Linkage between Job Satisfaction, Democratic Leadership Style and the Organizational Commitment of Employees of Privates of Bank in Nepal

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Abstract

This study investigated the effect of job satisfaction and perceived democratic leadership style of the managers on the organizational commitment of the employees working in the private banks in Nepal. The population in this study was all employees working in the private banks in Nepal. A hybrid instrument, which comprised pre-tested instruments, was used to collect the data. The analytical method used to test the hypothesis of the research was multiple regression analysis. Statistical Package for Social Science (SPSS), version 25, was used for analyzing the data. The study's findings- job satisfaction of the employees and their perception of the democratic leadership style of their managers, had a significant positive impact on their organizational commitment. This study's originality is that this study shows how the employees' perception of their manager's democratic leadership style and their job satisfaction affect their organizational commitment to the Nepalese context.

Keywords: organizational commitment, job satisfaction, democratic leadership style, banks

Introduction

Background of the Study

The post-economic liberalization era in Nepal has witnessed a rapid increase in the number of banks and financial institutions in city-centered markets, heightening competition in the banking sector (Yukongdi & Shrestha, 2020). The banks and financial institutions have begun to attract talented people from competing institutions by offering a better compensation...
package, training, and career growth opportunities (Bista & Regmi, 2016). This trend has compounded the problem of the high turnover of employees in the banking sectors. Salajegheh et al. (2015) stated that today the organizations attempt to achieve rapid growth, continuous improvement, and profitability at the global spectrum.

Numerous researches have been conducted to identify the contributing factors to organizational performance. Out of many corporate performance determinants, organizational commitment has been reported as one of the crucial elements in organizational performance (Dost et al., 2011; Irefin & Mechanic, 2014). Further, researchers were conducted to find out the antecedents of organizational commitment. Because without understanding the determinants of organizational commitment, improvement of organizational effectiveness is impossible. Thus, the researchers found job satisfaction a strong predictor of organizational commitment (Spector, 1997; Mount, 2006; Testa, 2001; Currivan, 1999; Shin & Reyes, 1995; Shann, 1998). Therefore the employees' level of job satisfaction, to a large extent, affects their level of commitment to the organization, and further, the level of organizational commitment positively affects organizational performance. The literature on the determinants of organizational commitment in the Nepalese context reveals a significant positive relationship between job satisfaction and organizational commitment (Timalsina, 2018). However, there is a limited number of researches conducted in this specific field in the Nepalese context, examining the impact of job satisfaction on the level of organizational commitment.

Similarly, a literature review on the effect of leadership style on organizational commitment shows a consensus in the relationship between the type of leadership and organizational commitment of the employees (Korkmaz, 2007). The manager's leadership style significantly affects the employee's organizational commitment (Walumbwa et al., 2005; Yousef, 2000; Lama & Pokhrel, 2019). Similarly, Koopman (1991) and Brewer (1993) argued that if the managers provide autonomy to the employees, their (employees') organizational commitment increases. Therefore, this study aims to examine the effect of job satisfaction and the perceived democratic leadership style of the managers by the employees on the organizational commitment of the employees working in Nepal. The first section of this article contains a brief introduction of the topic, the objectives, proposed hypothesis, short literature on the subject, and the study's limitations. The second section explains the research method, materials, and the model to be tested; the third section presents results and discussions of the study, and finally, the key findings and their implications.
The objectives of the study

The following are the objectives of this study;

- To examine the effect of job satisfaction on the employees' organizational commitment to working in private banks in Nepal.

- To investigate if the employees' perception of their managers' democratic leadership style significantly affects their organizational commitment.

Problem Statement

Post economic liberation era has witnessed a significant growth of banking sectors in Nepal. As the number of banks has increased, the competition's magnitude has also intensified. As a competitive tool, the banks have resorted to a policy of poaching talented human resources from the competing banks by offering better incentives (Bista & Regmi, 2016). This practice has resulted in skill and talent mobility in the banking sector and poses uncertainty to the organizations' human resource departments. Such unpredicted human resource mobility seriously affects organizations' ability to deliver their promised services and products (Aladwan et al., 2013; Mubashir & Afifa, 2017; Princy & Rebeka, 2019). Different studies have documented that lower organizational commitment results in a higher turnover of employees.

Thus, private banks' human resource managers must understand the causal factors of their employees' organizational commitment. A review of the literature on the antecedents of organizational commitment reveals that organizational commitment is affected by various factors. Job satisfaction is reported as a predictor of organizational commitment by different researchers (for example, Spector 1997; Testa, 2001; Currivan, 1999; Shin & Reyes, 1995; Shann, 1998). Similarly, some of the studies revealed that employees' organizational commitment largely depends upon the leadership style of their managers (Walumbwa et al., 2005; Yousef, 2000; Simons, 1999; Koopman, 1991). This study aims to understand the following issues.

- In the Nepalese context, how does the level of satisfaction of the employees working in private banks affect their organizational commitment?

- How does the level of job satisfaction of employees working in private banks in Nepal affect their organizational commitment?
Review of the literature

Research on Organizational Commitment

Mowday, Porter, and Steers (1979) asserted that organizational commitment is a strong belief in the organizational goals and values, resulting in a willingness to exert substantial effort for achieving the organizational goals. Other scholars have emphasized on different aspects to explain the meaning of organizational commitment - (a desire to go over and beyond their required job duties, Mubashir & Afifa, 2017; identification and involvement with the respective organizations - Meyer & Allen 1991; feeling of devotion to the organization- Spector, 2000; a strong desire to remain in the organization- Babalola et al., 2016). Many surveys have documented that organizational performance is positively linked to the employees' degree of commitment (Princy & Rebeka, 2019; Aladwan et al., 2013; Mubashir & Afifa, 2017). Therefore, it is beneficial to understand the employees' organizational commitment and its antecedents to improve organizational effectiveness. Therefore, organizational commitment has an essential place in organizational behaviors since the studies have revealed significant relationships between organizational commitment and workplace employee attitudes and behaviors (Koch & Steers, 1978; Angle & Perry, 1981). Further, Brian and Christopher (2011) stated that organizational commitment is an essential element that has gained growing attention in human resources management.

Allen and Meyer (1990) forwarded a three-component model of organizational commitment, which comprises of affective commitment (AC), continuance commitment (CC), and normative commitment (NC). According to Greenberg and Baron (2010), different types of mindsets are attached to each organizational commitment component. Fabi et al. (2015) commented that a 'desire' mindset, 'perceived cost mindset,' and an 'obligation mindset' are attached to the affective, continuance, and normative commitment. Each mindset or commitment has different behavioral implications, indirectly influencing absenteeism, turnover, and performance (Cohen & Golan, 2007). Therefore, this study attempted to measure the organizational commitment of employees working in private banks in Nepal.

Research on Job Satisfaction and Organizational Commitment:

Spector (1997) stated that job satisfaction is one of the most widely studied constructs in organizational psychology and organizational behavior. Because job satisfaction can be an essential indicator of employees' work-related behaviors such as organizational commitment, organizational citizenship behavior, absenteeism, and turnover (Mount, 2006). Locke (1976) defined job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job and job experience". Chiu & Chen (2005) proffered that using Herzberg's two-
factor theory as a theoretical framework; numerous researches have been conducted on job satisfaction as a global concept having two facets including extrinsic (degree of satisfaction the employee derive from organizational policies, work conditions, task identity and appreciations which are not related to the job) and intrinsic job satisfaction (degree of satisfaction the employee get from their jobs). Studies on the relationship between job satisfaction and organizational commitment have revealed a significant positive relationship between the variables (Testa, 2001; Currivan, 1999; Shin & Reyes, 1995; Shann, 1998). However, there is no unanimity amongst the scholars regarding the precedence of the two variables. Some researchers (for example, Testa, 2001; Gaertner, 1999; Mathieu, 1991; Shin & Reyes, 1995) stated that job satisfaction precedes organizational commitment. Whereas, some scholars like (Bateman & Strasser 1984; Poznanski & Bline 1997; Vandenberg & Lance, 1992) believed that a high level of organizational commitment results in higher job satisfaction. But in this study, job satisfaction has been used as the antecedent of organizational commitment, and literature focuses on accordingly.

**Research on Perceived Leadership Style and Organizational Commitment**

Amankwaa and Anku-Tsede (2015) defined leadership as a process of influencing others to achieve the aimed organizational goal. Organizational commitment has been found as an outcome of leadership (Walumbwa et al., 2005), Yousef (2000), in their studies found the leadership as a predictor of organizational commitment of the employee. Simons (1999) argued that transformational leaders are successful in introducing and managing change in the organizations because transformational leadership can enhance the employees' affective commitment by encouraging the employees to change their assumptions about the work and their attitude (Yukl, 1989). Eisenbach et al. (1999) argued that when the transformational leaders realize that a new course of action is required, they may initiate tasks to create an appealing vision that provides motivation and strategic focus and a source of commitment. Similarly, Brewer (1993) stated that highly controlling managers in the organization result in a lower organizational commitment. More support and autonomy provided by the managers resulted in a higher organizational commitment of the employees. Further, Koopman (1991) suggested that the impact of leadership styles had a significant effect on the employees' organizational commitment. Based on the literature reviews, this study attempted to test the following hypotheses.

- **H₁**: There is a significant prediction of total organizational commitment by the job satisfaction of the employees working in Nepal's private banks.
H₂: The employees' perception of their managers' democratic leadership style significantly affects their level of organizational commitment.

**Research Methods**

All the employees working in different private banks in Nepal were considered as a target-population size and taken for the study. However, due to the unavailability of the exact number of employees working in Nepal's private banks, the primary data were collected from 199 employees. This empirical study was based on cross-sectional data collected by using a hybrid instrument which combined pre-tested, a shortened version of the tool developed by Allen and Meyer (1990), containing 18 items with 5 Likert scales - for collecting data on organizational commitment and Spector’s instrument containing 36 items with 5 Likert scales for collecting data related to job satisfaction and four items with 5 Likert scales to collect data on the employees' perception democratic leadership style of their managers. The collected cross-sectional data were analyzed by using the descriptive statistics, Pearson correlation coefficient, and multiple regression models. This research employed a descriptive and explanatory research design. The mean, standard deviation, maximum, and minimum value were used to describe the metric data's characteristics. The correlation matrix was used to examine the relationship between a dependent variable and the predictor variables. Regression analysis was used to investigate the effect of independent variables on the dependent variable.

This study employed a correlation test between the independent variables and the Variance Inflation Factor (VIF) to detect multicollinearity problems referred to by Mansfield and Helms (1982). A correlation value between -0.7 to 0.7, among the regressor variables, does not cause difficulty (Lind, Marchal, & Wathen, 2006). Regarding, VIF ≤ 4 does not indicate the problem of multicollinearity Hair et al. 2010). Durbin Watson test was conducted to check the autocorrelation problem in the data. A reliability test was conducted without using the option 'Scale if item deleted' to check the data's internal consistency. Finally, the collected data were analyzed using the Statistical Package for Social Sciences (SPSS), version 25.

The following multiple regression model was tested to examine the relationship between the dependent and independent variables:

Multiple regression model: \( \text{TOC} = \alpha + \beta_1 \text{(OJS)} + \beta_2 \text{(TPLS)} + u_i \)

Where, TOC = Total Organization Commitment, TJS = Total Job Satisfaction, TPLS = Total Perceived Leadership Style of the managers, and \( u_i \) = Error Term
Result and Discussion

Summary of Descriptive Statistics and Correlation Matrix

Table 1 presents the profile of the respondents of the study. Out of 199 respondents, 43.7 percent of them were female, and 56.3 percent of respondents were males, revealing a slight dominance of male employees in private banks of Nepal. The respondents’ educational profile shows that out of 199 respondents, 43.2 percent of them have bachelor's or a minimum level of educational qualification, and 56.8 percent had masters or above level of qualification. Further, the marital status profile suggests that 58.8 percent of the employees had a single marital status, and the remaining 41.2 percent of them were married. Out of 199 respondents, 23.1 percent were in a temporary position, and the remaining 76.9 percent had a permanent employment status.

Table 1

Demographic Profiles of Employees (N=199)

<table>
<thead>
<tr>
<th>Demographic Variables</th>
<th>Groups</th>
<th>N</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Female</td>
<td>87</td>
<td>43.7</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>112</td>
<td>56.3</td>
</tr>
<tr>
<td>Qualification</td>
<td>Bachelors or Below</td>
<td>86</td>
<td>43.2</td>
</tr>
<tr>
<td></td>
<td>Masters or Above</td>
<td>113</td>
<td>56.8</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single</td>
<td>117</td>
<td>58.8</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>82</td>
<td>41.2</td>
</tr>
<tr>
<td>Employment status</td>
<td>Temporary</td>
<td>46</td>
<td>23.1</td>
</tr>
<tr>
<td></td>
<td>Permanent</td>
<td>153</td>
<td>76.9</td>
</tr>
</tbody>
</table>

Table 2 presents a summary scale of the instruments used in the study. The scale summary was prepared after conducting a reliability test of the instruments. To measure the construct organizational commitment, a short version of the Organizational Commitment Questionnaire developed by Allen and Meyer (1990), containing 18 Likert items with five scales to each item, was used. Similarly, for measuring the variable job satisfaction, the instrument prepared by Spector (1985), Job Satisfaction Survey instrument, containing 36 Likert items with five scales to each item was used. Spector’s instrument was in 6 scales, but five scales were used in this study for simplicity purposes. Spector’s instrument contained 36 items from Job Satisfaction Survey to measure job satisfaction, including satisfaction with pay, fringe benefit, contingent rewards, promotion, supervision, coworkers, operating conditions, work nature, and communication. The reliability test was conducted without using the option
The Cronbach’s Alpha value of the organizational commitment is = 0.771, job satisfaction = 0.894, and Perceived Leadership Style = 0.857. Cronbach’s alpha values of all the constructs were robust. A generally accepted rule is that the Alpha value between 0.6-0.7 indicates an acceptable level of reliability, and 0.8 or greater a very good level (Ursachi et al. 2013).

Similarly, 18 items with the largest possible scale of five were used to measure organizational commitment. Thus, 90 (18 x 5) is the maximum possible score, and 18 (18 x minimum scale 1) is the minimum score for the variable total organizational commitment. Therefore, any value above 45 scores is considered a high organizational commitment, and below 45 is a low organizational commitment. Similarly, for measuring employees’ job satisfaction, 36 items with the largest possible scale of 5 were used. Therefore, 180 (36 items x 5, i.e., maximum scale) is the maximum possible job satisfaction score. Any value above half of 180, i.e., 90 (180/2), is referred to as high job satisfaction and below 90 as low job satisfaction. For measuring the managers’ perceived democratic leadership style, four items with the largest possible scale of 5 were used. Thus, a possible maximum score on the perceived democratic leadership style of the managers is 20 (4 items x 5 maximum scale). Any value above half of 20, i.e., 10 = (20/2), is considered as a high democratic leadership style perception of the employees towards their managers. The mean values of organizational commitment and job satisfaction both are above the referral ranges. Therefore, the table results revealed that the employees under the study have high organizational commitment and job satisfaction. However, the mean value of the perceived democratic leadership style of the managers is below the referral point. Therefore the result suggests that bank employees of this study perceive their managers to be less democratic. The standard deviation values of each variable measure the average distance of the data point from the mean value.

Likewise, the summary of the descriptive statistics of all the predictor, and response variables, presented in table 2, shows that the employees had an above-average level of organizational commitment (to measure the organizational commitment, 18 items with a maximum of 5 scales indicating 'strongly agree,' were used. Thus, the maximum possible score for organizational commitment is = 90 (18x5). The midpoint of this maximum score is = 45 (90/2). This point is arbitrarily considered as a minimum point of reference for organizational commitment).

Further, from the table 2, it is evident that the organizational commitment of the employees under this study was 61.704, which is > 45- as explained above, which indicates that the employees have a higher organizational commitment. Similarly, the result reveals that employees of this study were satisfied with their jobs because the mean value of job satisfaction
is 120.95, which is more than half of 180, i.e., 90. Further, the score on the perceived democratic leadership style of the manager is 7.543, which is lesser than half of 20, i.e., 10. This implies that employees perceive their managers to be less democratic.

**Table 2**

*Scale summary and descriptive statistics of response and predictor variables*

<table>
<thead>
<tr>
<th>Items</th>
<th>Cronbach Alpha</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment</td>
<td>18</td>
<td>199</td>
<td>28</td>
<td>87</td>
<td>61.704</td>
<td>9.272</td>
</tr>
<tr>
<td>Overall Job Satisfaction</td>
<td>36</td>
<td>199</td>
<td>48</td>
<td>158</td>
<td>120.95</td>
<td>18.891</td>
</tr>
<tr>
<td>Perceived Democratic</td>
<td>4</td>
<td>199</td>
<td>2</td>
<td>10</td>
<td>7.543</td>
<td>1.979</td>
</tr>
</tbody>
</table>

*Note.* Reliability test report without using 'Scale if item deleted' option

Table 3 presents the correlation matrix of dependent and independent variables. The results suggest a significant positive correlation at a 1% level between the dependent variable (organizational commitment) and all the predictor variables (total job satisfaction and perceived democratic leadership style of the managers). Similarly, the correlations between all the independent variables are also significantly positive. However, all the correlation coefficients among the independent variables are less than 0.7. Therefore, there is no evidence of the multicollinearity problem among independent variables.

**Table 3**

*Correlation matrix of response and predictor variables*  
N=199

<table>
<thead>
<tr>
<th>Variables</th>
<th>Overall Organizational Commitment</th>
<th>Overall Job Satisfaction</th>
<th>Overall Perceived Leadership Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Organizational</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Job Satisfaction</td>
<td>.502**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Perceived</td>
<td>.425**</td>
<td>.606**</td>
<td>1</td>
</tr>
<tr>
<td>Leadership Style</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

*Note.* **Correlation is significant at the 0.01 level (2-tailed), * Correlation is significant at the 0.05 level (2-tailed).
Regression Results

Table 4 shows the regression analysis results of the dependent variable (organizational commitment) and independent variables (total job satisfaction and perceived democratic leadership style of the managers). The multiple regression analysis results reveal that total organizational commitment is significantly affected by total job satisfaction and the perceived democratic leadership style of the managers. The results showed that job satisfaction and perceived democratic leadership style of the managers had a significant positive effect on the level of organizational commitment of the private banks' employees. The value of $R^2$ (.275) indicates that the independent variables explain 27.5 percent of the total variance in the dependent variable, and the explanatory power of the model was fair. The p-value of F-statistics indicates that the proposed regression model is a good fit. Also, the variance inflation factors (VIF) of all the variables are less than 3. Tiko et al. (2015) suggested that a value of VIF less than 5 implies the non-presence of a multicollinearity problem. Similarly, the Durbin Watson test value = 2.088 indicates the absence of an autocorrelation problem between the predictor variables.

In Table 4, the regression coefficient of total job satisfaction ($\beta_1 = .19, p = .000$) indicates that a higher job satisfaction resulted in a significantly higher total organizational commitment (TOC) of the employees working in private banks in Nepal. This result is consistent with other studies' results by (for example, Tests, 2001; Currivan, 1999; Shin & Reyes, 1995; Shann, 1998). Similarly, the regression coefficient of the perceived democratic leadership style of the managers ($\beta_2 = .894, p= .013$) indicates that as employees perceive their managers to be more democratic, their total organizational commitment increases significantly. The result of the positive relationship between the perceived democratic leadership style of the manager and the level of organizational commitment is in line with the findings of (Brewer,1996; Koopman 1991; Wu, et al., 2006; Walumbwa et al., 2005; Yousef, 2000)-implying that the larger the number of controlling officials in the organization, lower the employees' commitment and vice versa. The behavioral output of a low organizational commitment is in the turnover of the employees. The decision-makers may increase the employees' level of satisfaction and include them in the decision-making process, availing due autonomy to enhance the level of organizational commitment to avoid employee turnover problems.
Table 4

*Multiple regression equation of Total Organizational Commitment on all predictors*

<table>
<thead>
<tr>
<th>Variables</th>
<th>Unstandardized Beta Coefficients</th>
<th>T</th>
<th>P-Value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>32*</td>
<td>8.759</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Total Job Satisfaction</td>
<td>0.19*</td>
<td>5.059</td>
<td>0.000</td>
<td>1.581</td>
</tr>
<tr>
<td>Perception of Democratic Leadership</td>
<td>0.894**</td>
<td>2.495</td>
<td>0.013</td>
<td>1.581</td>
</tr>
<tr>
<td>$F$-statistics</td>
<td>37.256*</td>
<td>$R^2$</td>
<td>0.275</td>
<td></td>
</tr>
<tr>
<td>$P$-value</td>
<td>0.000</td>
<td>Durbin Watson</td>
<td>2.088</td>
<td></td>
</tr>
</tbody>
</table>

*Note.* *Statistical significance at the 1% level, **Statistical significance at the 5% level.

**Conclusion, Implication, and Limitations of the Study**

The purpose of this study was to examine the effect of job satisfaction and perception on the democratic leadership style of the managers on organizational commitment of the employees working in the private banks in Nepal. The literature shows a lack of studies conducted in the Nepalese context to assess the impact of the independent variables on the dependent variables used in this study. The other empirical studies conducted in other settings found the mixed results regarding the effect of the predictor variables used in this study on organizational commitment. Therefore, this study was conducted to examine the impact of job satisfaction and the perceived democratic leadership style of the managers on their organizational commitment. This study used one ordinary least squares regression model to explain the cause-and-effect relationship between a dependent variable (TOC) and independent variables (Job satisfaction and perceived democratic leadership style of the managers). The regression model was statistically significant ($F = 37.256, <.01$) —suggesting that the regression model was best fitted. The regression equation revealed that higher job satisfaction and perception of the democratic leadership style had a significant positive effect on the employees' total organizational commitment working in private in Nepal. This finding can be beneficial to the private banks' decision-makers to formulate an effective human resource policy for improving their retention of human resources. Since high organizational commitment is associated with lower employee turnover and higher employee performance (Princy & Rebeka, 2019; Aladwan et al., 2013; Mubashir & Afifa, 2017), organizational commitment is important because high levels of commitment lead to several favorable organizational outcomes (Karanja, 2017; Irefin, 2014). This study covered only two predictor variables viz. job satisfaction and perceived democratic leadership style of the managers—to show their impact on organizational commitment of the employees of private banks of Nepal; therefore, further...
research needs to be done by incorporating other more relevant personal factors such as; their personalities, motivations, etc., and other organizational factors, such as the size of the organization, working conditions, brand reputation of the organizations, and career development opportunities; in the Nepalese context.

Reference


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