

# THE IMPACT OF TRANSACTIONAL CONTRACT FULFILLMENT ON ORGANIZATIONAL COMMITMENT IN SELECTED BANKS IN BATTICALOA DISTRICT

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**Abstract-** Employees are the essence of success in every bank. In order to be successful, a bank must ensure the organizational commitment among the employees. Transactional Contract Fulfillment has been considered as one of the most important predictors of Organizational Commitment. In Sri Lankan context, a few empirical studies have been conducted with the relationship between Transactional Contract Fulfillment and Organizational Commitment of employees. So, there is an empirical knowledge gap exists in the Transactional Contract Fulfillment and Organizational Commitment. Hence, this study attempts to fill this knowledge gap. This research is limited to the 12 Licensed Commercial Banks (LCBs) main branches in Batticaloa District. Total of 174 questionnaires were distributed to employees in banking sector in Batticaloa District. Only 150 questionnaires were received and used for analysis. The data were analyzed using by descriptive analysis, Pearson correlation and multiple regression analyses with the support of Statistical Package for Social Science (SPSS 19.0). The results show that the level of Transactional Contract Fulfillment and Organizational Commitment are in high levels in selected banks in Batticaloa District. Overall finding from this study is identified that, there is a strong positive relationship between Transactional Contract Fulfillment and Organizational Commitment in selected banks in Batticaloa District. Lastly, the regression analysis between Transactional Contract Fulfillment and Organizational Commitment indicated that 27.1% of total variance of Organizational Commitment is explained by Transactional Contract Fulfillment in selected banks in Batticaloa district.

**Keywords-** Affective Commitment, Continuance Commitment, Normative Commitment,

## 1. INTRODUCTION

The transactional contract is the reciprocal set of employer and employee obligations and the beliefs an individual hold concerning the implicit terms of an agreement between the employee and the employer (Coyle-Shapiro & Kessler, 2002). The transactional contract is based on the material benefits' satisfaction of both sides. Employees do not become the organizational members really but they only concern about the short-term material rewards and personal benefits. Closed-ended time frame, exchange of economic resources, unambiguous performance standards and limited mutual investment between employer and employees are the characteristics of transactional contract (Rousseau 1995).

Organizational commitment reflects the psychological status between employees and organizations. Organizational commitment implies employee determination of whether to stay or not stay in the organization (Meyer & Allen, 1991). Organizational commitment is directly related to employees' performance, organization's profitability and competitive position in the market. Therefore, organizational commitment is treated as an issue of great importance. The strength of the commitment is dependent on various factors. In this study, the researcher is tried to identify the relation of

Transactional Contract Fulfillment with Organizational Commitment in Selected Banks in Batticaloa District.

There is a lack of transactional contract researches referring to employer fulfillment of psychological contract to the employee (Grimmer & Oddy, 2007). The examination of the relationship between Transactional Contract Fulfillment and Organizational Commitment within different context is valuable in order to understand the influence of context on these relationships (Kraft, 2008). A few studies had been conducted on the types of Transactional Contract Fulfillment and the relationship with the three component of Organizational Commitment, although the three components of organizational commitment results are often inconsistent (Anderson, 2014).

Due to the significant cultural and organizational differences between Sri Lanka and developed countries in the West, the transactional contract theory proposed in the Western world may be not suitable in Sri Lanka. Many current studies of transactional contract fulfillment have considered entire employees in researches but lack concrete discussions of employees with different sector (Zhao et al., 2007). In Sri Lankan context, few empirical studies have been concerned with the relationship between Transactional Contract Fulfillment and Organizational Commitment of employees in selected banks. So, bankers must study about the Organizational Commitment with the Fulfillment of Transactional Contract. So, researcher examines this problem in this study and attempt to fill this knowledge gap and provide facts on the current state of employment relationship.

Therefore, the objective of this study is to investigate the impact of transactional contract fulfillment on organizational commitment in selected banks in Batticaloa District. Therefore, the research question of this study is: "How does Transactional Contract Fulfillment Impact on Organizational Commitment in Selected banks in Batticaloa District?"

II. METHODOLOGY

According to the Central Bank of Sri Lanka (2014), the Sri Lankan banking sector comprises of 2 major categories, namely Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs). As at December 2014, there were 25 LCBs and 9 LSBs in Sri Lanka (Central Bank of Sri Lanka, 2014). In those 25 LCBs, there were 12 LCBs in Batticaloa District. This research is limited to the

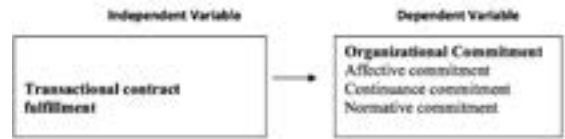


Figure: 1 Conceptual Framework of the Transactional Contract Fulfillment and Organizational Commitment (Source: Zhou et al., 2014)

12 Licensed Commercial Banks (LCBs) in Batticaloa District. As there were limitations in time and resources it is limited to main branches in Batticaloa District. The total population of the study was 174 of employees of selected banks in Batticaloa district. Selected 12 Licensed Commercial Banks (LCBs) are Amana Bank, Bank of Ceylon, Commercial Bank, DFCC Bank, Hatton National Bank, National Development Bank, Nations Trust Bank, Pan Asia Bank, People's Bank, Sampath bank, Seylan Bank, Union Bank. In this study, the researcher considers population as a sample, because number of respondents in the population is very small (174) and it is practically possible to collect data from every element of the population. The study totally depends on primary data. The final questionnaire includes utilized scale is Likert's five-degree range. The questionnaires are issued to 174 employees who are working in the selected 12 Licensed Commercial Banks main branches in Batticaloa District. However, out of total 174 questionnaires, 86% questionnaires were received (150 respondents) for analysis.

III. RESULTS AND DISCUSSION

All attributes of the transactional contract fulfillment and organizational commitment were tested for reliability analysis. Transactional contract fulfillment cronbach's value is 0.923 and organizational commitment cronbach's value is 0.935. A Cronbach's Alpha coefficient of 0.7 and higher is adequate and signifies high reliability (Jermier & Berkes, 1979; Sekaran, 2003).

3.1 Univariate Analysis

3.1.1 Univariate Analysis of Transactional contract fulfillment and its Dimension

The Table 1 shows clear picture about the level of transactional contract fulfillment and its dimension of

**Table 1. Univariate Analysis of Transactional Contract Fulfillment and its Dimension**

Dimension	Mean	Std deviation	Decision Attribute
Limited involvement	3.17	1.09	Moderate level
Training for current job	3.26	1.03	Moderate level
Job boundary	3.31	0.98	Moderate level
Limited duties	3.16	1.04	Moderate level
Short term employer expectation	3.08	1.07	Moderate level
Low commitment to retain	3.07	1.01	Moderate level
Short term employment	3.05	1.01	Moderate level
Short time opportunity	2.99	0.96	Moderate level
Transactional contract fulfilment	3.14	0.83	Moderate level

(Source: Survey data)

selected banks in Batticaloa District. The mean value of the transactional contract fulfillment is 3.14 with the deviation of 0.83. According to this it revealed that there is a high level of transactional contract fulfillment (High level=  $3.13 < X1$ ) in selected banks in Batticaloa District. Further, all dimensions of transactional contract fulfillment are moderate level in selected banks in Batticaloa district. Among the of the transactional contract fulfillment, job boundary has the high mean value ( $\bar{x}=3.31$ ) with the deviation of 0.98 while compare with other indicators.

**3.1.2 Univariate Analysis of Organizational Commitment and its Dimension**

The Table 2 shows that, the organizational commitment in terms of affective commitment, continuance commitment and normative commitment are high level in selected banks in Batticaloa district. Finally, overall organizational commitment mean value is 4.03 with standard deviation 0.53 which shows that there is high level of organizational

commitment among employees in selected banks in Batticalao district.

**3.2 Bivariate Analysis between Transactional Contract Fulfillment and Organizational Commitment**

The correlation coefficient (r) value between transactional contract fulfillment and organizational commitment is 0.525 at 0.05 significant level ( $P < 0.05$ ). So, the correlation coefficient (r) value is fall on first attribute ( $0.5 < r < 1 =$  Strong Positive Relationship) of the decision rule. This provides a strong positive relationship between the Transactional Contract Fulfillment and Organizational Commitment in selected banks in Batticaloa District.

**3.4 Regression Analysis**

The result of multivariate regression analysis between the transactional contract fulfillment and organizational commitment are shown in Table 5 in order to identify

**Table 2. Univariate Analysis of Organizational Commitment and its Dimension**

Dimension	Mean	SD	Decision Attribute
Affective commitment	4.18	0.61	High level
Continuance commitment	4.01	0.56	High level
Normative commitment	3.85	0.64	High level
Organizational commitment	4.03	0.53	High level

(Source: Survey data)

**Table 3. Correlation of Coefficient between Transactional Contract Fulfillment and Organizational Commitment**

	Transactional Contract Fulfillment	
	Affective Commitment	Pearson Correlation (r)
	Significance Level (P)	0.000
Continuance Commitment	Pearson Correlation (r)	0.464**
	Significance Level (P)	0.000
Normative Commitment	Pearson Correlation (r)	0.527**
	Significance Level (P)	0.000
Organizational Commitment	Pearson Correlation (r)	0.525**
	Significance Level (P)	0.000

**\*\* Correlation is significant at the 0.01 level (2-tailed)**  
 (Source: Survey Data)

the impact of transactional contract fulfillment on organizational commitment in selected banks in Batticaloa District.

The “R Square” statistic indicates that the independent variables in the regression model account for 27.5 percent of the total variation in organizational commitment. In other words, 27.5% of the variation in the organizational commitment is explained by transactional contract fulfillment.

The “Adjusted R Square” 27.1% indicates that it is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model. The Adjusted R2 statistic is typically smaller than the R2 statistic because it downward adjusts the R2 statistic when additional variables of limited significance are added to a model. It is a common practice to say that one regression model “fits” the data better than another regression model if its adjusted R2 statistic is higher.

The unstandardized constant statistic is 2.788 units. It shows that the model would predict if all of the independent variables were zero. The b coefficient for transactional contract fulfillment is 0.344. This means that on average, if go up 1 point on the transactional contract fulfillment scale then organizational commitment will increase by 0.344 units. According to the p-values, transactional contract fulfillment is significant at 0.00. This means there will be a positive relationship between transactional contract fulfillment and on organizational commitment in this study.

Based on the Table 6, the equation for the regression line is:

$$Y = 2.788 + 0.344X1 \quad \text{Where,}$$

X1 = Transactional contract fulfillment

Y = Organizational Commitment

**Table 4. Multiple Regressions of Transactional Contract Fulfillment on Organizational Commitment**

R Square:	0.275	F Statistic:	56.251	Adjusted R Square:	0.271	Sig.	0.000a
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**Table 5. Multiple Regression Model**

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
Constant	2.788	0.169	0.000
Transactional contract fulfilment	0.344	0.046	0.00

(Source: Survey Data)

According to the regression analysis Transactional Contract Fulfillment positively and significantly impact on the Organizational Commitment in selected banks in Batticaloa District.

#### IV. CONCLUSION

The descriptive and correlations studies were helpful to find out the level of transactional contract fulfillment and organizational commitment and relationship between two variables. The finding of this study clearly shows that, level of transactional contract fulfillment is moderate level and organizational commitment is in high level and also 27.1% of the variance of organizational commitment is explained by transactional contract fulfillment in selected banks in Batticaloa District. So, it can be revealed that there is a positive and significant impact of Transactional Contract Fulfillment on Organizational Commitment in selected banks in Batticaloa District.

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