stated that highly qualified employees are more committed compare to less qualified employee due to their awareness about the attitude and culture of the organization. Moreover, Nawaz and Kundi (2010) also stated that when the organization employs highly qualified employee then the efficiency and the performance of the organization will be productive.

Job tenure refers to years an employee has spent with an organization. Amangala (2013) studied the effect of demographic characteristics on employees' commitment in Nigeria. Survey of 116 salesmen was involved in the study. The result showed that job tenure has significantly influence employees' commitment. This is because the employee who works longer has gain more experience, responsibility, opportunity and develop a sense of belonging with the organization.

### **Workplace characteristic and Employee commitment**

Workplace characteristic is a feature that serves to distinguish between one workplace to another; specifically for this study workplace characteristics refer to training, compensation practice, employee's relationship and participation in decision making. Training is an essential tools in human resource practice as it provides knowledge and skills that enhance individual performance (Ashar, Ghafoor, Munir, & Hafeez, 2013). In 2014, Mahmood, Iqbal and Sahu examined the impact of human resource practices on employee performance. Surveys were conducted with 150 employees of different banks in Pakistan. The results revealed that training significantly influence employee performance in the organization. In addition, other previous researchers also found that training has significantly influence employee commitment (Newman, Thanacoody & Hui, 2011; Riaz, Idrees, & Imran, 2013 & Jehanzeb, Rasheed, & Rasheed, 2013).

Compensation is an important reward to the employees and it is one of the primary reason for employee to seek employment (Khan & Mufti, 2012). In 2010, Bulut and Culha examined the impact of organizational training on employee commitment by focusing on employees' emotional and affective responses towards their organization. The organizational training consists of motivation, access, benefits and support for training. Surveys were conducted with 298 participants of four- and five-stars hotels operating in Izmir, Turkey. The results revealed that all dimensions of training positively affected employees' commitment. On top of that, Salem and Khurshid (2014) found that compensations to employees have a positive correlation with employee commitment. Generally speaking, rewards are playing a significant role to enhance the job satisfaction and commitment of an employee in any type of organization (Nazir, Khan, Fida, Shah, & Zaman, 2013).

Employee commitment is not only influence by the relationship and coordination between managers and co- worker but also affected by the relationship among the co workers in the organization. Anitha (2014) found that co worker relationship is the most significant factors that influence employee to engage with an organization. The relationship developed among the employee will build up a good teamwork and subsequently inspired the employee to commit with the organization. Ghorbanhosseini (2013) concluded that the mobilization of action, knowledge, and skills in the forms of team activities support the organization commitment. Employees' participation in decision making will boost the staff's innovation, job satisfaction and organizational performance (Kuang, Chen & In, 2010). In addition, Kuean, Kaur and Wong (2010) studied the relationship between organization commitment and intention to quit among working adults in Malaysia. The survey was conducted among 189 employees. The result revealed that participation in decision making positively contribute to employees' commitment.

## **Theoretical framework**

This study applied two theories in explaining the link between the variables. The first theory is three component of organization model developed by Meyer and Allen (1997) as underlying theory between employee characteristic and employee commitment. The first component, affective commitment has three subcomponents 1) the emotional attachment to the organization 2) the identification with the organization and 3) the involvement in the organization. Employees that are strong affective committed want to stay employed in the organization. The second component, continuance commitment refers to perceived costs when the employee would leave the organization. The third component, normative commitment concerns a perceived obligation to stay with the organization. Study by Kaptijn (2009) suggested that personal characteristic affected the affective commitment.

Another theory applied in this study is Perceived Organizational Support (POS) which developed from Organizational Support Theory. The idea of POS was originated from Eisenberger, Huntington, Hutchison, and Sowa (1986) that encouraged by the employees' tendency to have an organization that cares about their well-being and values their contribution. Rhoades and Eisenberger (2002) suggested that fair treatment, supervisory support and rewards and favorable job are the predictors for POS. In the current study POS was represented by the workplace characteristic that include training, compensation practice, employee's relationship and participation in decision making. The employee that received organization support from the workplace will likely to create a long term relationship with the organization in return to the organization support. Previous study shows that POS has consistently influence the employee commitment (Arshadi & Hayavi, 2013; Uçar & Otken, 2010; and Wahab, Quaddus, & Nowak, 2009).

## **Methodology**

The target population in this study is the existing banks' employees in five states that have the highest number of commercial bank branches in Malaysia. According to Association of Banks in Malaysia (2013) the five states were Selangor (448), Kuala Lumpur (325), Johor (252), Penang (170) and Perak (165). The existing employees were chosen as they know the current workplace characteristic and able to furnish updated information. The questionnaire used in this research is self-administrative questionnaire which comprise of demographic question to collect the data on employee characteristic and five point scale questions to collect data on workplace characteristics and employee commitment. The questionnaires were distributed to the targeted respondents by hand and were collected from them after seven days.

## **Findings**

### **Demographic profile**

The questionnaires were completed by 179 male employees and 171 female employee which 4% is from age below 20 years, 34% is from age 20 to 30 years, 25% is from age 31 to 40 years, 31% is from age 41 to 50 while 6% age above 50 years. Among 350 respondents, 149 are

bachelor holders that contribute the highest percentage of the total respondents. In terms of the years of employment with current employer, most of the respondents worked for 2 to 5 years with total of 128 respondents out of the 350 respondents while 29 respondents worked for more than 15 years.

### **Employee characteristic and employee commitment**

The effect of employee characteristic on employee commitment was analysed using Independent sample T-test and ANOVA.

### **Gender and employee commitment**

The T-test result shows insignificant result between gender and employee commitment ( $t=1.094$ ,  $df=348$ ,  $p>0.05$ ). This indicates that there is no difference between genders in employee commitment.

### **Age and employee commitment**

The ANOVA test shows that there is a significant difference in the employee commitment of the 5 age groups. Group 1 refer to age below 20, group 2 refer to age between 20 to 30 years old, group 3 refer to age between 31 to 40, group 4 refer to age between 41 to 50 while group 5 refer to age above 50. The Turkey HSD post hoc multiple comparisons test show that the significant differences occur between group 1 and the other 4 groups. The ANOVA and post hoc comparison test results show that the group age below 20 has the lowest employee commitment compare to others.

### **Education and employee commitment**

The ANOVA test shows that there is a significant difference in the employee commitment of the 5 education level groups. Secondary school education level represented by group 1, College Diploma/ Matriculation/ A-Level represented by group 2, Bachelor education level represented by group 3, Professional Qualification represented by group 4 and others education level represented by group 5. The Turkey HSD post hoc multiple comparisons test show that the significant differences occur between group 2 and other 4 groups. The ANOVA and post hoc comparison test results show that the college diploma holder, matriculation graduates and A-Level graduate's group level has the lowest employee commitment compare to others.

### **Years of employment (tenure) and employee commitment**

The ANOVA test shows that there is a significant difference in the employee commitment of the years of employment groups. Group 1 comprise of employee with tenure period 2 to 5 years,

group 2 comprise of employee with tenure period 6 to 10 years, group 3 comprise of employee with tenure period 11 to 15 years and group 4 comprise of employee with more than 15 years. The Turkey HSD post hoc multiple comparisons test show that the significant differences occur between group 2 and other 3 groups. The ANOVA and post hoc comparison test results show that the group that have working experience for 6 to 10 years has the lowest employee commitment compare to others.

### **Workplace characteristic and employee commitment**

The effects of workplace characteristic on employee commitment was analysed using Multiple Linear Regression (MLR). Table 4.1 shows that dependent variable and the independent variables are notably associated at R value of 0.93. The R square value of 0.87 indicates that 87% of dependent variable which is employee commitment can be explained by independent variables which are training, compensation practice, employee's relationship and participation in decision making. Based on the table 4.2, the p-value is less than 0.05 for all the variables. Hence, it indicated that the 4 independent variables are significant to predict employees' commitment.

Subsequently, the linear equation is formed.

$$EC = -0.428 + 0.298T + 0.217C + 0.226R + 0.382P$$

Whereby,

*EC* = Employee's Commitment

*T* = Training

*C* = Compensation Practices

*R* = Employees' Relationship

*P* = Participation in Decision Making

### **Discussion and conclusion**

Consistent with the study by Newstrom (2007) and Salami (2008), this study concluded that age and tenure period significantly influence employee commitment. Older employees view their past years of service to the organization as an investment, and will have the psychological barrier that it would be more difficult for them to shift from one job to another as they are already in 'comfort zone' (Kaur & Sandhu, 2010).

The results show that there is a significant relationship between training and employees' commitment as the p-value of MLR is 0.0001 which is less than 0.05. This indicates that when commercial banks provide training to their employees, employees' commitment will increase. The results are consistent with the previous researches (Bulut & Culha, 2010; Newman et al., 2011). Training provided by the workplace signaling the care of the organization and shows the

organization willingness to invest in human capital. Employee perceived that organization has provided an intellectual development where they can gain knowledge and skills. In return employee will commit with the organization to look for further career enhancement.

From the result it can also be concluded that compensation practice has significantly influenced the employee commitment. The statement is in line with the previous study by Bae (2009) and Newman and Sheikh (2012). Economic and social pressure forces the employees to commit with the companies that have good compensation practice. Adequate salary, beneficial retirement package, fringe benefits and rewards are the compensation that required by the employee to overcome the increasing cost of living in Malaysia.

The result generated for this study indicated that there is a positive significant relationship between employees' relationship and employees' commitment as the p- value is less than 0.01. This indicated that when employees have good relationship among the employee, the level of commitment will increase and this is consistent with previous study by Bowen (2011). Employee usually spent minimum eight hours per day in the office; thus having good relationship between the employees will enable them to share and support each other and enjoy the working place environment.

Based on the data analysis results, there is a significant positive relationship between participation in decision making and employees' commitment. The result is consistent with the past studies of Scott-Ladd, Travaglione, and Marshall, (2006) ; and Kuean, Kaur, and Wong (2010). The past researches concluded that employees' participation in decision making promotes greater personal organizational commitment and reduces employees' intention to leave the organization. Employees will be more committed to their organization as they can participate in the decision making process and they perceive that they received support from the organization. Employees will have stronger sense of belonging towards their organization when they are involved personally in the decision making process regarding the operations of their organization. From the findings, it can be concluded that among the four variables tested for workplace characteristic, participation in decision making has the highest influence on employee commitment with beta coefficient of 0.3. Thus, organization is urged to involve their employees at any level when make a decision making as it is value added to retain the employee.

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**Tables****Table 4.1: Model Summary**

Model	R	R Square	Adjusted R Square
1	.934 <sup>a</sup>	.872	.871

**Table 4.2: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.428	.087		-4.910	.000
	training	.298	.046	.272	6.429	.000
	compensation	.217	.056	.186	3.880	.000
	relationship	.226	.050	.203	4.546	.000
	participation	.382	.056	.324	6.771	.000