

## PSYCHOLOGICAL CONTRACT AND EMPLOYEE COMMITMENT IN THE NIGERIAN BANKING SECTOR

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### ABSTRACT

*The purpose of this study was to find out the relationship between psychological contract and employee affective commitment in the Nigerian banking sector. Three hypotheses guided the study. Correlational survey design was adopted. The population of the study comprises of all operation staff in a branch of each commercial bank in Rivers State. A total of eighteen banks were used, and the total number of operation staff in these banks is 172. A total of 118 operation staff were selected as sample for the study using the Krejcie and Morgan table. Based on a total sample size of 118. Cronbach Alpha was used to establish the reliability of the instrument and an overall coefficient of 0.76 was obtained. Data collected were all imputed into SPSS version 21, Pearson's product moment correlation was used to test the hypotheses at 0.05 level of significance. All hypotheses were rejected and alternative hypotheses stated as P-values were less than 0.05 level of significance. Findings revealed that psychological contract, have strong positive impact on the affective commitment of employees in commercial banks in Nigeria. It was recommended that management of Banks should put in place policies that provides for leaves, flexible work arrangements and basic facilities that would make employees happy doing their work as other aspects of their personal lives are attended to. Management of Banks should allow employees to telework as much as possible, using the provisions of their mobile phones and the internet. This would make workers happy and give their unalloyed commitment to the organization.*

**Keywords: Psychological Contract, Affective, Normative Continuance Commitment.**

### INTRODUCTION

Organizations today are faced with a constant challenge of raising and sustaining a committed workforce, a workforce that would see the values and goals of the organization as theirs with a strong sense of belonging and a resolve to remain with the organization. The organization requires such employees who would be able to meet up with their goals and targets. It however, appears that such committed employees are scarce in most organizations today (Ahiazu and Asawo 2009; 2008; and Okpara 2004), may be because most banks have tried to get employees committed through other means that are not giving them the desired result. Rather than forcing employees' compliance with organizational goals through close supervision, standardization of processes and outcomes, a promise of job security which has failed in most cases, provision of modern office facilities to simplify the work process, and extensive and stringent rules, organizations should rather engage methods that would appeal to and satisfy the social, emotional and psychological needs of employees, which would facilitate voluntary employee involvement and identification with the value and goals of the organizations (Mittai and Mittai, 2005). One of such methods banks could employ could be to ensure each employee has a balance between his work and personal life demands through the provision of an enabling work environment that would allow for flexible work arrangements, provision of some facilities like child care and banking facilities, allowing employees to telework through the use of the internet on their mobile phones and systems and maintaining a psycho-socially conducive environment that promotes trust, justice and fairness and empathy between the management and employees.

There are very few studies on work life balance and normative commitment in the banking industry. There are no studies found on work-life balance and employee commitment that would cover the three major dimensions of commitment, this is to the best of knowledge of the researcher. Most of the studies on work life balance are based only on work life balance techniques like flexible work arrangement leave arrangement and financial benefits.

There is therefore a knowledge gap which this study would fill as it x-rays how employers can appeal to the minds of their employees so they can develop both Affective, Normative and Continuance commitments through unbroken psychological contract between employers and employees and encourage support from the home and the office.

### **Operational Conceptual Framework**

#### **Hypotheses**

- H01. There is no significant relationship between psychological contract and the affective commitment of an employee
- H02. There is no significant relationship between psychological contract and the continuance commitment of an employee
- H03. There is no significant relationship between psychological contract and the normative commitment of an employee

### **The Side-Bet Theory**

The first contemporary theory of organizational commitment is the side-bet theory put forth by Becker in 1960 (Becker, 1960), the theory holds that individuals are committed to the organization as far as they hold their positions, irrespective of the stressful conditions they experience. The side-bet theory believes that commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activity (Becker, 1960). According to Becker's theory, the relationship between employee and organization are based on the contract of economic exchange behavior, committed employees are committed because they have totally hidden or somewhat hidden investments, side-bets, they have made by remaining in a given organization. If someone left, the investments of side-bet will be claimed hardly. The term side-bets refer to the accumulation of investments valued by the individual. Becker argued that over a period of time certain costs accrue that make it more difficult for the person to disengage from a consistent pattern of activity, maintaining membership in the organization (Weibo, Kaur, & Jun, 2010).

This is another theory upon which this study is anchored. Side bets as presented in this theory are investments people have made in an organizations over time which makes it difficult for them to end membership with that organization. This is much related to organizational commitment as individuals find it difficult to leave organizations sometimes because of their investment in the organization in terms of time, money, relationships, positions etc. They stay on because they would not want to lose that investment.

### **Psychological Contract and Employee Commitment**

Psychological contract refers to the mutual beliefs, perceptions and informed obligations between an employer and an employee. (Rousseau, 1989). It is the fairness and balance between how the employee is treated by the employer and what the employee parts into job. The presence of psychological contract between two parties is manifested in the respect objectivity, compassion, trust, empathy, transparency, fairness and justice shown in the relationship. It is a belief of mutual obligation between employers and employees (Rousseau and Tijoriwala, 1998). Every employee joins an organization with certain expectations that in exchange for service, the organization will provide equitable rewards and opportunities. (Turnley and Feldman, 2000). The existence of such

healthy mutual belief, perceptions and obligations could foster the affective, continuance and normative commitment of employees.

Affective commitment has been defined as the employees' emotional attachment to, identification with and involvement in the organization (Meyer and Allen 1990). It is also seen as a force that bonds an individual to a course of action (Meyer and Herscovitch 2001). There is no gain saying that most employees would develop an affective and emotional attachment for an organization whose management treats them with respect, an organization whose management is fair and just. They would gladly pledge their loyalty to an organization whose management they can trust, who treats them with empathy. When there is this understanding between employers and employees where the management can feel your pains and worries and respond to you with an understanding, employees would willingly decide to stick to the organization and go extra mile to ensure that organizational goals are met. Meyer & Allen (1991), noted that affective commitment is influenced by factors such as employee needs and expectations matched by actual experience, receptiveness of management, equity, feeling of personal importance, participation, management support and fairness. If these can trigger affective commitment and the psychological contract existing between employers and employees would make a management to treat employees with fairness and equity, respond to their needs and give them the needed support, then it can be said that ensuring unbreached psychological contract is one way of maintaining a workforce that is high on affective commitment.

Continuance commitment being the objective analysis of the lost or cost associated with leaving the organization can be boosted with the existence of unbreached psychological contract between the management of an organization and its employees. Beck & Wilson (2000), defined continuance commitment as an instrumental attachment to an organization where the individual's association with the organization is based on an assessment of economic and social benefits gained. Psychological contract is likely to produce benefits, the management would be guided by fairness and justice, and that would make them always want to give employees what is due them.

Socially, psychological contracts characterised by respect, empathy, responsiveness and the likes would most likely trigger the developments of strong social bonds and affiliations which the employees would not want to lose. Making them have a high level of continuance commitment. The fact that they may not have a ready alternative bank where they would enjoy such responsiveness, empathy, respect and fairness would also make them take voluntary decisions to stay with the organization. Normative commitment which is also referred to as "feeling of obligation" to continue employment" stems from the feeling of responsibility towards the organization. Employees stay with organizations because they feel it is the right thing to do. A management that has been responsive to their employees treating them with empathy, respect and fairness always would most likely have employees who would be ready to stay with them, as a way of reciprocating the kind gesture they have enjoyed from the organization.

H01. There is no significant relationship between psychological contract and the affective commitment of an employee

H02. There is no significant relationship between psychological contract and the continuance commitment of an employee

H03. There is no significant relationship between psychological contract and the normative commitment of an employee

## **METHODOLOGY**

The study utilized the cross-sectional survey design. The population of the study comprised of all operations staff in the nineteen commercial banks in Rivers State. The total number of staff in this category is 170. A total of 118 operation staff were therefore selected as sample for the study, using the Krejcie and Morgan table. The instrument used for data collection is a 20-item questionnaire

measuring organizational policies on a seven (7) item instrument, ICT on a seven (7) item instrument and affective commitment on a (6) item instrument, The reliability of the instrument was ascertained using Cronbach Alpha on SPSS version 21, which yielded an overall coefficient of 0.74. Pearson's product moment correlation was used in analyzing the relationship between the variables of this study, at a 0.05 level of significance (2-tailed).

## RESULTS

### Psychological Contract and the measures of Employee commitment

**H<sub>01</sub>** – There is no significant relationship between psychological contract and employee affective commitment.

The first test of hypothesis on the table above, showing a  $r = 0.784$  and  $P = 0.045$ , reveals a significant relationship between psychological contract and employee affective commitment in the banking sector of Nigeria. The null hypothesis is therefore rejected on the basis of the evidences presented. An alternative hypothesis will be stated.

**H<sub>02</sub>** – There is no significant relationship between psychological contract and employee continuance commitment.

The second test of hypothesis on the table above, showing a  $r = 0.988$  and  $P = 0.000$ , reveals a significant relationship between psychological contract and employee continuance commitment in the banking sector of Nigeria. The null hypothesis is therefore rejected on the basis of the evidences presented. An alternative hypothesis will be stated.

**H<sub>03</sub>** – There is no significant relationship between psychological contract and employee normative commitment.

The third test of hypothesis on the table above, showing a  $r = 0.985$  and  $P = 0.000$ , reveals a significant relationship between psychological contract and employee normative commitment in the banking sector of Nigeria. The null hypothesis is therefore rejected on the basis of the evidences presented. An alternative hypothesis will be stated.

Based on the results presented on the table above, the null hypotheses are rejected and alternative hypotheses stated as follows:

**H<sub>1</sub>** – There is a significant relationship between psychological contract and employee affective commitment.

**H<sub>2</sub>** – There is a significant relationship between psychological contract and employee continuance commitment.

**H<sub>3</sub>** – There is a significant relationship between psychological contract and employee employee normative commitment.

### Scatter graphs

Below are scatter graphs showing a strong positive correlation between psychological contract and the measures of employee commitment

Fig 4.7 – Psychological contract and Affective comm.

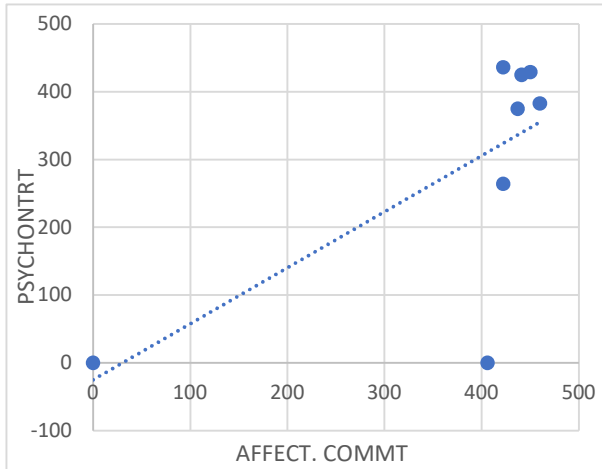


Fig 4.7 – Psychological contract and Continuance commitment

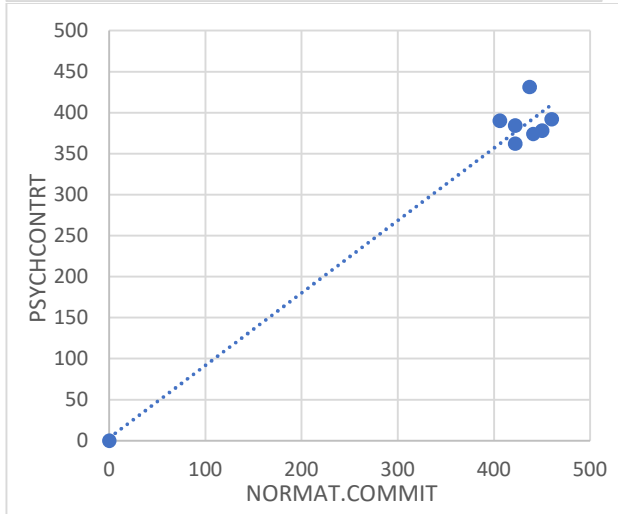
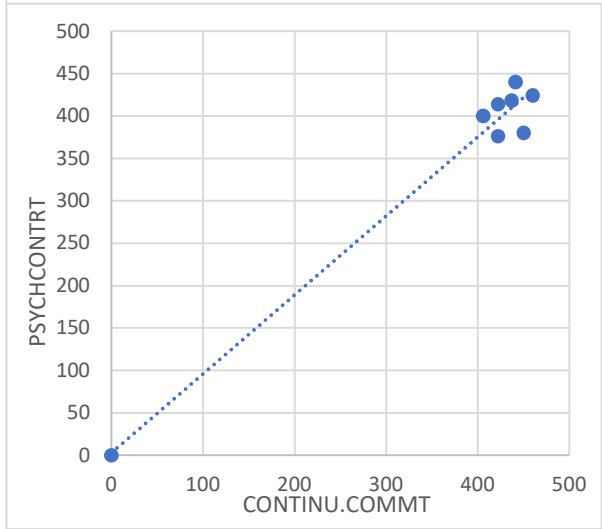


Fig 4.4 – I

commitment

			Psycho. Contract	Affect. Com	Conti. Com	Norm. com
<b>Pearson's Correlation</b>	<b>Psycho. Contract</b>	Corr. Coefficient	1.00	.784	.988**	.985**
		Sig. (2-tailed)		.045	.000	.000
		N	166	116	116	116
	<b>Affect. com</b>	Corr. Coefficient	.784	1.00		
		Sig. (2-tailed)	.045			
		N	116	166		
	<b>Conti. com</b>	Corr. Coefficient	.988**		1.00	
		Sig. (2-tailed)	.000			
		N	116		166	
	<b>Norm. com</b>	Corr. Coefficient	.985**			1.00
		Sig. (2-tailed)	.000			
		N	116			116

**Table 4.13 – Psychological Contract and the measures of Employee commitment**

**H0<sub>7</sub>** – There is no significant relationship between psychological contract and employee affective commitment.

Fig1–Psychological contract and Normative commitment

### Discussion of Findings

The study found out thirdly that the psychological contracts that exist between management of Nigerian banks and their employees has a very strong significant impact on the commitment of the employees to the organization. That is to say that when employees have trust and confidence in the management of their banks it affects their level of commitment to the banks. When the relationships that exist in the workplace are cordial and healthy, management has respects for the feelings, complains, suggestions and observations of their employees, they would endear themselves and the organization to the employees who would most likely love to stay on with the organization.

A considerate and understanding management would show concern about the worries, needs and pains of their employees and all of these would make the employee love the organization and desire

to stay on. This finding is in line with the opinion of Robinson and Morison (2000), who opined that employees perceive a breach of contract when their organization does not perform according to their expectations. This has many serious consequences that differ from person to person (Kickul and Lester, 2001). Okoth (2012) found out in his study that perceived psychological contract violation can affect employee commitment.

### **CONCLUSIONS**

In the light of the findings of this study it is concluded that the psychological contract of employees in the banking sector has a strong positive impact on their commitment to their job and organization. This is to say that the poor employee commitment level recorded in the sector is traceable to the work-life in-balance experienced by these employees. The low level of commitment exhibited by these employees according to the findings of this study is due to the fact that management of banks have not put in place adequate policies and provisions that would encourage the psychological contract of their employees.

They have not allowed the use of ICTs to reduce the time spent in the office or telework, they have in most cases breached the psychological contract between them and their employees and allow employees to organized their time and work so as to achieve a balance in their work and personal lives.

### **RECOMMENDATIONS**

The following recommendations are put forward from the findings of the study.

1. Management of Banks should put in place policies and provisions like leaves, flexible work and time arrangements child care and recreational facilities to enable workers take care of some personal needs, which would in turn make them committed to the organization.
2. Management of Banks should allow employees to telework as much as possible, using the provisions of their mobile phones and the internet. This would make workers happy and give their unalloyed commitment to the organization.
3. The management of Banks should ensure they keep trust and confidence employees bestowed on them. The respect, understanding and consideration they show as they relate with their employees would endear but the management and the organization to them, making the employees develop a strong effective, normative and continuance commitment toward the organization.
4. Employees should make effort ensure they organize and plan their work and time effectively, get support to help both from home and the office to reduce the pressure on their part and make them relax and be committed to their job.

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