MEASURING IMPACT OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR ON FIRM PERFORMANCE IN INDIAN BANKING INDUSTRY: AN EMPIRICAL ANALYSIS

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ABSTRACT

Purpose – The purpose of this paper is to investigate the associations between OCB and firm performance of firms along with study of some prominent antecedents of OCB.

Design/methodology/approach – Data collected through questionnaire containing standard measures of the key variables was completed by a sample of 205 employees. Multiple regression analysis was conducted to test the proposed hypotheses.

Findings – OCB was found to be significantly related to firm’s performance. Positive impact was found on OCB due to job satisfaction, organizational Justice, organizational commitment and leadership competency.

Practical implications – Practising managers should pay more attention to OCB as it leads to improved firm performance, also they should work on to positively use the antecedents of OCB i.e. job satisfaction, organizational Justice, organizational commitment and especially leadership competency trait of employees.

Keywords - Job satisfaction, Organizational commitment, OCB, organizational Justice. Firm performance, Leadership competency, banking sector

INTRODUCTION

Banking sector constitutes one of the largest sector of India and World. Indian banking sector plays an important role in not only shaping but also maintaining the economy of a country. It provides employment to a large number of employees. With the increasing competition there has been a great deal of change in the way employees perceive their work and also in the way they work. One of the biggest issues is the inability of the companies to keep the employees engaged.

There are several components that affect an employee’s behavior & attitudes towards work. When considering an employee’s performance, Job satisfaction is one of the most important factors in order to have improved performance that leads to better organizational performance. It is necessary for the organization to adopt all the antecedents that may eventually make the employee feel satisfied and engaged to their duties.

Job satisfaction and organizational commitment are one of the most important attitudes and their positive consequences have also remained the subject of research for many. Also many researches...
have proved that the productivity or the performance of the organization is directly proportional to the productivity/ performance of the employees. Despite the fact there has been considerably less research to evaluate the behavior of the banking workforce especially in terms of the Organizational Citizenship Behaviour its impact on the financial performance of banks.

I. LITERATURE REVIEW

Organisational citizenship behaviour (OCB)

According to Organ (1988), OCB is defined as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization". The concept was introduced by Bateman & Organ in 1980s and further studies by a number of researchers such as Podsakoff and Mackenzie (1993), Jahangir et al., (2004); Khalid and Ali (2005). Organizational Citizenship Behaviours are extra role behaviours that are beneficial to the organization. Organ (1988), defines OCB as “individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes effective functioning of the organization. Organ, stated that OCB can maximize the efficiency and productivity of employees as well as the organization. (Alizadeh,2012). According to Organ (1988), OCB is defined as work-related behaviours that are discretionary, not related to the formal organisational reward system, and, in aggregate, promote the effective functioning of the organisation. Organ (1988) identified five distinct dimensions of OCB: Altruism (helping specific others); civic virtue (keeping up with important matters within the organisation); conscientiousness (compliance with norms); courtesy (consulting others before taking action); and sportsmanship (not complaining about trivial matters). However, Organ (1997) further classified the OCB dimensions into three parts: helping, courtesy, and conscientiousness.

Citizenship Behaviours Directed Towards The Organisation (OCBO)

Organ and Ryan (1995) identified several antecedents of OCB (i.e., job satisfaction and organizational commitment), whereas some other studies pointed to leadership trait (Niehoff & Moorman, 1993; Schnake, Cochran, & Dumler, 1995). Smith (1983) and Bateman and Organ (1983) conducted the first research on the antecedents of Organizational Citizenship Behavior, finding job satisfaction to be the best predictor. Job satisfaction is still among the leading predictors of OCB. Keeping this in consideration, job satisfaction is taken as one of the predictor in our study. Considering the importance of these variables we have also taken organizational commitment a leadership behavior as our antecedents along with job satisfaction. Barnard (1938) also associated the organizational performance with employee’s willingness to effectively contribute and cooperate towards the goals of the organization. According to (Meyer & Allen, 1991; Meyer, Stanley, Hersovitch, & Topolnisky, 2002) Affective job commitment is a strong predictor of OCB. Guven Ozdem (2012) in his study on the secondary school teachers has also found that there exists a significant and positive relationship between organizational Commitment and organizational Citizenship Behavior. Khaled Nawaser, Moein Ahmadi, Yousef Ahmadi & Maliheh Dorostkar (2015) investigated and found...
positive relationship between OCB and profitability in banks.

II. RESEARCH GAP

As per the literature review, it was found that there has been lesser studies to analyze the impact of OCB on the financial performance of Banks. This study was done with the aim to evaluate and find out the outcomes associated with OCB. The study aimed at finding out the effect of various factors such as job satisfaction, organizational justice, leader’s behavior, organizational structure on OCB and the impact of OCB on financial performance of Banks. The study seeks to answer whether any relationship exists between the tested variables.

Research Model

Figure 1: Research Model

The study entails extensive research to know the impact of job satisfaction, organizational justice, leader’s behavior, organizational structure on the OCB and the impact of OCB on financial performance i.e profitability of Banks. The research is done to test the proposed Research Model with the use to various statistical tools

III. RESEARCH OBJECTIVES

III. The research objectives were to know the impact of the below mentioned variables in the context of Indian banking industry:

- Job satisfaction on OCB
- Organizational Justice on OCB
- Leadership competency on OCB
- Organizational Commitment on OCB
- OCB on financial performance

IV. HYPOTHESES

- H1: There is significant impact of leadership competency on OCB in Indian banking industry.
- H2: There is significant impact of Organizational Justice on OCB in Indian banking industry.
- H3: There is significant impact of job satisfaction competency on OCB in Indian banking industry.
- H4: There is significant impact of Organizational Commitment on OCB in Indian banking industry.
- H5: There is significant impact of OCB on financial performance in Indian banking industry.

IV. RESEARCH METHODOLOGY

I. TYPE OF STUDY

‘Measuring Impact of Organizational Citizenship Behavior on Firm Performance in Indian Banking industry: An Empirical Analysis’ is empirical in nature.

II. SAMPLING AND DATA COLLECTION

Random Sampling was used to collect data. 225 questionnaires were distributed among 22 employees of Banks in India and 205 questionnaires were returned, for a response rate of 86.67%.

III. MEASURES

Section A of the questionnaire is about respondent’s demographic information (gender,
age, education level, length of service and position) whereby, Section B contains independent variables: leadership competency, Organizational justice, Job satisfaction, and Organization Commitment and the dependent variable OCB and firm performance were tested respectively. Table 1 summarizes the origin source of measurement for this study, and number of items constructed for this research.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Adopted From</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Competency</td>
<td>Bosch &amp; Cardona, (2010)</td>
<td>8</td>
</tr>
<tr>
<td>Organizational Justice</td>
<td>Niehoff and Moorman (1993)</td>
<td>14</td>
</tr>
<tr>
<td>Organization Commitment</td>
<td>Porter et al. (1974)</td>
<td>8</td>
</tr>
<tr>
<td>Organizational Citizenship Behavior (OCB)</td>
<td>Podsakoff and MacKenzie (1994)</td>
<td>19</td>
</tr>
<tr>
<td>Firm Performance</td>
<td>Financial Statement of Banking Industry (Earnings)</td>
<td>33 Banks</td>
</tr>
</tbody>
</table>

Table 1: The Origin Source of Measurement

V. RESULTS AND DISCUSSION

The data has been coded and analyzed using SPSS (Statistical Package for Social Science).

Reliability Analysis

Table 2: Internal Reliability Test

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Cronbach’s Alpha Coefficient</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>.810</td>
<td>15</td>
</tr>
<tr>
<td>Organizational</td>
<td>.810</td>
<td>14</td>
</tr>
</tbody>
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<td>.810</td>
<td>14</td>
</tr>
</tbody>
</table>

The internal reliabilities of all the measures were above 0.8, meeting the minimum threshold which indicated that all the items in each measure were internally consistent and are considered acceptable and reliable.

INFERENTIAL ANALYSIS

Table 3: Multiple Regression Analysis

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>.819</td>
<td>.671</td>
<td>.665</td>
<td>.38750</td>
</tr>
</tbody>
</table>

Predictors: (Constant), Organizational Commitment, Organization justice, Leadership Competency, Job Satisfaction

Table 3 is the model summary of multiple regression. The R value (correlation coefficient) between OCB and three independent variables is 0.819. Since the R value is a positive value, it shows that there is a positive and high correlation...
between dependent variable (OCB) and four independent variables (Job Satisfaction, Organizational justice, leadership competency and organizational commitment). Meanwhile R square (coefficient of determination) is equal to 0.671, which is less than one. R square indicates that approximately 66.5% of the variation in OCB (DV) could be explained by three independent variables. Analyzing of variance (ANOVA) is used to test whether there is a significant linear relationship between OCB (DV) and all the independent variables (Job Satisfaction, Organizational justice, leadership competency and organizational commitment).

**Table 4: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>61.311</td>
<td>4</td>
<td>15.328</td>
<td>102.077</td>
<td>.000(^a)</td>
</tr>
<tr>
<td>1 Residual</td>
<td>30.032</td>
<td>200</td>
<td>.150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>91.343</td>
<td>204</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Organizational Citizenship Behavior

b. Predictors:(Constant), Organizational Commitment, Organizational justice, Leadership Competency Job Satisfaction,

<table>
<thead>
<tr>
<th>Coefficients(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Job Satisfaction</td>
</tr>
<tr>
<td>Organizational Justice</td>
</tr>
<tr>
<td>Leadership Competency</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Organizational Citizenship Behavior

Table 4 ANOVA shows that p-value is 0.000, which is less than alpha value 0.05. In other words, the F –statistic is significant. Coefficient of multiple regressions is another important analysis to explain the relationship between three independent variables (Job Satisfaction, Organizational Justice, leadership competency and organizational commitment). Based on the significance level (Sig) column in table 3, the p-value for each independent variable are less than 0.05. Therefore, the independent variables (Job Satisfaction, Organizational Justice, leadership competency and organizational commitment) are significant in explaining the variance in OCB.

**Table 5**

| Organization Commitment | .15 | .058 | .190 | 2.56 | .011 |

Based on the significance level (Sig) column in table 3, the p-value for each independent variable are less than 0.05. Therefore, the independent variables (Job Satisfaction, Organizational Justice, leadership competency and organizational commitment) are significant in explaining the variance in OCB.

Table 5 is the model summary of multiple regression. The R value (correlation coefficient) between firm performance and OCB is 0.990. Since the R value is a positive value, it shows that there is a positive and high correlation between dependent variable (firm performance) and independent variable (OCB). Meanwhile R square (coefficient of determination) is equal to 0.979, which is less than one. Since R square indicates the extent to which the independent variable can explain the variation in the dependent variable, it indicates that approximately 97.9% of the variation...
in firm performance (DV) could be explained by OCB. Analyzing of variance (ANOVA) is used to test whether there is a significant linear relationship between firm performance (DV) and OCB.

Table 6

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.990(^a)</td>
<td>.979</td>
<td>.979</td>
<td>.01721</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PROFIT

ANOVA\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.433</td>
<td>1</td>
<td>.433</td>
<td>1462.715</td>
<td>.000(^b)</td>
</tr>
<tr>
<td>Residual</td>
<td>.009</td>
<td>31</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.443</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), organizational citizenship behavior

Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.047</td>
<td>.013</td>
<td></td>
</tr>
<tr>
<td>PROFIT</td>
<td>.138</td>
<td>.004</td>
<td>.990</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm Performance (Profit)
b. Predictors: (Constant), organizational citizenship behavior

Table 6 ANOVA shows that p-value is 0.000, which is less than alpha value 0.05. Therefore, the independent variable (OCB) is significant in explaining the variance in firm performance. Based on the significance level (Sig) column in table 5, the p-value for each independent variable are less than 0.05. This indicates that OCB is significant in explaining the variation in firm performance. This model also examines which of the independent variables will influence most towards the dependent variable (OCB). Based on the result obtained, Job satisfaction makes the strongest unique contribution (\(\beta=0.441\)) to organizational citizenship behavior, followed by Organizational commitment (\(\beta=0.241\)) and leadership competency (\(\beta=0.128\)). The p value for Job Satisfaction, leadership competency and organizational commitment is significant so H1, H2, H3 and H4 are accepted. And in case of H5 there is significant impact of OCB on Firm performance in Indian banking industry. The results clearly indicate that all four factors of the study: Job Satisfaction, leadership competency and organizational commitment and organizational justice have positive effect on OCB and OCB results in improved profitability of the Banks.

VI. SCOPE FOR FUTURE RESEARCH

There is a strong need of careful and scientific examination to find out the extent of relationship between OCB and profitability in banks. We have studied the effect of various factors on OCB and effect of OCB on firm’s financial performance in terms of profitability. The future researchers can check the impact of OCB on other financial performance indicators. Also studies can be done to check the impact of OCB on Customer satisfaction.
VII. CONCLUSION

OCB has become a topic of interest for the organizations and researches as it may significantly affect the performance of organization.

The result of multiple regression analysis indicated that Job satisfaction, Organizational Justice, Leadership competency and organizational commitment have significant influence on OCB. Affective organizational commitment results in significant OCB. Job satisfaction is a significant predictor of OCB. Thus Organizations should strive to develop and maintain citizenship behavior among the employees as it can have positive results on productivity and performance. It makes the employee perform better with utmost dedication and interest. OCB also ensures that the organization has a better work life for its employees. OCB is also helpful in increasing the profitability because according to the study done in this research there is significant impact of OCB on firm performance.

REFERENCES


