

## **Impact of Psychological Empowerment on Organizational Commitment: Evidence from Banking Sector of Pakistan**

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**Submitted:** Sep 24, 2013; **Accepted:** Oct 31, 2013; **Published:** Nov 8, 2013

**Abstract:** This study examines the influence of psychological empowerment on organizational commitment in context to banking sector of Pakistan. This study is unique in a way that it has studied the impact of psychological empowerment on organizational commitment at three managerial levels i.e. top level, middle level and lower level. Primary data is collected from employees working in different banks in four major cities of Pakistan. The study has used survey approach for data collection. The study documents that psychological empowerment affects organizational commitment for senior and middle level managers in banking sector of Pakistan. The effect of psychological empowerment on organizational commitment for lower level managers was insignificant. However, in Pakistan lower level employees are less empowered and probably their level of empowerment contributes rarely in their level of organizational commitment.

**Key words:** Psychological Empowerment • Organizational Commitment • Banking Sector • Senior level management • Middle level management • Lower level management

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### **INTRODUCTION**

Contemporary era is making business organizations accept the challenge of providing better-quality services to their internal customers that are employees and promoting practices of employee involvement. Relinquishing top bottom management approach encourages employee organizational commitment and improves individual and organizational performance along with providing flexibility in the organization. High involvement work practices are the source of competitive advantage for business organizations. In order to manage the turbulent internal and external challenges, business organizations need to focus on empowerment construct as it is responsible for satisfying, committing and retaining employees in a healthy workplace.

Consistent development and better quality are the prerequisites of service businesses, particularly when environment is under an asymmetrical change. The banks in Pakistan are struggling hard to meet the ever changing

demand of the customers. In order to be successful in rapidly changing global environment, government of Pakistan has introduced some structural reform in banking sector of Pakistan. [1] In last few years Pakistani banking sector has gone through some major structural changes because of new entrants from international businesses. Structural changes in the banking sector have overcome many issues like over staffing and poor customer service but as a result of reform their employees faced certain challenges that affect their commitment to organization. This recent transform in banking sector of Pakistan was not restricted to the social and economic impact but it has also affected the psychological sphere of the staff. After this reform the turnover rate in the banking sector was high. [2] In previous study they claimed that the employee retention was the greatest problem faced by the banking sector of Pakistan after restructuring.

This study find out the gap in literature by analyzing the relationship between psychological empowerment and organizational commitment with reference to senior, middle and lower level managers. In previous studies they

conducted research on the impact of psychological empowerment on organizational commitment in western countries but due to different culture and organizational structure the results of those studies are not applicable in non-western countries like Pakistan. In past no similar study has been conducted in context to Pakistan. This study will help the banking sector of Pakistan in improving their employees' commitment to the organization and also contribute in literature. Few researchers find out the relationship between psychological empowerment and organizational commitment [3, 4]. Banking sector of Pakistan is currently facing many issues in employees' commitment to the organization. This makes the banking sector more feasible for study.

**Psychological Empowerment:** "Process of enhancing feelings of self-efficacy among organizational members through the identification [and removal] of conditions that foster powerlessness". Researchers have defined psychological empowerment in different ways. It is defined as the process of enhancing self-efficacy [5, 6] and a state of increased intrinsic motivation [7]. The four cognitions (task assessments) of psychological empowerment are meaningfulness, competence, choice and impact [8]. [9] In study they described three dimensions of power as: perceived control, perceived competence and being energized valued goals achievement. Valued goals are those provided by transformational leadership.

**Organizational Commitment:** Research on organizational commitment covers more than five decades but still continues to be an area of interest. An extensive body of knowledge exists on definitions of the organizational commitment. Organizational commitment is considered both as uni-dimensional [10, 11] and multidimensional construct [12, 13]. There are different dimensions of organizational commitment. Affective commitment refers to the emotional attachment and involvement of an employee in the organization. [14]. [15] Affective commitment reports as sincere and utmost involvement of an employee with organization.

Normative commitment refers to the obligation of an employee to remain in the organization. It is based on social cognitive theory which states that a person receiving benefits is under a strong normative obligation to return it in one way or the other. According to [16], these employees continue working even if they are pressurized by others to leave the organization. Continuance commitment is similar to the side bet or

behavioral approach to the commitment put forth by previous study [17].

**Relationship Between Psychological Empowerment and Organizational Commitment:** Although the performance of employee is crucial to the success of any organization but attitudinal outcomes are also important because generally employees' performance is result of their attitudes. Literature gives evidence on the relationship between psychological empowerment and organizational commitment and reports a positive relationship between them [3, 7, 18]. [19] It has been found in previous study that positive and significant impact of all dimensions of psychological empowerment on organizational commitment. On the basis of above literature this study proposed these hypotheses.

**Hypothesis 1:** Psychological Empowerment positively and significantly affects organizational commitment for senior level managers working in banking sector of Pakistan.

**Hypothesis 2:** Psychological Empowerment positively and significantly affects organizational commitment for middle level managers working in banking sector of Pakistan

**Hypothesis 3:** Psychological Empowerment positively and significantly affects organizational commitment for lower level managers working in banking sector of Pakistan

## MATERIALS AND METHOD

Data was collected from banking sector of Pakistan. In this study we have included the major cities of Pakistan based on the number of branches in each city. These cities include Lahore, Sargodha, Karachi and Islamabad. Unit of analysis of this study are employees working in banking sector of Pakistan. The study has used survey approach for data collection. For measuring psychological empowerment and organizational commitment [7] 12 item scale and [20] 18 item scale used. Validity and reliability was tested before analyzing the data for relationship between variables. The value of Cronbach's alpha was  $\alpha = 0.892$  which are meeting the standard for reliability. Response rate was 80.7% as 310 out of 384 questionnaires were retrieved. The study has used 7 point Likert Scale from 1 strongly agree to 7 strongly disagree to measure responses.

**RESULTS AND DISCUSSION**

Shows the demographic profile of respondents. It shows the percentage out of total sample of N=310 for each demographic variable separately. The percentage of males is more than females in this study. In age group the age between 36-45 years shows more percentage than all other age groups. Education level shows that more population consists of graduations than masters. The percentage of middle level management is 51.9 more than other levels Table 2.

Indicated the means and standard deviations of Psychological Empowerment and Organizational Commitment for senior, middle and lower managerial levels of bankers separately. In order to confirm the hypothesis of this study, regression analysis was conducted table 3.

showed the regression analyses of psychological empowerment and organizational commitment for senior, middle and low managerial levels separately. When organizational commitment was regressed on psychological empowerment for senior managerial level, it explained 24% variability with significant F-statistics (F=25.599, b=0.412, t=5.06, p<0.01). For middle level managers, when organizational commitment was regressed on psychological empowerment, it explained 43% variability with significant F-statistics (F=106.701, b=0.439, t=10.33, p<0.01). For lower level managers, when organizational commitment was regressed on psychological empowerment, it explained insignificant relationship with organizational commitment (F= 2.77, p<0.05). So, results revealed that psychological empowerment had significant positive impact on organizational commitment for senior and middle level

Table 1: Demographic profile of respondents

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	194	62.6
Female	116	37.4
<b>Age</b>		
Below the age of 26	41	13.2
26-35 years	78	25.2
36-45 years	94	30.3
46-55 years	70	22.6
Above the age of 56	27	8.7
<b>Education</b>		
Graduations	196	63
Masters	95	30.6
<b>Organizational position</b>		
Senior managerial position	83	26.8
Middle managerial position	161	51.9
Lower managerial position	66	21.3
<b>Job tenure</b>		
Less than 1 year	18	5.8
1-3 years	32	10.3
4-7 years	74	23.2
8-10 years	72	23.2
Above than 10 years	101	32.5

Table 2: Descriptive Statistics

Variables	Mean	Std.Deviation
<b>Senior Level Managers</b>		
Psychological Empowerment	6.16	0.689
Organizational Commitment	5.07	0.580
<b>Middle Level Managers</b>		
Psychological Empowerment	5.23	1.080
Organizational Commitment	4.76	0.748
<b>Lower Level Managers</b>		
Psychological Empowerment	3.96	0.824
Organizational Commitment	4.04	0.661

Table 3: Regression Analysis for Psychological Empowerment

	Organizational Commitment		
	<i>R<sup>2</sup> Change</i>	<i>B</i>	<i>t-statistics</i>
SENIOR MANAGEMENT			
Psychological Empowerment			
F-statistics = 25.599**	0.240	0.412	5.060
MIDDLE MANAGEMENT			
Psychological Empowerment			
F-statistics = 106.701**	0.430	0.439	10.33
LOWER MANAGEMENT			
Psychological Empowerment			
F-statistics = 2.77 <sup>N/S</sup>	0.041	0.163	1.664

\*\* Significant at 0.01 Level, N/S = not significant

managers and not for lower level managers. The study contributes to existing literature by providing empirical evidence on relationship of psychological empowerment and organizational commitment with reference to Pakistan. Psychological empowerment affects organizational commitment for senior and middle level managers in banking sector of Pakistan. However the effect of psychological empowerment on organizational commitment for lower level managers is insignificant. Various researchers have found the positive and significant relationship between psychological empowerment and organizational commitment [2, 19, 21, 22]. The results of the current study are consistent with previous studies with respect to senior and middle level managers but not with reference to lower level managers. The possible reason for why psychological empowerment does not significantly influence the level of organizational commitment could be cultural differences. Most of the studies cited above are from western contexts, however in Pakistan lower level employees are less empowered and probably their level of empowerment contributes rarely in their level of organizational commitment.

### CONCLUSION

A study conducted by [23] stated that lower level employees of Pakistan are not empowered and delegated and their role in decision making is often rare. [24] In previous study it has been concluded that job characteristics (skill variety, task significance, task identity, autonomy and feedback) have insignificant impact on organizational commitment for IT professionals of Pakistan. So, results of this study with reference to lower level managers implicitly support the study conducted by [25-28].

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