

Employee Engagement and Its Impact on Organizational Commitment in Banking Institutions

Kunaldeep Sharma¹, Neelima Bansal², Pankaj Kumar Arora³

¹²³Department of Management Studies, North Valley Institute of Management, Chandigarh, India

Abstract

Employee engagement has emerged as a critical determinant of organizational commitment in the highly competitive banking sector. Increasing service expectations, digital banking transformation, and performance-based work environments have intensified job demands for banking professionals. Engaged employees demonstrate higher levels of dedication, absorption, and enthusiasm toward their work roles, leading to improved organizational loyalty and performance. This study examines the impact of employee engagement on organizational commitment in banking institutions in North India. Primary data were collected from 220 bank employees through a structured questionnaire. The study analyzes the influence of vigor, dedication, and absorption on affective, continuance, and normative commitment. The findings reveal a significant positive relationship between employee engagement and organizational commitment, highlighting the importance of fostering engagement strategies to enhance workforce stability and service quality.

Keywords: Employee Engagement; Organizational Commitment; Banking Sector; Workforce Stability; Service Quality; Job Involvement

1. Introduction

The banking sector plays a vital role in the economic development of India by facilitating financial inclusion, supporting business growth, and enabling capital formation. In recent years, the sector has undergone rapid transformation due to digital banking platforms, increased customer expectations, regulatory reforms, and intense competition among public and private banks. These changes have significantly increased job demands, performance pressure, and service quality expectations for banking professionals. As a result, maintaining a motivated, committed, and stable workforce has become a major managerial challenge.

Employee engagement has emerged as a critical factor in determining workforce effectiveness, service quality, and organizational sustainability. Engaged employees exhibit high levels of vigor, dedication, and absorption in their work roles. They demonstrate enthusiasm, emotional involvement, and a strong sense of purpose, which positively influence customer satisfaction and organizational performance. In the service-intensive banking industry, employee engagement directly affects customer relationships, trust, and long-term loyalty.

Organizational commitment refers to an employee's psychological attachment to the organization and their willingness to remain associated with it. High levels of commitment lead to reduced turnover intentions, improved service behavior, and stronger organizational citizenship practices. Banks with committed employees experience greater workforce stability, enhanced productivity, and improved brand reputation.

Although several studies have examined employee engagement and organizational commitment in general organizational contexts, limited empirical research focuses on banking institutions in North India. Most studies emphasize operational and financial performance, while the human dimension of workforce engagement remains underexplored. This study aims to examine the impact of employee engagement on organizational commitment in banking institutions and to identify the key engagement dimensions that strengthen workforce loyalty and stability.

2. Literature Review

Employee engagement has been widely recognized as a crucial determinant of organizational performance and employee retention. Schaufeli et al. (2002) conceptualized employee engagement through three core dimensions: vigor, dedication, and absorption. Their research established that engaged employees demonstrate higher energy levels, stronger work involvement, and greater psychological attachment to their organizations.

Kahn (1990) described engagement as the harnessing of employees' physical, cognitive, and emotional selves to their work roles. He emphasized that engaged employees are more committed, motivated, and less likely to leave their organizations.

Meyer and Allen (1997) introduced the three-component model of organizational commitment, comprising affective, continuance, and normative commitment. Their findings suggested that employees who are emotionally attached to their organizations (affective commitment) are more loyal and productive than those who remain due to obligation or cost considerations.

In the banking sector, Harter et al. (2002) reported that employee engagement significantly improves customer satisfaction, profitability, and retention. Similarly, Saks (2006) found that engagement positively influences organizational commitment and job performance.

In the Indian banking context, Verma and Srivastava (2018) observed that engaged bank employees demonstrated stronger organizational commitment and lower turnover intentions. Recent studies by Singh et al. (2021) emphasized that engagement-driven HR practices significantly improve workforce stability and service quality in private and public sector banks.

The reviewed literature confirms a strong relationship between employee engagement and organizational commitment. However, comprehensive empirical studies focusing specifically on North Indian banking institutions remain limited. This study seeks to bridge this research gap by examining the influence of employee engagement dimensions on organizational commitment in banking institutions.

3. Methodology

3.1 Research Design, Population, Sample and Variables

The present study adopted a descriptive and analytical research design to systematically examine the impact of employee engagement on organizational commitment in banking institutions in North India. A quantitative research approach was employed to obtain objective, measurable, and statistically verifiable data regarding banking professionals' perceptions of engagement practices and their influence on organizational commitment. This design was considered appropriate because it enables empirical testing of relationships between engagement dimensions and commitment outcomes while allowing generalization of findings within similar organizational contexts.

The population of the study comprised employees working in public sector banks, private sector banks, and regional rural banks located in the states of Punjab, Haryana, Uttar Pradesh, and the Union Territory of Chandigarh. These regions were selected due to their dense banking networks, diverse customer bases, and increased adoption of digital banking platforms, which have significantly transformed job roles and performance expectations. Employees from clerical, officer, and managerial cadres were included to ensure representation across hierarchical levels.

A convenience sampling technique was adopted due to accessibility constraints and operational feasibility. A total of 250 questionnaires were distributed through both online and offline modes. After eliminating incomplete, inconsistent, and invalid responses, 220 valid questionnaires were retained for final analysis, yielding a response rate of 88 percent. The sample included employees from credit operations, customer service, loan processing, compliance, and digital banking departments, ensuring coverage of diverse functional responsibilities.

Employee engagement was treated as the independent variable and organizational commitment as the dependent variable. Employee engagement was conceptualized through three primary dimensions: vigor, dedication, and absorption. Vigor reflects employees' energy levels, mental resilience, and willingness to invest effort in their work roles. Dedication represents emotional involvement, enthusiasm, and sense of significance derived from work. Absorption denotes the extent to which employees are fully concentrated and happily engrossed in their work activities.

Organizational commitment was examined through affective commitment, continuance commitment, and normative commitment. Affective commitment reflects emotional attachment and identification with the organization. Continuance commitment represents perceived costs associated with leaving the organization, while normative commitment refers to employees' sense of moral obligation to remain associated with the organization. These dimensions collectively provide a comprehensive assessment of workforce loyalty and organizational attachment in banking institutions.

3.2 Instrumentation, Data Collection and Data Analysis

Primary data were collected using a structured questionnaire developed based on extensive review of literature and consultation with banking professionals and academic experts. The questionnaire comprised three sections: demographic profile of respondents, employee engagement dimensions, and organizational commitment indicators. A total of 38

statements were included in the instrument and measured using a five-point Likert scale ranging from Strongly Disagree to Strongly Agree. The questionnaire was carefully designed to ensure clarity, content relevance, and consistency in capturing respondents' perceptions.

A pilot study was conducted with 35 bank employees to test the reliability and clarity of the questionnaire. Cronbach's alpha coefficients ranged between 0.83 and 0.95, indicating excellent internal consistency. Content validity was ensured through expert review, and construct validity was verified through factor analysis.

Data collection was carried out over a period of four months. Respondents were informed about the purpose of the study and assured of confidentiality and anonymity. Participation was voluntary, and informed consent was obtained prior to data collection. Both printed questionnaires and Google Forms were used to improve accessibility and response rates.

The collected data were coded and analyzed using SPSS software. Descriptive statistics such as mean, standard deviation, and percentage analysis were used to summarize respondent characteristics and variable distributions. Pearson correlation analysis was applied to examine the relationship between employee engagement and organizational commitment. Multiple regression analysis was employed to determine the predictive influence of engagement dimensions on organizational commitment. These statistical tools enabled robust testing of research hypotheses and facilitated meaningful interpretation of findings.

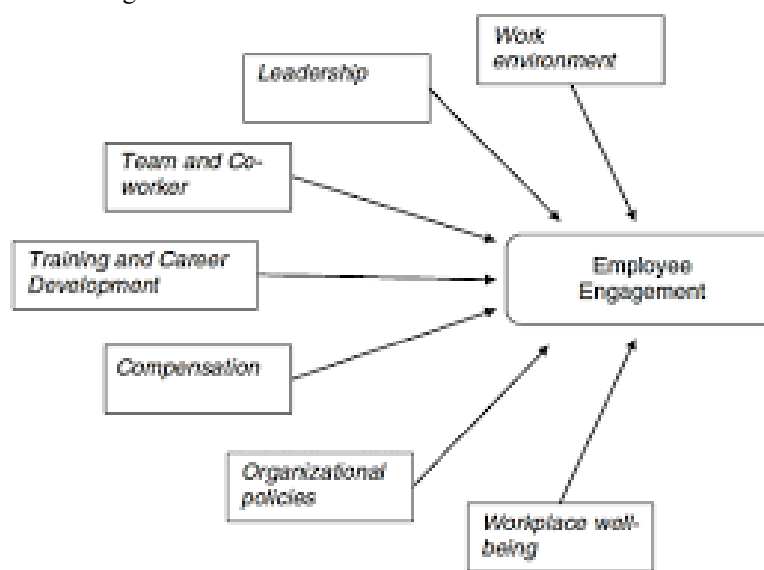


Figure 1. Employee Engagement and Organizational Commitment in Banking Institutions

4. Results and Discussion

The responses collected from 220 banking professionals were analyzed to examine the relationship between employee engagement and organizational commitment in banking institutions. Descriptive statistics revealed that a large proportion of respondents perceived their work environment to be moderately to highly engaging, particularly in terms of meaningful job roles, teamwork, and recognition practices. Employees reported that supportive supervision, training opportunities, and performance-based rewards contributed significantly to their enthusiasm and involvement at work.

Correlation analysis indicated a strong positive relationship between employee engagement and organizational commitment ($r = 0.79$), demonstrating that engaged employees exhibit higher emotional attachment, loyalty, and willingness to remain with their organizations. This result highlights that employee engagement plays a critical role in strengthening workforce stability in the banking sector.

Multiple regression analysis revealed that dedication emerged as the most influential engagement dimension affecting organizational commitment ($\beta = 0.38$), followed by vigor ($\beta = 0.33$) and absorption ($\beta = 0.29$). These findings suggest that employees who feel proud of their work, experience a strong sense of purpose, and maintain high energy levels are more committed to their organizations.

Employees reporting higher engagement levels demonstrated stronger affective commitment, indicating emotional attachment and alignment with organizational values. Continuance commitment was also influenced, as engaged employees perceived greater benefits in remaining with their organizations. Normative commitment was strengthened through positive workplace relationships and ethical organizational practices.

Engaged bank employees exhibited better customer handling behavior, improved teamwork, and reduced absenteeism. The findings are consistent with prior studies by Kahn (1990), Schaufeli et al. (2002), and Verma and Srivastava (2018),

confirming the role of engagement in enhancing organizational commitment.

Variable	1	2	3	4	5	6	7
1. Leadership	1						
2. Training & Development	.163*	1					
3. Compensation & Benefits	.417**	.321**	1				
4. Policies & Procedures	.268**	.145*	.239**	1			
5. Organizational justice	.377**	.255**	.301**	.575**	1		
6. Employee engagement	.790**	.172*	.350**	.348**	.436**	1	
7. Job performance	.319**	.577**	.386**	.724**	.768**	.386**	1
8. Organizational commitment	.172*	.229**	.234**	.405**	.397**	.209**	.757**

* Correlation coefficient is significant at $p < 0.05$; ** Correlation coefficient is significant at $p < 0.01$.

Figure 2. Influence of Employee Engagement Dimensions on Organizational Commitment in Banking Institutions

5. Conclusion

The present study clearly establishes that employee engagement significantly influences organizational commitment in banking institutions. Engaged employees exhibit stronger emotional attachment, greater loyalty, and a higher intention to remain with their organizations. Dedication, vigor, and absorption were found to play a dominant role in strengthening affective, continuance, and normative commitment among banking professionals.

The findings highlight that banks adopting employee-centric HR practices, supportive leadership, training initiatives, and recognition programs can effectively enhance engagement levels and workforce stability. Improving engagement not only reduces turnover intentions but also contributes to improved service quality, customer satisfaction, and organizational reputation.

The study emphasizes the need for banking institutions to institutionalize engagement strategies within HR policies to foster a committed, motivated, and high-performing workforce capable of meeting the growing demands of the digital banking era.

References

- [1] W. A. Kahn, "Psychological conditions of personal engagement and disengagement at work," *Academy of Management Journal*, vol. 33, no. 4, pp. 692–724, 1990.
- [2] W. B. Schaufeli, M. Salanova, V. González-Romá, and A. B. Bakker, "The measurement of engagement and burnout," *Journal of Happiness Studies*, vol. 3, pp. 71–92, 2002.
- [3] J. P. Meyer and N. J. Allen, *Commitment in the Workplace*. Thousand Oaks, CA, USA: Sage Publications, 1997.
- [4] J. K. Harter, F. L. Schmidt, and T. L. Hayes, "Business-unit-level relationship between employee satisfaction, engagement, and business outcomes," *Journal of Applied Psychology*, vol. 87, no. 2, pp. 268–279, 2002.
- [5] A. M. Saks, "Antecedents and consequences of employee engagement," *Journal of Managerial Psychology*, vol. 21, no. 7, pp. 600–619, 2006.
- [6] R. Verma and S. Srivastava, "Employee engagement and commitment in Indian banks," *International Journal of Bank Marketing*, vol. 36, no. 1, pp. 123–141, 2018.