

# Psychological Capital and Job Satisfaction of the Non Managerial Employees in the Banking Sector in Sri Lanka

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## Abstract

The traditional approaches once considered vital to employee satisfaction have proven insufficient to the competitive business world. The positive psychological capabilities have gained much attention in the recent past as a new approach to improve the job satisfaction of the employees. The purpose of this study was to examine the impact of psychological capital on job satisfaction of the non managerial employees in the banking sector in Sri Lanka. Data for the study was collected from 357 randomly selected non managerial employees from the banking sector in Sri Lanka using a structured questionnaire and correlation coefficient and regression were used for the data analysis. According to the data analysis, the psychological capital of the non managerial employees is positively and significantly correlated with their job satisfaction. The concept of psychological capital can be used as an intrinsic motivator in the banking sector.

**Keywords:** Job Satisfaction, Non- managerial employees, Psychological capital, Banking sector

## 1. Introduction

The Sri Lankan banking sector is one of the most important sectors within the highly competitive financial sector; it is also playing a positive and important role in the overall development of the country. All the banks are trying to achieve sustainable and superior performance by creating greater convenience for their customers in order to enhance market share, whilst creating and maximizing shareholder value. The success of the banking sector largely depends upon how efficiently and effectively the available human resources are deployed, focusing on the achievement of its goals and objectives (Kappagoda, 2014).

The employees are the valuable assets to the banking sector. If the employees are highly satisfied with their jobs, they will provide quality service to their customers. Providing of such a quality service is essential to banking sector because, the success of the banking sector as a service organization largely depends on the customer satisfaction (Kappagoda, 2011). Therefore, it is very important to understand the attitudes of employees towards their job and to measure the level of job satisfaction. Job satisfaction is a subjective measure of worker attitudes, that is, an individual's general attitudes to his or her job (Robbins, 2007). It is closely associated with life satisfaction, job performance, organizational commitment, job involvement, physical and mental health, absenteeism, turnover intention, labour problem, labour grievances (Kappagoda, 2012).

Therefore, like any other sector, the employees' job satisfaction is one of the key success factors in the banking sector. Since the bank managers are responsible for enhancing the satisfaction of their employees, they are concerned about the factors that can influence improvements in job satisfaction. Past researchers and practitioners have identified different factors that can affect job satisfaction; researchers, however argue that these traditionally accepted factors are no longer sufficient to enhance job satisfaction of the employees. Therefore, the need for new approaches is emphasized.

In 2002, Luthans introduced the concept of Psychological Capital (PsyCap) as a new approach to improve the performance of the employees. Later, the researchers found its ability to improve the work related attitudes of the employees (Kappagoda, 2014). PsyCap is "an individual's positive psychological state of development characterized by self-efficacy, hope, optimism and resilience" (Luthans, 2002). According to Luthans and other researchers employees who are confident, hopeful, optimistic and resilience are performed well and more satisfied with their jobs. However, this factor remains statistically untested in Sri Lankan context. Therefore, the purpose of this research is to investigate the impact of the psychological capital of the non- managerial

employees on their job satisfaction in the banking sector in Sri Lanka.

## 2. Literature Review

### 2.1 Psychological Capital

PsyCap is positively and uniquely related to the field of Organisational Behaviour because it is based on theory and research, measurable, state-like or open to development, and related to positive work outcomes (Luthans et al., 2007; Nafei, 2015). PsyCap as well as each of its constituent resources has been considered as state-like in the positive psychological literature (Luthans, 2002; Luthans et al., 2007; Avey et al., 2011). According to theoretical and empirical evidence, it can be concluded that PsyCap as a second order core construct (Luthans et al., 2007; Yousaf, Hanafiah & Usman, 2015; Bergheim et al., 2015). PsyCap goes beyond human- ('what you know') and social ('who you know') capital, and is more directly concerned with 'who you are' and more importantly 'who you are becoming.' Thus, it is about developing one's actual self to become the best possible self (Luthans et al., 2006; Bergheim et al., 2015).

Luthans and colleagues developed the concept of PsyCap and define it as "an individual's positive psychological state of development characterised by self-efficacy, hope, optimism and resilience" (Luthans et al., 2007; Nafei, 2015; Bergheim et al., 2015; Knudson, 2015). Since the inception of the concept of PsyCap, up to this current time, all the researchers have used the same definition for their research. Self-efficacy is the confidence of the people to exert the necessary effort to succeed in challenging tasks. Hope is the perseverance towards goals and if necessary the ability to redirect paths to goals. Optimism is a positive attribution a person has to succeed now and in the future. Resilience is the ability of a person to rebound quickly from setback or adversity (Luthans, et al., 2007).

### 2.2 Job Satisfaction

Job satisfaction is the most widely investigated job attitude, as well as one of the most extensively researched subjects in Industrial/Organisational Psychology (Judge & Church, 2000 cited in Jane, 2015). Job Satisfaction has been a popular topic for researchers in a wide area of fields, including; industrial psychology, business and higher education, public administration, because it has a positive association with life satisfaction, job performance, Organisational Commitment, Job Involvement, physical and mental health. However, it negatively affects absenteeism, turnover, labour problems, labour grievances. Robbins & Judge (2007) defines job satisfaction as a subjective measure of worker attitudes, that is, an individual's general attitude to his or her job. An employee with high job satisfaction holds positive attitudes towards their job and an employee with high job dissatisfaction holds negative attitudes towards his or her job (Kappagoda, 2012) .

Luthans (2002) suggests five factors that affect job satisfaction, these are; work on present job, present pay, opportunities for promotion, supervision in present job, and people in present job (Hettiarachchi, 2014). Similarly, Ivancevich & Matteson (2005) identify five crucial factors of job satisfaction, these are; pay, job itself, promotion, supervision and co-workers (Kappagoda, 2011). O'Connor, Peters, Rudolf and Pooyan (1982) found correlations between five job satisfaction characteristics – co-workers, supervision, pay, promotion and work itself, and job satisfaction.

### 2.3 Psychological capital and job satisfaction

Although the concept of job satisfaction has long been established, the concept of PsyCap emerged very recently. After the development of PsyCap few researchers have investigated its impact on different work attitudes and outcomes.

According to the empirical evidence, PsyCap has positively correlated with job satisfaction and the correlation between PsyCap and job satisfaction is stronger than the correlation between the individual construct of PsyCap and job satisfaction.

Steven, Schulz, Jake & Messersmith (2014) investigated the impact of PsyCap on job satisfaction of truckload drivers using a 251 sample; they identified a positive relationship between PsyCap and job satisfaction. A similar result was found by Larson, Norman, Hughes and Avey (2013). They identified a positive relationship between PsyCap and job satisfaction with their research using the adult employees in the USA. Dirzyte et al., (2013) found a positive relationship between PsyCap and Job satisfaction in a sample of 197 employees in Lithuania.

Stam (2012) examined the impact of PsyCap and job satisfaction in newly graduated nurses and found a positive relationship. Appollis (2010) stressed that the relationship between PsyCap and job satisfaction is strong and linear amongst the employees who worked in the tourism sector. Further, this finding indicate a highly self-confidence, hopeful, optimistic and resilient employees has a high level of job satisfaction.

According to research undertaken by Larson & Luthans (2006) amongst production workers who worked in small Midwestern factory, they found that hopeful production workers were more satisfied with their jobs. A similar result was found by Youssef & Luthans in 2012; they found that an employees' level of hope was correlated to job satisfaction. Peterson & Luthans (2003) have confirmed this relationship and stressed that hopeful managers who worked in fast food stores have showed more satisfaction. In general, the employees' higher level of hope will lead to the improvements in their job satisfaction; this is because the hope level of employees enables them to self-motivate and plan their activities so as to gain the best from their situation (Youssef & Luthans, 2007). Researchers have highlighted that a higher level of job satisfaction can be found when hope is accompanied by a level of self-efficacy and optimism of the employees and their ability to respond favorably to setbacks. Youssef and Luthans (2007) and Cetin (2011) found that hopeful, optimistic and resilience employees are more satisfied with their jobs.

Larson & Luthans (2006) with their exploratory study in a small factory identified a positive relationship between the level of PsyCap of production workers and their job satisfaction (Sample I-  $\beta = 0.37$ ,  $p < 0.001$  and sample II-  $\beta = 0.17$ ,  $p < 0.05$ ). Luthans et al., (2007) completed a research taking two samples of management students, technicians and engineers; it revealed a positive relationship between PsyCap and job satisfaction. The relationship between PsyCap and job satisfaction was stronger than the relationship between each construct of PsyCap and job satisfaction. Luthans et al., (2008) found similar results and stressed that there was a positive relationship between general PsyCap and job satisfaction. Idris & Manganaro (2017) also found positive relationship between PsyCap and job satisfaction through a sample of managers in the Saudi Arabian oil and petrochemical industries. Based on the empirical results, the following hypothesis was development.

H: Psychological capital of the non managerial employees is positively & significantly correlated with their job satisfaction

### **3. Research Methodology**

#### **3.1 The Research design**

The purpose of this study was to establish the relationship between PsyCap and job satisfaction. Since the researcher developed the hypothesis based on the theories and empirical evidences found in the literature review, this study used the deductive reasoning approach. The type of investigation of this study was correlational in order to explore the relationship between non managerial employees' PsyCap (independent variable) and their job satisfaction (dependent variable). This field study was conducted within the natural environment in the banking sector under minimal interference within a non-contrived setting. This study was also a cross sectional study due to data collected from individual employees to test the research variables within a particular period of time. For this purpose, data were collected from each non managerial employee in the banking sector within Sri Lanka. Therefore, the unit of analysis of this research was "individual, non-managerial employee".

#### **3.2 Population & Sample**

The population of this study was the non-managerial employees in the systemically important banks and systemically important specialized banks within Sri Lanka. The 357 non - managerial employees who are employed in systemically important banks and systemically important specialized banks in Sri Lanka were used as the sample.

#### **3.3 Measures and their Validity and Reliability**

The non-managerial employees' job satisfaction was the dependent variable and it was measured using a standard questionnaire including 12 questions which was originally developed by Kappagoda (2014). In factor analysis, the KMO value was 0.799. A single factor was extracted that explained 58% of the variation in the 12 items. The Minimum factor loading was 0.668. The Cronbach alpha was 0.835. PsyCap of the non-managerial employees was the independent variable of this research and it was measured using a standard questionnaire developed by Luthans and colleagues (2007) including 24 questions. This questionnaire was validated by using the confirmatory factor analysis across multiple samples (Luthans, Avolio, Avey, & Norman, 2007). According to

the results of factor analysis, three items lack convergent validity. Thus, these items were dropped from the PsyCap construct. The Cronbach alpha was 0.921.

### 3.4 Methods of Data Analysis

The data were analyzed using correlation coefficient and regression analysis. SPSS data analysis package of 20<sup>th</sup> version was used to analyze the data.

## 4. Results and discussion

The researcher examined the level of PsyCap and job satisfaction of non-managerial employees. For the purpose of this study PsyCap was defined as; the positive psychological state of development which is characterised by self-efficacy, hope, optimism and resilience. The results indicated that the mean value of PsyCap was 3.86; according to the results, there was no remarkable difference between mean scores of each sub-scale. The mean values for each sub-scale were within 3 - 4. This indicated that the non managerial employees' self-efficacy, hope, optimism and resilience were relatively higher in the banking sector. Job satisfaction was conceptualised as an individual's general attitudes to his or her. According to the descriptive statistics, employees in the banking sector have relatively higher job satisfaction ( $M = 3.76$ ).

**Table 1- Mean, Standard deviation and correlation**

Variables	Mean	SD	1	2
1.PsyCap	3.855	0.3898	-	
2.Job satisfaction	3.755	0.4553	0.482**	-

\*\* $p < 0.01$

**Table 2- Results of regression analysis**

	$\beta$	R Square	F Value	P value
Predictors: (Constant), PsyCap Dependent Variable: Job Satisfaction	0.571	0.232	158.44	0.000

The results of the correlation coefficient between PsyCap and job satisfaction of non managerial employees in the banking sector in Sri Lanka are presented in Table 01. According to the results, the correlation between PsyCap and job satisfaction ( $r = 0.482, p < 0.01$ ) was significant and positive.

The results of regression analysis that depict in table 02 reported the same relationship ( $\beta = 0.571, p < .01$ ). The PsyCap significantly explained 23.2% of variance in job satisfaction. There were significant linear relationships between PsyCap and job satisfaction ( $F \text{ value} = 158.44$ ).

The results of the correlation coefficient and regression analysis indicated that PsyCap of non managerial employees has significantly and positively correlated with their job satisfaction. Therefore, the hypothesis can be accepted.

The result obtained in this study indicated that the bank employees who had high levels of PsyCap were more satisfied with their jobs than those employees who had low level of PsyCap. This finding was consistent with the earlier finding of Larson & Luthans (2006); Luthans et al., (2007); Luthans et al., (2008); Appollis (2010); Stam (2012); Larson, Norman, Hughes and Avey (2013); Dirzyte et al., (2013) and Steven, Schulz, Jake & Messersmith (2014).

## 5. Conclusion

The objective of this research was to examine the impact of PsyCap on job satisfaction of the non-managerial employees in the banking sector in Sri Lanka. The results of this study indicated that high PsyCap is associated with higher job satisfaction. There was a direct positive, significant relationship between PsyCap and job satisfaction of the non managerial employees in the banking sector in Sri Lanka. Therefore, managers can use PsyCap as an intrinsic motivator to increase the level of satisfaction of their employees and as a result maintain positive attitudes towards their jobs.

## 6. Directions for Future Research

The present study has been provided many potential paths for future researchers. In this study PsyCap and job

satisfaction were the major variable of interest. However, exploration of how PsyCap regulates other areas in organization may be fruitful. For example, the question of how PsyCap affects leadership effectiveness, organizational commitment, job involvement, withdrawal intention, turnover, family conflict, stress etc. The research study attempted to demonstrate the direct relationship between PsyCap and job satisfaction. The further researches would be advantages to explore potential mediators and moderators for this connection. This research focused only the banking sector but other researchers can expand the sample to the other service organizations or different organizations in Sri Lanka.

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