Effect of Organizational Commitment on Employee Turnover Intention Using Old Generation Commercial Banks in Ilorin as Case Study

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Abstract

The regulatory and competitive dynamics in the Nigerian Banking industry compelled Old Generation Banks (OGBs) in Nigeria to alter their Human Resource policies and practices, which may affect the banks’ Human Resource outcomes when investigated. Thus, this study interrogated whether employees’ organizational commitment exerts significant effect on turnover intentions in OGBs in Ilorin metropolis. OGB employees were randomly sampled and surveyed using structured questionnaire. Research data were analyzed using basic descriptive statistics, while the research hypotheses were tested using regression at 5-percent significant level. Accordingly, the study confirmed that organizational commitment exerted significant influence on employees’ turnover intention in OGBs in Ilorin. However, only normative commitment is a strong predictor of employee turnover intention. The study, therefore, recommends that the OGBs’ Human Resource executives should not only sustain but upgrade normative commitment indicators (training and development and related investment on banks’ personnel) so as to reduce turnover intentions among the bankers and avoid accompanying costs of positive turnover intention.
Introduction

Human resources are critical to the success of all corporations including banks. Attracting and retaining talented personnel are strategies for attaining organizational performance (Moussa, 2013). The fact that Old Generation Banks (OGBs) in Nigeria are over a century old in existence attest to effective and efficient management of their financial and human resources over the years, which needs to be sustained in the years ahead.

In commercial banking, the costs of attracting the best talents are billed to be recovered in the long run through employee retention and productivity. However, banks’ labour costs becomes a wasted financial investment when the recruited bank employees are allowed to develop turnover intention, cultivate the habit of absenteeism, and in the end, voluntarily leaves/turnover usually due to the banks’ human resource policies that breeds job dissatisfaction, poor motivation, and absence of organizational commitment among others (Akinwumi, Ajayi and Akeke, 2014). The high productivity targets that Nigerian banks set for their employees encourages high labour turnover (Akinruwa, Ajayi and Akeke, 2014; Alarape, 2014) because such high productivity is a function of employees’ demographic characteristics (young age, good health condition, single marital status, masculine gender, and need-for-achievement psychological traits) (Omori and Bassey, 2019; Macus and Gopinath, 2017; Chowdury, 2015; Akinyemi, 2014). Also, the ‘integrity condition’ in banks which is a function of societal value system and professional training shortens most bankers’ banking career in the form of involuntary turnover (Gaji, Kassim and Raju, 2017).

Historically, the OGBs arbors certain human resource policies and practices that set it apart from New Generation Banks (NGBs): larger number of staff, tenure employment conditions, pensionable employment, career development opportunities, and regular promotion among others (Ekekwe, 2017), which stimulates employee commitment and reduce voluntary turnover rate (Akinyemi,
However, to comply with regulatory directives and as well float along with competition favorably and sustainably, the OGBs have since imbibed technology-based banking resulting into reduced workforce and preference for contract staff (NBS, 2019 in Nweze, 2019). This paradigm shift in OGBs human resources practices could alter employee commitment and turnover intentions levels in OGBs, as well as the relationship and effect between the variables. Earlier studies with similar theme have either concentrated on the entire Nigerian banking industry or other sectors of the economy (Sanjo and Eze, 2019; Faloye, 2014), analyzed a single variable (either employee commitment or employee turnover intentions in banks) (Jubril, 2009), or relate either of the two variables (employee commitment or employee turnover intentions) with other variables such as career stage, psycho-social factors, demographic factors, employee satisfaction, and organizational performance (Akinruwa, et al., 2014; Akinyemi, 2014; Ogungbamila, 2014; Ogunkoya, Elumah and Shobayo, 2013), thereby creating a knowledge vacuum. In view of the forgoing, this study is conceived to interrogate the effect of employee commitment on turnover intentions in old generation banks located in Ilorin metropolis. Specifically, the following research questions shall be answered in the course of the study:

i. Is affective commitment a significant predictor of employee turnover intentions in OGBs in Ilorin metropolis?

ii. Is continuance commitment a significant predictor of employee turnover intentions in OGBs in Ilorin metropolis?

iii. Is normative commitment a significant predictor of employee turnover intentions in OGBs in Ilorin metropolis?

The main significance of the study is that the outcome of the study can inform the banks’ Human Resource management policy reviews with improvement in employees’ commitment levels and reduction in turnover intentions. The research scope covers employee of OGBs located in Ilorin metropolis as at year 2020. Besides the introductory section, the rest of the paper is schemed as literature review, methodology, analysis and results, and conclusions and recommendations.

LITERATURE REVIEW

Conceptual review

Organizational commitment is the relative strength of employee's identification with and involvement in an organization (Allen and Meyer, 1990). Clarifying further, Meyer and Allen (1997) regard organizational commitment as
employee’s emotional attachment to an organization and its goals and values which results in willingness to exert optimal effort to achieve the organization’s goals. That is, organizational commitment is a psychological state that characterizes organizational members' relationship with the organization and has implications for the decision to continue or discontinue membership in the organization.

Intention is a mental state that involves planning to take a particular action in future (Bratman, 1987). Thus, turnover intention is an employee’s mental state of planning to end his/her employment contract. Intention relates to ‘thoughts’ (prior intention) and ‘actions’ (intentional action); ‘prior turnover intention’ represents employee’s forethoughts about quitting current employment but which has not translated to the actual action of quitting, while ‘intentional turnover action’ is when intention to quit becomes actionable or manifested in resignation (Malle and Knobe, 1997). According to intentional-chain theory of Astington (1993), an employee’s desire for better pay, welfare and employment conditions cause turnover intentions, which causes intentional-turnover-action, which causes undesirable outcomes to the organization but desirable outcomes to the employee and even competitors. Precisely, turnover intention is a set of cognitions which include thinking of quitting cum the intent to search for alternative employment (Chiedu, Long and Ashar, 2017). To Puangyoykeaw and Nishide (2015:100), turnover intention has to do with “employee’s predetermination to withdraw and leave an organization, not the actual separation from the organization itself”. Turnover intention is a good proxy for actual turnover (Hayes, O’Brien-Pallas, Duffield, Shamian, Buchan, Hughes, Laschinger, North and Stone, 2006).

**Empirical review**

A plethora of studies on organizational commitment and turnover intentions reported mixed findings. Blau and Boal (1987) established that higher level of commitment demonstrate lower absenteeism and turnover intentions. Huselid, and Day (1991) found that organizational commitment and job involvement jointly predicts employees turnover in a nationwide retail firm in Mid-Western United States. Yucel (2012) reported that affective, continuance and normative commitment affects employees’ turnover intentions significantly in a Turkish manufacturing company. Hussain and Asif (2012) revealed that organizational commitment had significant negative impact on the turnover intentions of
employees; that is, the higher the commitment levels, the lower the turnover intention in telecommunication industry Lahore, Pakistan. Chiedu, Long and Ashar (2017) confirmed that both employee job satisfaction and commitment have significant inverse relationship with turnover intention; however, employee commitment has greater influence on turnover intentions than employee job satisfaction in Unilever Nigerian PLC.
In contrast, Tnay, Othman, Siong and Lim (2013) found no significant relationship between employee commitment and turnover intention in a manufacturing industry. In Faloye (2014)’s study, there was no significant relationship between normative commitment and turnover intention of Police personnel in Akure Police Command, Nigeria.

**Theoretical framework**
This study is anchored on Miller and Allen’s (1984; 1991) multidimensional theory of organization behavior, which addressed the drawback of earlier theories of commitment. The theory posits that commitment is made up of affective, continuance and normative commitments. Affective commitment is the employee’s positive emotions of identifying with the organization; continuance commitment is the employee’s desire to continue to be a member of an organization due to costs associated with leaving; and normative commitment is the employee’s desire to remain a member of an organization because of a feeling of obligation (debt owed the organization).

Other alternative theories are:

i. **Cohesive theory of commitment**: Developed by Levinger (1999), cohesive theory states that social forces (attraction and barrier forces) determine employee commitment. Attraction forces involve factors that glue an employee to an organization, including present attraction (love for the organization, employee’s need fulfillment, wealth/income and position/status) and alternative attraction (forces that pull a person away from current employment such as better pay). In contrast, barrier forces involve factors that prevent employees from leaving their organizations, including internal barriers (bond contract of employment, feelings of obligations towards the organization due to certain special privileges) and external barriers (government labour laws).

ii. **Investment theory of commitment**: Propounded by Rusult (1983), the investment theory claims that commitment is the subjective experience of
dependence, which is influenced by employee satisfaction level (if compensation and other benefits meet or exceed employee expectation), quality of alternatives (if available job opportunities can offer greater satisfaction/benefits than the current) and investment size (if the employee has contributed his personal resources to the current organization that cannot be retrieved easily or in exact amount if he decides to leave).

iii. **Tripartite typology/theory of commitment**: As the name implies, Johnson’s (1991) theory outlined three typologies of commitment, namely structural, moral and personal commitment. Structural commitment is when an employee feels that he/she MUST remain in the current job/organization; it can be measured using potential alternatives, perceived social pressure, irretrievable in the current organization, perceived difficulty in terminating current employment. Moral commitment (the feeling that an employee OUGHT to remain in the current organization) can be understood through employee’s sense of moral obligation not to quit current organization, sense of personal obligation to the current organization, and the need to apply one’s religious and personal values in deciding whether to stay or leave. Personal commitment is when an employee feels that he or she WANTS to stay in an organization due to overall attraction of the organization to the employee and his/her relational identity.

iv. **Calculative/side-bet theory of commitment**: This theory is the brain child of Becker (1960), in which commitment is believed to arise when an employee’s investment in an organization accumulate overtime, and may diminish in value or completely lost in the event that the employee chooses to leave. He added that turnover is the main behaviour that results from low commitment and vice versa.

v. **Attitudinal theory of commitment**: Otherwise called psychological or organizational behvaiour theory, attitude theory postulates commitment employee’s affection to an organization which cannot be contaminated by other behavioural variables (Porter, Steers, Mowday and Boulian, 1974). It further maintains that high/advanced commitment is an alternative construct to job satisfaction that predicts employee turnover better. The dimensions of affective commitment are the employee’s desire to maintain membership in an organization, belief in and acceptance of values and goals
of the organization, and the willingness to exert effort on behalf of the organization.

METHODOLOGY
The study adopted a survey research design which necessitated the use of primary data and questionnaire instrument. Also, the study is anchored on quantitative research design which warranted adoption of structured questionnaire measurement scales that can be easily coded. Furthermore, the study is premised on explanatory research design which demanded enumeration of the explanatory research variable (organizational commitment) and the effect variable (turnover intention) and how they are measured and modeled.

The units of analyses are employees of OGBs. A sampling frame comprising 410 bankers was obtained from three OGBs (Union Bank Nigeria, United Bank for Africa, and First Bank of Nigeria), which facilitated estimation of 134 sample size (representing 33% of the population) using Guilford and Fruchter (1973) formula. Consequently, the random number type of simple probability sampling was applied to sample bank employees. Cronbach-alpha computation helped in evaluating the reliability of variables’ measurement scales. The basic descriptive statistics as well as correlation-matrix were computed to summarize the research data and do normality checks. The research hypotheses were tested using multiple regression at 5 percent level of significance, and with the aid of STATA.

The regression model is expressed below:

\[ TI = \beta_0 + \beta_1 AC + \beta_1 CC + \beta_1 NC + e \]

Where: \( TI \) – turnover intention; \( OC \) – organizational commitment; \( \beta_0 \) – constant; \( \beta_1, \beta_3 \) – coefficients; \( AC \) – Affective Commitment; \( CC \) – Continuance Commitment; \( NC \) – Normative Commitment; \( e \) – error term.

RESULTS
Reliability of Scales
Table 1 shows that all the four scales (affective, continuance and normative commitments, and turnover intention) have over 70 percent Cronbach’s alpha coefficients, suggesting good internal consistency of the scale. According to Pallant (2001), when Cronbach’s alpha coefficient is equal to or above 70 percent, the scale is reliable.

Table 1: Old Generation Banks
<table>
<thead>
<tr>
<th>Variable</th>
<th>No of Items</th>
<th>Cronbach’s alpha (α)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>5</td>
<td>0.7590</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>5</td>
<td>0.7000</td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>5</td>
<td>0.7496</td>
</tr>
<tr>
<td>Employee Turnover Intention</td>
<td>5</td>
<td>0.7716</td>
</tr>
<tr>
<td>Organizational commitment (average of AC, CC and NC)</td>
<td>15</td>
<td>0.7363</td>
</tr>
</tbody>
</table>

**Descriptive statistics**

To ensure no problem of outliers is associated with the data used to test the research hypotheses, basic descriptive statistics (mean, median [p50]), standard deviation, minimum, maximum and total count values of the responses [N]) were computed as presented in Table 2 below.

**Table 2: Descriptive Statistics**

<table>
<thead>
<tr>
<th>Stats</th>
<th>AC</th>
<th>CC</th>
<th>NC</th>
<th>ETI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.51</td>
<td>4.66</td>
<td>4.72</td>
<td>4.74</td>
</tr>
<tr>
<td>p50</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Sd</td>
<td>1.39</td>
<td>1.23</td>
<td>1.30</td>
<td>1.40</td>
</tr>
<tr>
<td>Min</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Max</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>N</td>
<td>134</td>
<td>134</td>
<td>134</td>
<td>134</td>
</tr>
</tbody>
</table>

**Source:** Researcher’s Computation, 2020

Table 2 shows the mean (4.51), median (5), standard deviation (1.390, minimum (1) and maximum (7) for the Affective Commitment (AC), indicating absence of outliers. Similarly, the mean (4.66), median (5), standard deviation (1.23), minimum (1) and maximum (7) for the Continuance Commitment (CC), indicating non-existence of outliers. In furtherance, Normative Commitment (NC)’s mean value is 4.72, median is 5, standard deviation is 1.30, minimum and maximum are 1 and 7 respectively which showcases no presence of outliers. With respect to employee turnover intention (ETI), the mean is 4.74, the median is 5, the standard deviation is 1.40, while the minimum and maximum values are 1 and 7 respectively, indicating no presence of outliers.
Correlation Matrix
To identify multicollinearity problems that may be associated with the research data and which may have damaging effects on the multiple regression, correlation analysis that show the relationship between the research variables was carried out and the results are presented in Table 3 below.

Table 3: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>AC</th>
<th>CC</th>
<th>NC</th>
<th>ETI</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC</td>
<td>0.4087</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NC</td>
<td>0.3986</td>
<td>0.3827</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>ETI</td>
<td>0.2042</td>
<td>0.2142</td>
<td>0.3271</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Researchers Computation, 2020

Table 3 manifests that all the independent variables exhibit positive and weak relationships with fellow independent variables with coefficient values all less than 0.5, suggesting absence of multicollinearity problems with the research data. That is, none of the independent variables evinces any relationships closer to 1 than 0. Cooper and Schindler (2003:617) cautioned that “correlation at a .80 or greater” introduces collinearity/multicollinearity.

Test of hypotheses
Table 4 shows the results of multiple regressions.

Table 4: Regression Results

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 134</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>31.2030557</td>
<td>3</td>
<td>10.4010186</td>
<td>F (3, 130) = 5.86</td>
</tr>
<tr>
<td>Residual</td>
<td>230.655153</td>
<td>130</td>
<td>1.77427041</td>
<td>Prob&gt; F = 0.0009</td>
</tr>
<tr>
<td>Total</td>
<td>261.858209</td>
<td>133</td>
<td>1.96885871</td>
<td>R-squared = 0.1192</td>
</tr>
</tbody>
</table>

Adj R-squared = 0.0988

| eti | Coef. | Std. Err. | t   | P>|t| | [95% Conf. Interval] |
|-----|-------|-----------|-----|-----|----------------------|
| ac  | .0621695 | .0949578 | 0.65 | 0.514 | -.1256932, .2500322 |
| cc  | .097713 | .1064497 | 0.92 | 0.360 | -.1128851, .308311 |
| nc  | .2920619 | .1007464 | 2.90 | 0.004 | .0927472, .4913765 |
| _cons | 2.624879 | .5474648 | 4.79 | 0.000 | 1.541785, 3.707972 |

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Source: Researchers Computation, 2020 (Output from STATA 13)

Table 4 shows the R–square (0.1192), which indicates that 11.92 percent of the variation in dependent variable (turnover intention) is accounted for by the independent variable (organizational performance). It further shows that the regression model is robust given that the F-stats is 5.86 with a p-value= 0.0009.

In other words, organizational commitment is significantly impactful on employees’ turnover intention in the surveyed OGBs. That is, higher levels of organization commitment reduced employees’ intention to quit.

Furthermore, Table 4 reveals the regression coefficient for affective commitment (AC) (0.062), t-value (0.65), and p-value (0.514). This implies that affective commitment is not a strong predictor of employees’ turnover intention in the OGBs as it contributes only 6.21 percent to changes in turnover intentions. That is, 1 unit (100%) increase in affective commitment results in .0621 (6.21%) increase in employees’ turnover intention.

In the same vein, the coefficient for continuance commitment (AC) (0.0977), t-value (0.92), and p-value (0.360). This implies that continuance commitment is not a positive but insignificant predictor of employees’ turnover intention in the OGBs. This is because it (CC) contributes only 9.77 percent to changes in turnover intentions; in essence, every 1 unit (100%) increase in continuance commitment results in 0.0977 (9.77%) increase in employees’ turnover intention.

However, Table 4 above presents relevant regression results for normative commitment (NC) (coef.= 0.2921, p=0.004<α=0.05). Thus, normative commitment is significant predictor of employees’ turnover intention by 29.21 percent. Put differently, 0.2921 (29.21%) increase in employees’ turnover intention is expected whenever the OGBs increase normative commitment of employees by 1 unit or 100%.

Discussion of Findings

The study examined the effect of organizational commitment on employee turnover intention in OGBs in Ilorin, Nigeria. The finding was in the affirmative; that is, employee turnover intention in OGBs is significantly influenced by the level of employees’ commitment to the banks. This is consistent with the findings of Lahore et’al. (2017), Hussain and Asif (2012), Huselid, and Day (1991) and Blau and Boal (1987), in which higher level commitment reduces employees’ turnover intention significantly. In addition,
the findings that affective and continuance commitment are not significant predictors of turnover intention in OGBs are inconsistent with Yucel’s (2012) findings. However, the finding relating to normative commitment is in agreement with that of Yucel (2012).

CONCLUSION AND RECOMMENDATIONS
Banks’ corporate policies and strategies are not sacrosanct but dynamic in line with changes in business environment. This was the case when the Old Generation Banks in Nigeria modified their Human Resource policies and practices to suit new government regulations and competitive trends that align to electronic banking and contract staffing respectively. Since new policies yield new results, this study examined the effect of organizational commitment on employee turnover intentions in OGBs in Ilorin, and the finding is in the affirmative. Additionally, only the normative commitment is a significant predictor of employee turnover intentions in the Old generation Banks, while the affective and continuance commitments are not significant predictors of employee turnover intentions. The study, therefore, recommends that human resource executives of the Old Generation Banks should improve on the indicants of normative commitment such as staff training and development and related issues that increases employees’ obligation towards the banks.

References


