



# **The Impact of Transactional Contract Fulfillment on Organizational Commitment in Selected Banks in Batticaloa District**

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### **Authors' contributions**

*This work was carried out in collaboration between both authors. Author FAS designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author DT managed the analyses of the study and the literature searches. Both authors read and approved the final manuscript.*

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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 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

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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. Hence, there are some policies that need to be developed to enhance the Fulfillment of Transactional Contract to achieve the Organizational Commitment in selected banks in Batticaloa District.

*Keywords: Affective commitment; continuance commitment; normative commitment; transactional contract fulfillment.*

## 1. INTRODUCTION

The transactional contract is the reciprocal set of employer and employee obligations and the beliefs an individual holds concerning the implicit terms of an agreement between the employee and the employer [1]. 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 [2].

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 [3]. It has three components. Such as, affective commitment, continuance commitment and normative commitment. Affective commitment is defined as an affective or emotional attachment to the organization. So individual identifies with, is involved in, and enjoys membership in, the organization. Affective commitment is based on how much individual 'want' to remain in the organization. Continuance commitment means the degree to which an individual has an experience a sense of being locked in place because of the high cost of leaving. Normative commitment is the moral duty of the employee to remain in the organization. It can increase through beliefs that the employees have that employers provide more than they can give [4].

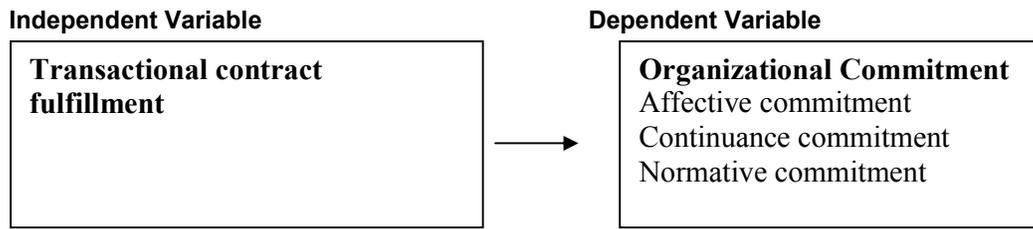
Organizational commitment is directly related to employees' performance, organization's

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 [5]. 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 [6]. 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 [7].

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 [8].

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



**Fig. 1. Conceptual framework of the transactional contract fulfillment and organizational commitment [9]**

and attempt to fill this knowledge gap and provide facts on the current state of employment relationship. Therefore, the researcher tries to examine the impact of Transactional Contract Fulfillment on Organizational Commitment in selected banks in Batticaloa District.

Organizational commitment is important issue in today business world. Organizational commitment provides the benefit to organization in a number of ways. Such as, organizational commitment can improve performance, reduced absenteeism and turnover thereby resulting in sustained productivity. An impressive amount of research efforts has been conducted to understanding the concepts and identify the implication of organizational commitment over the performance of the employees on the workplace. Chughtai & Zafar [10] examined the influence of organizational commitment on turnover intentions and on job performance. Meyer, Paunonen, Gellatly, Goffin, & Jackson [11] identified that positive correlation between organizational commitment and job performance. An employee with higher commitment levels employer is likely to be more eager and motivated to his assignment on the job [12]. According to Konovsky & Cropanzano [13], employees who are committed to their respective organization are more likely not only to remain with the organization but also likely to exert more efforts on behalf of the organization and work towards its success. Employees with high level of organizational commitment provide a secure and stable workforce and thus providing competitive advantage to the organization.

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?”*

## 2. METHODOLOGY

According to the Central Bank of Sri Lanka [14], 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 [14]. In those 25 LCBs, there were 12 LCBs in Batticaloa District. This research is limited to the 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, Hattton 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. In this study, transactional contract fulfillment was measured by 8 instruments which were developed by Rousseau [15] and organizational commitment is measured by 17 instrument which were developed by Meyer & Allen [3].

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.

### 3. RESULTS

#### 3.1 Reliability Analysis of Transactional Contract Fulfillment and Organizational Commitment

All attributes of the transactional contract fulfillment and organizational commitment were tested for reliability analysis. A Cronbach's Alpha coefficient of 0.7 and higher is adequate and signifies high reliability [16].

#### 3.2 Univariate Analysis

##### 3.2.1 Univariate analysis of transactional contract fulfillment and its dimension

According to the Table 2 it revealed that, there is a high level of transactional contract fulfillment in selected banks in Batticaloa District. Further, all dimensions of transactional contract fulfillment are moderate level in selected banks in Batticaloa district. Among the dimension of the

transactional contract fulfillment, job boundary has the high mean value compare with other indicators.

##### 3.2.2 Univariate analysis of organizational commitment and its dimension

The Table 3 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 is high level among employees in selected banks in Batticalao district.

#### 3.3 Bivariate Analysis between Transactional Contract Fulfillment and Organizational Commitment

Table 4 shows that, there is a strong positive relationship between the Transactional Contract Fulfillment and Organizational Commitment ( $0.5 < r < 1 =$  Strong Positive Relationship) in selected banks in Batticaloa District.

**Table 1. Reliability analysis of transactional contract fulfillment and organizational commitment**

| Variable                          | No. of statement | Cronbach's alpha value |
|-----------------------------------|------------------|------------------------|
| Transactional contract fulfilment | 8                | 0.923                  |
| Organizational Commitment         | 17               | 0.935                  |

(Source: Survey Data)

**Table 2. 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        |
| <b>Transactional contract fulfilment</b> | <b>3.14</b> | <b>0.83</b>   | <b>Moderate level</b> |

(Source: Survey data)

**Table 3. 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         |
| <b>Organizational commitment</b> | <b>4.03</b> | <b>0.53</b> | <b>High level</b>  |

(Source: Survey data)

### 3.4 Regression Analysis

The result of regression analysis between the transactional contract fulfillment and organizational commitment are shown in Table 5 in order to identify 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 R<sup>2</sup> statistic is typically smaller than the R<sup>2</sup> statistic because it downward adjusts the R<sup>2</sup> 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 R<sup>2</sup> statistic is higher.

The unstandardized constant statistic is 2.788 units.

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:

$$Y = 2.788 + 0.344X_1$$

Where,

$$X_1 = \text{Transactional contract fulfillment}$$

$$Y = \text{Organizational Commitment}$$

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

### 4. DISCUSSION

The finding of this study showed that, there is a high level of transactional contract fulfillment and organizational commitment exiting in the selected banks in Batticaloa District. Some reasons that influenced the high level of transactional contract fulfillment in the selected banks in Batticaloa District are: i) Employee believe that employer offers employment with

**Table 4. Correlation of coefficient between transactional contract fulfillment and organizational commitment**

|                           |                         | Transactional contract fulfillment |
|---------------------------|-------------------------|------------------------------------|
| Affective Commitment      | Pearson Correlation (r) | 0.398                              |
|                           | 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)

**Table 5. Multiple regressions of transactional contract fulfillment on organizational commitment**

|                  |       |                     |        |                           |       |             |                    |
|------------------|-------|---------------------|--------|---------------------------|-------|-------------|--------------------|
| <b>R Square:</b> | 0.275 | <b>F Statistic:</b> | 56.251 | <b>Adjusted R Square:</b> | 0.271 | <b>Sig.</b> | 0.000 <sup>a</sup> |
|------------------|-------|---------------------|--------|---------------------------|-------|-------------|--------------------|

(Source: Survey Data)

**Table 6. Simple 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)

specific duties and tasks; and ii) Provides the training for and to do the current job. Also, some reasons that influenced the high level of organizational commitment in selected banks in Batticaloa District are: i) Employer have committed to supporting the well-being and interests of employees; and ii) Support with personal problems and job requirements.

From this study, there is a significant positive relationship between transactional contract fulfillment and affective commitment, continuance commitment and normative commitment in selected banks in Batticaloa district. This is because, transactional contract fulfillment directly relates with the short term money based benefits and satisfaction of transactional contract which involves providing sufficient material incentive and added stock option. Employees who are employed in an organization with good pay or benefits finds it difficult to leave, actively participate and improve some obligation to stay in the organization; so employees commits in to the organization.

Furthermore, Transactional contract fulfillment was found to be a significant factor to determine the organizational commitment in this study. The result was consistent to findings in previous studies [17]. This showed that there is a positive and significant influence of transactional contract fulfillment on organizational commitment. Transactional contract fulfillment is significantly influenced on organizational commitment of all types of employees. Hence, this research mainly focused on all types of employees. Therefore, each and every employer try to fulfill the transactional contract fulfillment through which they can easily increase the organizational commitment and job performance of employees in an organization.

## 5. 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.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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