
The Relationship between Employee Satisfaction and Organizational Commitment: Evidence from Insurance Companies in Matale District

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A B S T R A C T

Employee satisfaction is a feeling of fulfilment or enjoyment that a person derives from their job. Organizational commitment refers to the individual's psychological attachment to the organization. Therefore, the aim of this research is to examine the impact of employee satisfaction on organizational commitment in selected insurance companies. The objectives of this research are to explain the relationship between employee satisfaction and organizational commitment and to find out the most significant employee satisfaction dimension which influences organizational commitment. This research relied on a quantitative approach. Furthermore, intrinsic and extrinsic employee satisfaction were used as independent variables, and organizational commitment was considered the dependent variable. Hundred (100) middle-level employees were selected from five insurance companies using the stratified sampling technique and data was collected through a questionnaire. The descriptive, correlation coefficient and regression analysis were used to analyse the data. According to the final result of this research, there is a relationship between job satisfaction and organizational commitment, and between these two variables, there is a positive relationship. Organizational commitment is strongly associated with intrinsic and extrinsic employee satisfaction. Furthermore, gaining recognition from society due to work is the most influencing factor. Simply, most of the insurance companies' employees are committed to the organization.

Keywords: extrinsic satisfaction, employees, intrinsic satisfaction, and organizational commitment

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10th ICME at University of Ruhuna, Sri Lanka
02nd September 2021
ISBN: 978-624-5553-03-7

1. Introduction

The organizational behaviour “OB” explains the settings of an organization and it predominantly contains information on job satisfaction and organizational commitment. The term “employee satisfaction” means how happy the employees feel about their job and the company, based on the gradual evolution of situations and the experiences they have had within the company (Hyun-Woo et al., 2015). As many scholars and experts suggest, the term “Job satisfaction” is frequently being considered and given more attention than before because that is the phenomenon that helps organizations keep the well experienced, honed and competent employees within the company to secure smooth operations (Damiano & Nunzia, 2014; Elizeberth & Zakkariya, 2015). Job satisfaction helps boost the amount of motivation among the workforce; thus, it directly influences and enhances the quality of work and productivity (Aaron et al., 2015) and also this contributes to increased loyalty, commitment, and confidence of the employees towards the organization (Kasim & Ghaffar, 2012). Additionally, it improves and enhances productivity and reduces negative behaviours, such as absenteeism and turnover (Linda & Michael, 2014). Davis and Thomas (2012) saw organizational commitment as a bond created on a psychological level between the employee and the organization to sustain and nourish a healthy relationship between the two. Further studies on job satisfaction have discovered that employee satisfaction comes from both inside and outside of the organization, so this demands more organizational commitment. (Hyun-Woo et al., 2015; Kasim & Ghaffar, 2012). Therefore, the aim of the study is to explain the relationship between employee satisfaction and organization commitment. For this purpose, five insurance companies namely, AIA, Ceylinco, Janashakthi, Union, and Alliance in Matale district were focused on.

1.1. Research problem

Most researchers discover a positive relationship between employee satisfaction and organizational commitment. Angeles and López-Cabarcos (2014) have shown a strong correlation between the two and in fact job satisfaction manipulates organizational commitment. According to Kitchard and Strawser (2001), satisfied employees retain higher loyalty and commitment towards their company. Furthermore, Arthis and Jackson (2000) viewed employee commitment as the length of time an employee remains with an organization. However, some researchers’ studies show a somewhat contradictory (negative) relationship between employee satisfaction and organization commitment (Currivan, 1999; Malik, 2010), and this has resulted in a research gap.

Professionals in the Sri Lankan insurance industry are seeking policies that promote the commitment to the organization in insurance experts. According to the Central Bank report (2019), there is a trend of employee turnover in the insurance sector. The present study focuses on the relationship between organizational commitment and job satisfaction in the insurance sector, in order to see whether employees are satisfied with their jobs or not, and what is the level of organizational commitment of employees. These findings can help the organization to create policies that encourage organizational commitment in insurance sector employees and increase their retention.

1.2. Research questions

RQ1: What is the existing level of employee satisfaction and organizational commitment in employees in insurance companies?

RQ2: What is the relationship between employee satisfaction and organizational commitment in employees in insurance companies?

RQ3: What is the most significant employee satisfaction dimension which influences organizational commitment of employees in insurance companies?

1.3. Research objectives

RO1: To identify the level of employee satisfaction and organizational commitment of employees in insurance companies in the Matale district.

RO2: To explain the relationship between employee satisfaction and organizational commitment in insurance companies in the Matale district.

RO3: To find out the most significant employee satisfaction dimension which influences organizational commitment in insurance companies in the Matale district.

2. Review of the relevant literature

2.1. Employee satisfaction

As mentioned earlier, employee satisfaction is all about how an individual feels about his job. Also according to Newstrom (2007), "Job Satisfaction is a set of favorable or unfavorable feelings and emotions with which employees' view their work". Locke (1976) also stated that job satisfaction is a positive state of mind induced by their job. Employee satisfaction comes from two places: "intrinsic satisfaction and extrinsic satisfaction". Intrinsic satisfaction includes recognition, autonomy, growth, and promotion; whereas extrinsic satisfaction is made up of salary, physical conditions, and the treatment from the superiors and colleagues (Sharma & Jyoti, 2006). It is vital to remember that none of these individual elements alone can create job satisfaction, instead, all of them need to exist together to bring employee satisfaction. According to Herzberg (1966), the absence of these factors is not entirely damaging or dissatisfying but having them present will definitely create a strong motivational force.

2.2. Organizational commitment

Table 1: Three Dimensions of Organizational Commitment with Descriptions

Dimensions	Descriptions
Affective Commitment	The employee's emotional attachment to the organization. As a result, he or she strongly identifies with the goals of the organization and desires to remain a part of the organization. Employees with a strong affective commitment will remain in the organization because they want to.
Continuance Commitment	The individual commits to the organization because he/she perceives high costs of losing organizational membership including economic losses and social costs.
Normative Commitment	The individual commits to and remains with an organization because of feelings of obligation. For instance, the organization may have invested resources in training an employee who then feels an obligation to put forth effort on the job and stay with the organization to repay the debt.

Experts define organizational commitment as some sort of psychological bond or attachment that exists between an individual and the organization, which is a significant part of organizational behavior. The bottom line of most of these studies is to find a way to help develop and improve the way the employees feel about their job and the company so that they will be more committed to their job and the company. The literature describes three types of organizational commitments: affective commitment, continuance commitment, and normative commitment.

2.3. Relationship between employee satisfaction an organizational commitment

According to several studies, the ability of managers to provide the employees with what they need to do their jobs accordingly plays a significant role in organization commitment (Caroline et al., 2015; Hyenjin et al., 2012). According to several studies conducted recently, it's believed that the way the administrator of an organization provides intrinsic satisfaction massively impacts the organizational commitment (Elizerberth & Zakkariya, 2015; Ali & William, 2014). Studies carried out to examine extrinsic satisfaction and organizational commitment discovered that the way an administrator provides work support and an appropriate environment to the employees results in extrinsic satisfaction, which improved employee commitment to the organization considerably.

Although most researchers have found a positive relationship between employee satisfaction and organizational commitment, there is also a negative relationship between them according to Currivan and Malik. Furthermore, there has been another research carried out among some primary school teachers in Malasia, the findings of which were somewhat contradictory because they suggested that there was no relationship between employee satisfaction and organizational commitment (Kang-Lin, 2008). These contradictory arguments have created a research gap.

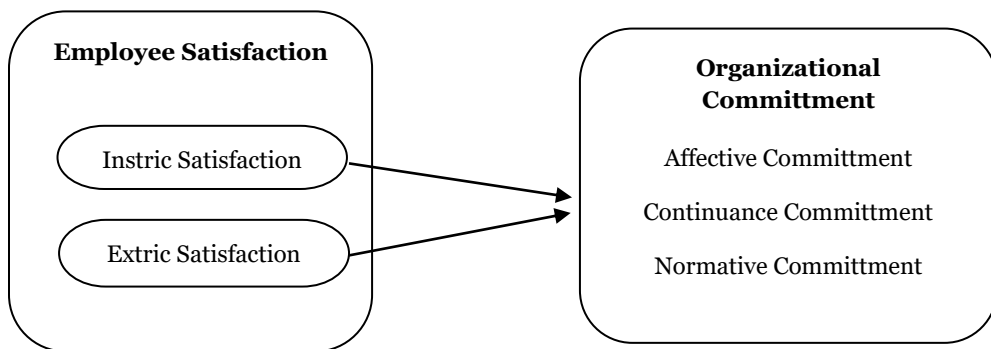


Figure 1: Conceptual Framework

2.4. Hypothesis

H₀: There is no relationship between intrinsic satisfaction and organizational commitment

H₁: There is a relationship between intrinsic satisfaction and organizational commitment

H0: There is no relationship between extrinsic satisfaction and organizational commitment

H2: There is a relationship between extrinsic satisfaction and organizational commitment

3. Methodology

3.1. Research sample

The population that belongs to this research is insurance sector employees in the Matale district. Employees of five insurance companies in the Matale district are included in the population. Five insurance companies including AIA, Janashakthi, Union, Ceylinco, and Alliance were selected as samples, based on engagement with more consumers, high performance, strong trust of customers, and high competition among them. One hundred insurance sector employees were selected through a stratified sampling method as it is impossible to reach the 925 (total employees of five insurance companies) employees in the Matale district.

Table 2: Sample Size

Insurance Companies	Population	Sample	Method
AIA	166	19	$(175/925) \times 100 = 18.9$
Janashakthi	170	18	$(170/925) \times 100 = 18.3$
Union	182	19	$(180/925) \times 100 = 19.4$
Alliance	220	24	$(220/925) \times 100 = 23.7$
Ceylinco	182	20	$(180/925) \times 100 = 19.4$
Total Employees	925	100	

3.2. Data collection

The methodology of the study is mainly based on the primary data. In order to conduct the research, primary data was used to measure both employee satisfaction and organizational commitment. Primary data was collected through self-administered questionnaires among the insurance sector employees. The researcher developed a questionnaire based on literature. The questionnaire was developed in order to disclose key indicators related to independent and dependent variables to achieve research objectives. The self-administered questions consisted of three parts. Part A consisted of questions regarding demographic variables, Part B consisted of 23 questions regarding employee satisfaction, and Part C consisted of 18 questions regarding organizational commitment. A five-point Likert scale has been used for both part B and part C.

Secondary data was mainly collected in two ways. Internal secondary data was collected from sources, such as insurance companies' annual reports and other internal reports. External secondary data was gathered from different sources, such as Central bank annual reports and the internet.

3.3. Method of data analysis

To extend the objectives of the research, primary data was analyzed by using descriptive statistical techniques, correlation coefficients analysis, and regression analysis.

3.3.1. Descriptive analysis and correlation coefficient analysis

It was helpful to analyze the current situation of selected dimensions. This analysis assists to achieve the first objective of this research which is analyzing the existing level of employee satisfaction and organizational commitment of the selected insurance company employees.

Whether two intervals or variables have positive relationships or negative relationships can be identified by using correlation coefficient analysis. Karl Pearson's coefficient of correlation was used in the research study to identify the relationships between independent and dependent variables.

3.3.2. Regression analysis

Regression analysis is a statistical process for examining the relationships among variables. It includes many techniques for modeling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variables. They can also be used to predict actual outcomes.

$$\text{Regression Model } OC = \beta_0 + \beta_1 I + \beta_2 E + \epsilon$$

4. Results and discussion

4.1. Descriptive analysis

Table 3: Mean and Standard Deviation of Independent Variables

Variables	Mean	Standard Deviation
Intrinsic satisfaction	4.12	0.356
Achievement	3.82	0.691
Recognition	4.27	0.517
Responsibilities	4.02	0.497
Advancement	4.35	0.501
Extrinsic satisfaction	4.08	0.304
Supervision	3.95	0.486
Work Conditions	4.27	0.517
Co-workers	3.75	0.594
Pay	4.14	0.599
Job security	4.32	0.470

Source: Survey Data

Table 3 shows that the mean value of the overall intrinsic satisfaction in the insurance sector is 4.12. It implies that almost all the employees of the five insurance companies agreed with the existing intrinsic satisfaction since the mean value of intrinsic satisfaction is greater than 3.5. The mean value and standard deviation of overall intrinsic satisfaction of insurance companies are 4.12 and 0.356 respectively. This shows intrinsic satisfaction has low dispersion or variation from the mean.

The next main factor or variable is extrinsic satisfaction. The mean value of extrinsic satisfaction in insurance companies is 4.08. It implies that almost all the employees of the five insurance companies agreed with the existing level of extrinsic satisfaction since the mean value of extrinsic satisfaction is greater than 3.5. The standard deviation of overall extrinsic satisfaction was 0.304. This indicates extrinsic satisfaction has low dispersion or variation from the mean.

Table 4: Mean and Standard Deviation of Dependent Variables

Variables	Mean	Standard Deviation
Organizational Commitment	4.09	0.323
Affective Commitment	4.31	0.436
Continuance Commitment	3.93	0.533
Normative Commitment	4.04	0.444

Source: Survey Data

The majority of the employees had the same opinion which is reflected by the mean of 3.83. Further, the lower standard deviation emphasizes that response for overall organizational commitment is not widely dispersed from its mean.

4.2. Correlation coefficient analysis

According to table V, the correlation between the independent variable, intrinsic employee satisfaction and the dependent variable (organizational commitment) is 0.845, which implies that there is a strong positive linear relationship between intrinsic employee satisfaction and organizational commitment. Furthermore, the *P*-value is 0.000 which emphasizes that there is a significant positive relationship between intrinsic employee satisfaction and organizational commitment in insurance companies. The positive relationship illustrated the increment of the level of intrinsic employee satisfaction guides to increase the organizational commitment.

Table 5: Correlation between Employee Satisfaction and Organizational Commitment

Variables	Pearson Correlation	<i>P</i>-value
Intrinsic satisfaction	0.845	0.000
Achievement	0.483	0.002
Recognition	0.573	0.000
Responsibilities	0.674	0.023
Advancement	0.477	0.004
Extrinsic satisfaction	0.561	0.000
Supervision	0.745	0.000
Work Conditions	0.573	0.000
Co-workers	0.252	0.039
Pay	0.443	0.001
Job security	0.249	0.041

Source: Survey Data

4.3. Regression Analysis

Regression is used to find out the impact of one variable on another variable, and here we find out the impact of job satisfaction on organizational commitment.

Table 6: Model Summary of Multiple Linear Regression Analysis

Figure	Value
R	0.875
R Square	0.765
Adjusted R Square	0.755
Standard Error of Estimate	0.21735

Source: Survey Data

R-value was 0.875, which represents the correlation of the insurance sector. They indicate a high degree of correlation. The R^2 value of the coefficient of determination indicates how much of the organizational commitment can be explained by employee satisfaction. In this case, R^2 of the insurance sector obtained 0.765. It suggests that 76.5% of the variation in organizational commitment is explained by employee satisfaction. Therefore, it can be identified that there is 23.5% of unexplained variation in this model. However, 0.765 is substantially high and it is significant.

Adjusted R^2 represents the modification of R^2 that is adjusted for the number of explanatory in a model. The adjusted R^2 value was 0.755. When considering the standard error of the estimate, it shows the standard deviation of the sampling distribution. The value of the standard error is 0.21735 and it implies that the model is well fitted.

Table 7: Multiple Linear Regression Analysis of Employee Satisfaction and Organizational Commitment

Predictor	β Coefficients	Standard Error	P-Value
Constant	0.603	0.300	0.050
Intrinsic	0.178	0.069	0.014
Extrinsic	0.688	0.068	0.000

Source: Survey Data

As presented in Table 7, in the case of the intrinsic dimension, the β coefficient is 0.178, which means that when intrinsic satisfaction increases by one unit while other variables remain constant, organizational commitment increases by 0.178 units. Furthermore, it is significant to the model since the P -value of 0.014 is less than 0.05 level of significance. Therefore, the null hypothesis is rejected and alternative hypothesis H1 is accepted. Therefore, there is a significant relationship between intrinsic ES and OC. When extrinsic satisfaction increases by one unit and the other variables remain the same, organizational commitment increases by 0.688. Since the P -value of 0.000 is less than 0.05 level of significance, the extrinsic predictor is significant. Therefore, the null hypothesis Ho is rejected and alternative hypothesis H2 is accepted. Hence, there is a significant relationship between extrinsic ES and OC.

$$OC = 0.603 + 0.178 \text{ IES} + 0.688 \text{ EES}$$

According to mean and standard deviations obtained from descriptive statistics, insurance sector employees are in agreement with the existing situation of employee satisfaction in the Matala district. When considering the existing situation of organizational commitment of employees in the Matala district, employees have almost agreed with organizational commitment. The Pearson correlation for overall intrinsic satisfaction is

0.845, and also the *P*-value 0.000 is less than 0.05 of significant value. So, there is a strong positive relationship between intrinsic satisfaction and organizational commitment. The Pearson correlation for overall extrinsic satisfaction is 0.561 and also the *P*-value 0.000 is less than 0.05 of significant value. So, there is a strong positive relationship between extrinsic satisfaction and organizational commitment.

There is a positive relationship between employee satisfaction and organizational commitment. It can be seen that both the constant and employee satisfaction contribute significantly to the model since the *P*-value of 0.000 is less than 0.05 level of significance. Insurance companies have a positive relationship with organizational commitment. In this case, also there is a positive relationship between employee satisfaction and organizational commitment. This result has been backed by the studies conducted by Ebru et al., (2010), Bael-Kyoo and Joo (2010), Ahmad et al., (2012), and Dev et al., (2011)

5. Conclusion

The aim of this study was to examine the relationship between employee satisfaction and organizational commitment of insurance companies in the district of Matale. In the process, the prevailing state of employee satisfaction and organizational commitment were examined. Employees are satisfied and happily committed to their organization. Generally, there is a positive and healthy bond between employee satisfaction and organizational commitment. Simply, when employees are properly recognized and given enough respect for what they do for the organization, they are naturally committed to work loyally and efficiently ensuring a much smoother and successful operation for the organization.

In terms of theoretical contribution, the findings of this study have brought many insights to understand the intrinsic and extrinsic satisfaction in fortifying the employee commitment of the organization. In addition, the results of this study have contributed to further job satisfaction research literature, mainly in Asia. Therefore, intrinsic satisfaction and extrinsic satisfaction are key elements of the job satisfaction domain. This study also suggests that the capability of administrators to provide the employees with job satisfaction promotes, positive employee outcomes, such as increased productivity, performance, and commitment. These outcomes will help further develop and improve the organization's operations. Training material and strategies should be modified by focusing on improving administrators' creativity and skills. This will instantly result in better performance, respect, an upgraded workforce, more opportunities to reach career goals, new problem-solving strategies, etc.

Perhaps further research could be done better if the researchers take into consideration the following suggestions: mediating and moderating variables influencing the relationship between independent and dependent variables. Therefore, it is advisable to introduce mediating or moderating variables into the present model, as well as using larger samples or representing the population to minimize biases. Furthermore, the employee satisfaction model will broaden its range if it integrates security, compensation, job-related stress, and job meaning dimensions. In addition, future studies can also examine the proposed relationships in other sectors and also other areas in Sri Lanka.

The study has some limitations. the study was limited to only 5 companies and only 100 individuals were interviewed due to time constraints which was a relatively small endeavor. Also, the employees in this field of work are always quite busy therefore engaging

with them was not a very easy task. For these reasons the data collected for this research maybe not entirely accurate for the results generated.

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