

## **The Relationship between Demography and Competency towards Organizational Commitment of Banking Sector in Malaysia**

**Abdul Jumaat Bin Mahajar**

Faculty of Management and Economics  
Universiti Pendidikan Sultan Idris

**Jasmani Binti Mohd Yunus**

College of Business  
Universiti Utara Malaysia  
Malaysia

### **Abstract**

*This paper focuses on the relationship between demography and competency towards organizational commitment in banking sector in Malaysia. The respondents of this study were managers, executives and clerks. The sample size of the respondents is 297. For this study, simple random sampling was adopted. Descriptive analyses were conducted. The data for the study was collected through the mail questionnaires and face to face interviewed. Data from the questionnaires were coded and entered accordingly into the SPSS statistical software. The findings of this study show that the highly educated people may have developed higher commitment towards the organization. The findings also show that there is a low, medium and significant correlation between demography and organizational commitment and there is a low and significant correlation between competency and organizational commitment.*

**Keywords:** Banking, demography, competency, commitment and organization

### **1.0 Introduction**

Banks in Malaysia is a financial institution licensed by the government through Bank Negara Malaysia. Its primary activities include accepting deposits, lending money and borrowing. Banking services include transactional services, such as verification of account details, account balance details, transfer of funds, as well as advisory services that help individuals and institutions to properly plan and manage their finance. The Malaysian Banking system consists of the conventional financial system and the Islamic financial system which co-exists and operates in parallel. The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobilise of funds and the main source of financing which supports economic activities in Malaysia. Banking institutions operate through a network of more than 2,000 branches across the country. There are also 14 representative offices of foreign banks in Malaysia which do not conduct banking business but undertake research, liaison services and exchange of information. Six Malaysian banking groups have presence in 19 countries through branches, representative offices, subsidiaries, equity participation and joint ventures.

The non-bank financial institutions, namely development financial institutions, insurance companies and Takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy. On June 1, 2000, Bank Negara gave the green light for locally owned commercial banks to offer internet banking services. On June 15, 2000, Maybank Berhad, the largest domestic bank in terms of assets as well as network distribution which commands its own portal 'www.maybank2u.com' became the first bank to offer Internet banking services in Malaysia. Quoting Malaysia's Deputy Finance Minister, Datuk Ahmad Maslan at Bank Tech Asia 2013 Conference and Exhibition which was held on 2-3 October 2013, "Malaysia's internet banking penetration rate stood at almost half of the population as at June 30, 2013". There are a total of 14.6 million internet banking subscribers, comprising 14.3 million individuals and 300,000 in the corporate sector. This gives a 49.1% rate of penetration to Malaysian population.

## **2.0 Problem Statement**

Robert (2002) reported that compared to other industry, banking industry is well known with high workload and stringent time frame for their employees to adhere with, which can be recognized as major contributions to the increase of turnover rate. High employee turnover has been equated with low organizational commitment (Goleman,(1998); Venkat Ratnam, (2006). On the other hand, high commitment has been found to lead to positive organizational outcomes such as employee motivation, extra-role behaviour and improved group and organizational performance. From time to time, the Malaysian banking sector has experienced significance changes in structure, culture and operations. With multinational and private banks coming into the banking sector, a lot of opportunities were created. They can easily recruit many experienced and qualified employees from the other competing banks, with offering them a better salaries and packages. This situation affected the quality of workforce of the existing banks. However, with little attention to further explore by using non-monetary elements such as empowerment, competencies and others factors, will address the gaps and provide valuable information and strategies on how to increase commitment level as well as performance developing of employees in banking sector.

## **3.0 Objectives**

1. To identify the significant relationship between demographic factor and normative commitment.
2. To identify the significant relationship between demographic factor and affective commitment.
3. To identify the significant relationship between demographic factor and continuance commitment.
4. To identify the significant relationship between competencies factor and normative commitment.
5. To identify the significant relationship between competencies factor and affective commitment.
6. To identify the significant relationship between competencies factor and continuance commitment.

## **4.0 Literature Review**

Commitment is a form of psychological contract, which employees make in response to the benefits provided by the organization (Adnan Iqbal, 2010). Employees are regarded as committed to an organization if they willingly continue their association with the organization and devote considerable effort to achieving its goals (Raju and Srivastava, 1994). According to Maryam and Imran (2012), Organizational commitment is considered both as dimensional and multidimensional construct and as an attitude reflecting employees' loyalty to their organization. Nevertheless, another more popular research done by Meyer & Allen, (1991) defined the organizational commitment as an emotional attachment to the organization.

Meyer and Allen (1991) proposed that commitment includes at least three factors:

- (1) A strong belief in and acceptance of the organization's goals.
- (2) A willingness to exert considerable effort on behalf of the organization.
- (3) A strong desire to maintain in the organization.

According to Meyer and Allen (1991), there are three-component model of organizational commitment that is an affective commitment refers to the employee's emotional attachment to, identification with, and involvement in the organization based on positive feelings, or emotions, toward the organization. The antecedents for affective commitment include perceived job characteristics where is task autonomy, task significance, task identity, skill variety and supervisory feedback, organizational dependability that mean extent to which employees feel the organization can be counted on to look after their interests, and perceived participatory management that mean extent to which employees feel they can influence decisions on the work environment and other issues of concern to them.

Robert (2002), stated that age and organizational tenure are considered to be positively associated with affective commitment. It is hypothesized that employees with low affective commitment will choose to leave an organization, while employees with a high affective commitment will stay for longer periods, as they believe in the organization and its mission. . Individuals with a high level of affective commitment continue to work for an organization because they want to. According to Commerias and Fournier (2002), normative commitment refers to an employee's feeling of obligation to remain with the organization where it based on the employee having internalized the values and goals of the organization.

Normative commitments include co-worker commitment where it including affective and normative dimensions, as well as commitment behaviours, organizational dependability and participatory management. Co-workers' commitment is expected to provide normative signals that influence the development of normative commitment.

Meyer and Allen (1997) stated continuance Commitment refers to commitment based on the costs that the employee associates with leaving the organization or on a perceived lack of alternative employment opportunities. Potential antecedents of continuance commitment include age, tenure, career satisfaction and intent to leave. Age and tenure can function as predictors of continuance commitment, primarily because of their roles as surrogate measures of investment in the organization. Tenure can be indicative of non-transferable investments that mean close working relationship with co-workers, retirement investments, career investments and skills. Most of the research found that older employees and employees with longer organizational tenure (i.e., the length of employment with the organization) tend to be more committed or stronger commitment than younger individuals or those with a shorter organizational tenure (Grau et al., 1991 and Kacmar et al., 1999). Level of education is also another demographic factor that has been related to organizational commitment. Steers (1977) found that level of education was negatively related to organizational commitment. Similarly, Mathieu & Zajac (1990) meta-analysis confirmed this relationship and found that the relationship was significantly stronger but negative for attitudinal commitment. Highly educated individual may have less commitment since they may have higher expectations and greater alternatives of job opportunities.

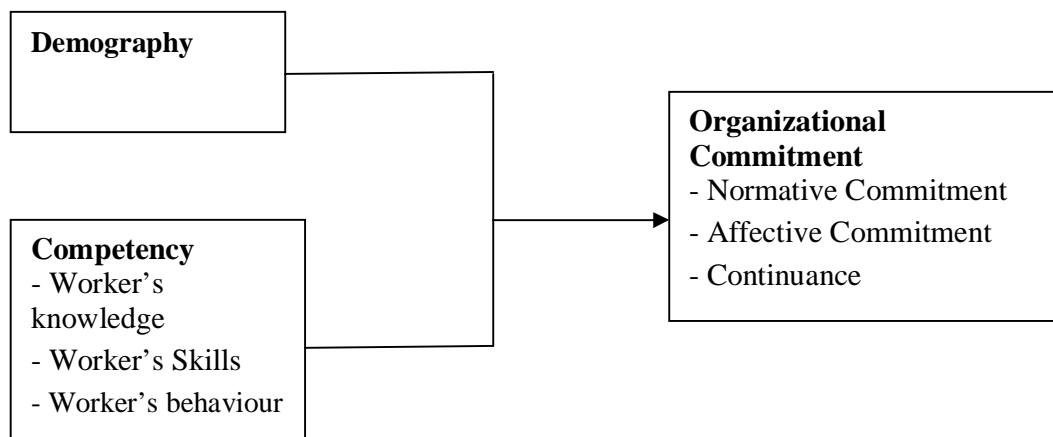
Streblor et al. (1997) suggested two different meanings of the term competency. Competencies may be expressed as behaviours that an individual needs to demonstrate, or they may be expressed as minimum standards of performance. The term competency has also been used to refer to the meaning expressed as behaviours. According to Bray et al., (1974); Lok, P., & Crawford, J., (2001) and Kotter, (1982), there are three clusters of competencies such as cognitive competencies as a system thinking and pattern recognition; emotional intelligence competencies, including self-awareness and self-management competencies and social intelligence competencies, including social awareness and relationship management competencies including social awareness and relationship management competencies, empathy and teamwork.

According to Howard and Brays (1988), there are three clusters of competencies such as cognitive competencies in a systems thinking and pattern recognition; emotional intelligence competencies, including self-awareness and self-management competencies and social intelligence competencies, including social awareness and relationship management competencies, such as empathy and teamwork.

**5.0 A Theoretical Framework**

A theoretical framework is produced to facilitate in the data collection. It is helping the researcher in developing independent variables and the main focus of the study. The framework is made up of two major parts that is firstly the components of demography and competency and secondly organizational commitment which is deemed important in this study. There are sub elements for each component. In the component of organizational commitment, three sub elements had been identified.

**Figure 1.0 Theoretical Framework**



## 6.0 Methodology

This study employed the quantitative method. Specifically, the survey research was adopted as it described the phenomenon by obtaining data using a set of questions to be responded by the participants. The approaches consist of procedure in constructing a set of questionnaire and analyzing the data. The respondents of this study were drawn from 5 selected banks in Kuala Lumpur. The target population in this study were managers, executives and clerks. The target population consist of 1300 employees in 5 banks. According to Morgan and Krejcie, for the sample size of 1300 employees, the minimum sample size is 297. For this study, simple random sampling was adopted. The questionnaire is divided into three sections. Section A consisted of the demographics information of the respondents. Section B consisted items of perception, competency and organizational commitments. A pilot study was conducted in 3 banks with 30 respondents. Reliability test was conducted to check the internal consistency by using Cronbach's coefficient alpha. The validity of the questionnaires was done by using face content validity through expert opinions. Validity provides a degree of consistency of the instrument measurement. All the questionnaires were filled up voluntarily by the respondents in the presence of the researcher. So, all clarification and explanation required by the respondents were tackled on the spot. Descriptive analyses were conducted to provide the mean and standard deviation. Meanwhile, Pearson correlation was conducted to find out the relationship between the demographics and competencies with organizational commitment.

## 7.0 Findings

The respondents of this study were drawn from the 5 major banks in the state of Kuala Lumpur. A total of 300 respondents from 3 branches for each bank were invited to take part in the survey. Only 219 of the questionnaires have been returned.

From the result, it was clear that majority of the respondents were female, that is 59.4% from a total of 219 respondents, with the other 40.6% consisting of male respondents.

**Table 1: Gender**

	Frequency	Percent
Male	89	40.6
Female	130	59.4
Total	219	100.0

Table 1 shows that, in the terms of age group, the highest number of respondents is between the ages 31-40 years (31.5%). This is followed by respondents between ages 21- 30 years (28.3%), ages 41-50 years (23.7%), ages 51 and above (12.8%) and only 3.7% were aged less than 20 years.

**Table 2: Age**

	Frequency	Percent
20 -less	8	3.7
21 -30	62	28.3
31 -40	69	31.5
41 -50	52	23.7
51-above	28	12.8
Total	219	10

As can be seen in table 2, the highest respondents score is Chinese (41.1%). This is followed by Malay (38.4%), Indian (19.6%) and only two respondents are Kadazan (0.9%).

**Table 3: Race**

	Frequency	Percent
Malay	84	38.4
Chinese	90	41.1
Indian	43	19.6
Kadazan	2	0.9
Total	219	100.0

Table 4 shows 48.9% showed the respondents are married. Another scores are comes from single (31.9%), divorce (10.5%) and widow/widower (8.7%).

**Table 4: Marital Status**

Marital Status	Frequency	Percent
Single	70	31.9
Married	107	48.9
Divorce	23	10.5
Widow/Widower	19	8.7

Table 5 shows 23.7% of the respondents worked with Maybank Berhad and 23.3%. of the respondents worked with CIMB, followed by Bank Rakyat (16.4%), Hong Leong Bank (16.4%) and Public Bank (16.0%).

**Table 5: Employer's name**

	Frequency	Percent
Maybank Berhad	52	23.7
CIMB	51	23.3
Public Bank	35	16.0
Bank Rakyat	45	20.6
Hong Leong Bank	36	16.4
Total	219	100.0

Table 6 shows, the results for the respondent's number years of service can be found as per stated in Table 6. The three highest frequency counts are from the breakdown of 1 to 5 years (28.8%), 6 to 10 years (25.1%) and 11 to 15 years (21%). Meanwhile, the percentage for above 16 years and less than 1 year are 17.3% and 7.8% respectively.

**Table 6: Number years of Service**

	Frequency	Percent
1 year - LESS	17	7.8
1 – 5 years	63	28.8
6 – 10 years	55	25.1
11 – 15 years	46	21.0
16 years – ABOVE	38	17.3
Total	219	100.0

As can be seen from Table 7, 42.5% of respondents held Bachelor Degree and 33% having Diploma/Certificate/STPM. For the others, 16.9% is SPM holders, 7.3% is Master holders and none of them are PHD holders and others category.

**Table 7: Education Background**

	Frequency	Percent
PHD	0	0.0
Master	16	7.3
Bachelor Degree	93	42.5
Diploma/Certificate/STPM	73	33.3
SPM	37	16.9
Others	0	0.0

Most of the respondent participated in the survey are 85 persons (38.8%) from Executive level, 78 persons (35.6%) from Junior Executive, 35 persons (16%) from Assistant Manager and 21 persons (9.6%) are Managers.

**Table 8: Current Position**

	Frequency	Percent
Manager	21	9.6
Assistant Manager	35	16.0
Executive	85	38.8
Junior Executive	78	35.6
Total	219	100.0

Table 9 shows the relationship between demographic factor and normative commitment. From the above table, p value = 0.00 less than significant level 0.05 and  $r = 0.336$  (moderate relationship). There is a moderate and significant correlation and significant and between demography and normative commitment.

**Table 9: The relationship between demographic factor and normative commitment**

Correlations			
		DM	NC
DM	Pearson Correlation	1	.336**
	Sig. (2-tailed)		.000
	N	219	219
NC	Pearson Correlation	.336**	1
	Sig. (2-tailed)	.000	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 10 shows the relationship between demographic factor and normative commitment. From the above table, p value = 0.00 less than significant level 0.05 and  $r = 0.336$ . There is a low and significant correlation between demography and normative commitment.

**Table 10: The relationship between demographic and affective commitment**

Correlations			
		DM	AC
DM	Pearson Correlation	1	.364**
	Sig. (2-tailed)		.000
	N	219	219
AC	Pearson Correlation	.364**	1
	Sig. (2-tailed)	.000	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 11 shows the relationship between demography and continuance commitment. Based on the table 11, p value = 0.02 less than significant level 0.05 and  $r = 0.237$  (very low relationship). There is a very low and significant correlation between demography and continuance commitment.

**Table 11: The relationship between demographic and continuance commitment**

Correlations			
		DM	CC
DM	Pearson Correlation	1	.237**
	Sig. (2-tailed)		.002
	N	219	219
CC	Pearson Correlation	.237**	1
	Sig. (2-tailed)	.002	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 12 shows the relationship between competency and normative commitment. Based on the table 12, p value = 0.00 less than significant level 0.05 and  $r = 0.361$  (low relationship). There is a low and significant correlation between competency and normative commitment.

**Table 12: The relationship between competencies and normative commitment**

Correlations			
		CM	NC
CM	Pearson Correlation	1	.361**
	Sig. (2-tailed)		.000
	N	219	219
NC	Pearson Correlation	.361**	1
	Sig. (2-tailed)	.000	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 13 shows the relationship between competency and affective commitment. Based on the table 13, p value = 0.00 less than significant level 0.05 and  $r = 0.379$  (moderate relationship). There is a low and significant correlation between competency and affective commitment.

**Table 13: The relationship between competencies and affective commitment**

Correlations			
		CM	AC
CM	Pearson Correlation	1	.379**
	Sig. (2-tailed)		.000
	N	219	219
AC	Pearson Correlation	.379**	1
	Sig. (2-tailed)	.000	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 14 shows the relationship between competency and continuance commitment. Based on the table 14, p value = 0.01 less than significant level 0.05 and  $r = 0.302$  (low relationship). There is a low correlation and significant relationship between competency and continuance commitment.

**Table 14: The relationship between competencies and continuance commitment**

Correlations			
		CM	CC
CM	Pearson Correlation	1	.302**
	Sig. (2-tailed)		.001
	N	219	219
CC	Pearson Correlation	.302**	1
	Sig. (2-tailed)	.001	
	N	219	219

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## 8.0 Conclusion and Recommendations

People working in the banking sector are mildly committed towards the organizations they are working for and feel that they have a sense of belonging towards it. Employees having longer tenures and ages show more commitment than the employees having smaller tenures with the organizations and younger in age respectively. This is easy to understand because employees who have spent most of their lives with the organization should exhibit high commitment. Also with age, alternative opportunities for employees become limited; thereby enhancing their commitment with the organization they are working for. This study has also shown that there is a significant negative relationship between the educational level and the organizational commitment. This finding may be due to the fact that the highly educated people may have developed higher commitment towards the organization. This study also shows that competency having their parts in determining employee's commitment. The correlation coefficient for competency also shown positive correlation with the organizational commitment.. Bank managers should pay more attention to internal practice such as training and education, health and safety, work life balance, human rights, workplace diversity, jobs delegation and others. These are most likely to create a sense of obligation that will result in levels of commitment. The management may improve employee's continuance commitment level by facilitating the component of empowerment such as access to support, resources, as well as access to the information about the mission of the department and information to get their work done.

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