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Effect of Brand Equity on Consumer Buying Behavior of Huawei Brand in Colombo Area

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Abstract

Huawei is the second largest mobile vendor in Sri Lanka which is looking for a better brand equity in the marketplace. With the emergence of mobile vendors such as Samsung and Apple, the competition was arisen. Samsung is a global digital technology leader in Sri Lanka and building of Samsung mobile phones with new lines and providing competitive offers on mobile phone plans to local Customers. With the increase of the disposable income, it will lead to increase the competition in the smartphone industry. However, there is a growing bad image on Huawei due to the effect of the recent ban of Huawei by US in their market. It is likely to create a problem of increasing sales in the 2020 in the Sri Lankan market. This study therefore aimed at identifying the impact of brand equity on consumer buying behavior based on Huawei in Colombo area. It is therefore crucial to understand brand equity as it affects the purchasing decisions of the customers due to the past experience with the product usage, familiarity with brand and its characteristics. Pursuant to this, objectives of the present study were formulated and they were to identify the impact of selected brand equity dimensions and to identify the overall impact of brand equity on consumer buying behavior of Huawei in Colombo area. The study was based on the Brand equity model developed by Aaker(1991). Based on that, hypothesis were formed to find out whether there is a positive impact of brand awareness, brand association, brand loyalty, perceived quality, and brand equity as a whole on consumer buying behavior. They were tested using multiple regression analysis. A sample of 380mobile users in Mattakkuliya and Jinthupitiya area in Sri Lanka were contacted using convenience sampling technique and a questionnaire was self-administrated. Analysis of data revealed that there is a positive impact of brand awareness, brand association, brand loyalty, perceived quality and brand equity on consumer buying behavior. The present study can be further extended by including foreign countries with larger samples.

Keywords: Brand Association, Brand Awareness, Brand Loyalty, Consumer Buying Behavior, Perceived Quality

1. INTRODUCTION

In the telecommunication industry, mobile industry is the fastest growing market (Cecere, et.al, 2014). Mobile phones are becoming a part of the information and communication technology sector and it is an innovative part(Hossain & Ahmed, 2018, p. 1). In the year 2021 the mobile phones will be 3.5 billion while it was forecasted that there will 7.26 billion growth in the mobile users (O'Dea, 2020). With the emergence of mobile vendors such as Samsung and Apple, the competition was arisen. Samsung is the large mobile vendor of Sri Lanka and started its operation in 2004. Their objective was to become more competitive in the market through innovative Samsung products with new lines, to provide Samsung products with better brand presence, better product portfolio, which are having different mobile plans, broader networks of channels and networks. According to Cecere et, al. (2014) the recent battle over patents and designs between Apple and Samsung vendors indicated that smartphone makers in the market are having large competition for the leadership in the market. In local context, 50% of the population are using mobile phones and as that rate is considerable when compared to developing countries there is a growing trend in using mobile services (Businesswire,2016). As there is a growing trend for mobile services and mobile vendors it has a positive impact on Sri Lankan government sector. Service sector plays a major role in GDP of Sri Lanka.According to the findings there was a subscriber base of 17.2 million for every 100 people with 100.79

people who had both wireless connections (Central Bank: 2010). So, analyzing consumer behavior with reference to the mobile phones has been important and this study was focused on examine the impact of selected brand equity dimensions and overall brand equity impact on consumer buying behavior of Colombo. Brand equity is a marketing concept in order to face the competition. It is an important marketing tool for businesses for the survival (Keller, 2013). According to Lee, et al(2016) brand equity is based on assets and liabilities those assets and liabilities can be classified into five categories according to Aeker (1991). They are brand loyalty, brand awareness, perceived quality and brand association. Brand equity creates a value for businesses and customers. From customer point of view, brand equity supports customers to interpret process and store high qualities of information about products and brand. From the company perspective, brand equity is important for financial aspects, strategy motivation and to increase the marketing productivity. Thus, the need for marketers to gain a better understanding of brand equity in terms of consumer buying behavior is crucial.

With the increase of the disposable income it will result an increase in the competition in the smartphone industry. According to the Department of Census and Statics of Sri Lanka, disposable income has increased over the years. In the year 2017, household per capita income increased by 35.7 %.With the increase of the competition, smartphone companies

are leveraging their brands by enhancing marketing strategies and providing variety of products to retain and attract new customers (Chen & Chen 2011). Technological innovations play an important role in the industry of mobile and telecommunication are now expanding it in the area of mobile phone technologies. So that, mobile phones which are based on technologies are now something rather than consumer needs and wants. Apart from that, as there are many mobile phone manufacturers in the industry, there is a huge competition. The market share of mobile vendors like Samsung, Huawei, and Apple has been increased from 2018 to 2019 by 43.84%-43.66%, 23.91%-24.65% and 7.24%-9.11% respectively. With the Huawei ban in US and due to Google cuts off Huawei phones from future android updates in 2019, executives announced that there will be a sales drop in the year 2020. During the previous year Huawei brand had increased their sales by 19.1% and with a market share of 25.47% in 2020. In the first half of the 2018 market share of the Huawei mobile phones was 41% and at the end of the 2019 it was 36.5%. In 2013 market share of Huawei was 7% and within two years it doubled market share up to 15.3%. These findings shows that Huawei is becoming the fastest Growing smart phone Brand in the local market (Daily mirror, 2018). Therefore, Huawei is currently performing well and have a problem of increasing sales with recent ban, increasing household income and competition. Internationally, researches have conducted on impact on consumer buying behavior in

different industries such as for L'Oreal skin care products (Akhtar et, al.2016), fast moving consumer goods and impact on packaging, price impact of individual components of brand equity. In local context, a research conducted on impact of brand equity on preference reference to motor vehicle industry (Nilmini, 2014), and impact of brand equity towards purchasing decision with reference to the mobile telecommunication services of Sri Lanka (Gunawardhana, 2015). Studies are rare in Sri Lanka because it is an emerging trend in Sri Lanka. Therefore, this study will explore the impact of brand equity on consumer buying behavior based on Huawei brand in Colombo area.

1.1. Consumer Buying Behavior

When analyzing these existing literatures regarding the consumer buying behavior, the most recent and commonly used definition that best describes the consumer buying is how individuals, groups or organizations choose, buy use and dispose he goods and the factors such as their previous experience, taste, price and branding on which the consumers base their purchasing decisions (Kotler and Keller, 2012). From the company perspective, analyzing consumer buying behavior becoming crucial for a mobile vendor for two reasons, it can be identified as increasing market shares of mobile vendors and increasing mobile subscriber base. In the marketing process, marketing managers and the sales persons plays a vital role. Consumers are the most important person to them, so their likes and dislikes are important to offer a better product or a service that

suitable for them (Madichie, 2009). So study on consumer buying behavior allow business managers and sales persons to design the best product that satisfy consumer needs and wants, to decide the easy access way to the product or the service and finally to decide the best price affordable to the customers as the marketers design their products in such way that the product gives maximum value or features to consumers at affordable price (Goessl, 2011). From the sales perspective, according to the Coldwell (2001) there is a positive relationship between consumer satisfaction and profitability. Consumer satisfaction was taken in to consideration because it drives consumer buying behaviors such as shopping frequently, higher expenditures and suggesting targets. Theory of Reasoned Action studies about the consumer behavior which is a psychological model. According to this theory consumer buying behavior is affected by behavioral intention and intention comes from attitude of a consumer which consumer buying behavior depends. (Claiborne & Sirgy, 2014). Technology Acceptance Model (TAM) best describes consumer buying behavior with introduction of a new information technology. According to this theory, two factors were discussed and they were perceived usefulness and perceived ease of use (Nasri & Lanouar, 2012). The mentioned measures of consumer buying behavior according to the Baumgartner & Steenkamp (1996) perspective were product acquisition and information seeking (Taylor, 2012).

1.2 Brand Equity

Brand equity theories started to develop in 1980 and Brand Equity is an important aspect of branding which leads to organizational success. Definition of brand equity concept is based on three perspectives. It is Consumer based, financial based and employee based. Brand equity is a set of assets and liabilities linked to the memory of the brand its name and symbols that add value to or subtract value from product or service according to Aaker (1991). Fieldwork (1996) and Leuthesser (1998) defined brand equity through several perspectives. Many definitions on Brand Equity are available, Aaker (1991) and Keller's brand equity model is popular in the area. The reason for this was the other definitions of brand equity give a narrow perception. Aaker's model, Keller's model, Brand asset valuator, and Brandz model are several models identified through the available literature on brand equity. Based on Components of brand equity model of Aaker brand awareness, brand association, brand loyalty and perceived quality are the measurements of brand equity.

1.3. Brand Equity and Consumer Buying Behavior

Impact of Brand equity on consumer buying behavior can be measured though many dimensions. Aaker's model stated brand association, brand awareness, brand loyalty and perceived quality used to measure consumer buying behavior. Further Aaker (1991) describes brand equity as one of the closer variable to the

consumer buying behavior decision making process. Another dimension category was brand resonance, brand performance and imaginary, brand salience according to Keller's model. Brand asset valuator model introduced by advertising agency consisted with five dimensions, differentiation, energy, relevance, esteem and knowledge. Milward Brown and WPP Company has introduced Brandz model as a series of 6 interrelated steps. Aaker's brand equity concept dimension of Brand association is inductive of consumer attributes towards a brand and it represents the reasons to purchase and it represent brand loyalty. Perceived quality shape the consumer buying behavior because people may perceive quality in many ways. Perceived quality shape the consumer buying behavior as people may perceive quality in many ways.

Aaker (1991) stated such three levels of analysis. They are consumers firstly perceive a product quality as low, medium or high. As the second, people may perceive it as a relative in quality. Finally it can be because of the consistency and inconsistency of a product. Therefore according to this high perceived quality would determine the consumer brand choice and increase brand equity (Aaker 1991). According to Yoo et, al., (2000) marketers should understand brand equity attributes and the influence that brand properties exert on buying decisions. Yoo et al.,(2000) further notes that brand loyalty has the power to influence consumers to continue buying the same product . Brand equity help customers to interpret, process and store huge

quantities of information about products and brands. These brand dimensions influence on consumers' confidence in purchasing decision to the past experience or familiarity with the brand features. So, Brand equity is an important factor that influence the purchasing intension of the consumers. When the brand equity is higher it higher the Purchasing intension on to buy a product of a certain brand more and repeatedly (Jing et al, 2012).

2. METHODOLOGY

2.1 Research Framework

The model developed by Aaker (1991) presented in figure 3.1 is used to conceptualize the theoretical framework of the study. The model shows the dimensions of brand equity for selected mobile brand.

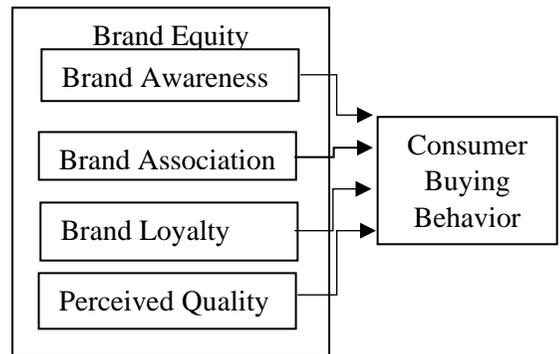


Figure 1. Conceptual Model

Based on the relationships proposed between each dimension of brand equity and consumer buying behavior, the following hypothesis are formulated to answer the research question of what extent each

dimension of brand equity affects consumer buying behavior.

H₁= There is a positive impact of Brand awareness on consumer buying behavior.

H₂= There is a positive impact of Brand association on consumer buying behavior.

H₃= There is a positive impact of Brand Loyalty on consumer buying behavior.

H₄= There is a positive impact of perceived quality on consumer buying behavior.

H₅= There is a positive impact of Brand equity on consumer buying behavior.

2.2. Sample

Convenience sampling technique was used to collect the data as no any register of mobile users available in Sri Lanka. The survey method was employed for 380 mobile brand users in Mattakkuliya and Jinthupitiya areas in Colombo. The study is cross sectional in time horizon.

2.3. Instrumentation

The questionnaire was designed based on the dimensions presented by Aaker. Data collected through physically distributing questionnaires and through online. Brand equity model included brand awareness, brand association, brand loyalty and perceived quality. Section 01 of the questionnaire covered the demographic factors and section 02 covers the brand equity dimensions and consumer buying behavior. The four brand awareness construct statements were adopted from the

studies of Goi & Fayrene (2011). The thirteen statements which comprise the statements of the brand association originated from the studies of Goi & Fayrene (2011). The eight statements which comprise the statements of the brand loyalty originated from the studies of Bruno & Dariusz (2014). The five perceived quality construct statements were adopted from the studies of Goi & Fayrene (2011). The nine statements which comprise the statements of the consumer buying behavior originated from the studies of Kelly, along with Eldredge, Dalton & Miller (2014). Certain important demographic factors that are relevant to this study incorporated to analyze whether these factors influence brand equity dimensions. The five questions covering the demographic characters of the respondents incorporated to this research. The five items that represents the Aaker's brand equity model were measured by using the five point Likert scale (1=strongly disagree to 5 = strongly agree).

3. RESULTS

This research used multiple regression coefficients for the analysis. The data analysis for this study conducted through SPSS version 20. The study also tested the reliability of the instrument .Out of 380 questionnaires 368 were returned. Total questionnaires returned with blank responses made a response rate of 96.8%. Incomplete questionnaires were taken to the analysis as they were 5.70 % of total questionnaires by using mid-point scale. No any Outlier values identified in the study. Suitability of data Tested through multivariate assumptions; normality, linearity and

Multicollinearity. The alpha reliability coefficients for brand awareness, brand association, brand loyalty, perceived quality 0.762, 0.756, 0.768 and 0.733 respectively. These estimates of the internal consistency of the of the four dimensions brand awareness, brand association, brand loyalty and perceived quality of the research questionnaire, calculated using Cronbach’s alpha coefficients were generally in a satisfactory level. Internal consistency for the brand awareness, brand association, brand loyalty and perceived quality scores was a score that was calculated as the sum of all the questions for a respondent. The correlation among brand awareness, brand association, brand loyalty and perceived quality had a satisfactory level in all the questions hence none of the questions were eliminated. The survey consisted with 368 participants of which 196(53.3%) were male and 172(46.7%) were females. The majority of the participants were 18-7 age and single. Most of the participants were students and Huawei brand users.

According to descriptive statistics it revealed that brand awareness, brand association, brand loyalty and perceived quality has the mean values of 3.18, 3.44, 3.35 and 3.55 respectively indicating standard deviations <1 for all dimensions of brand equity (see table.1). This means most of the consumers moderately agree with the existing Huawei brand awareness and brand loyalty. Highly agree with existing Huawei brand loyalty and perceived quality.

Table 1. Descriptive Statistic

Dimensions	N	Mean	Standard Deviation
Brand Awareness	368	3.18	0.659
Brand Association	368	3.44	0.641
Brand Loyalty	368	3.35	0.710
Perceived Quality	368	3.55	0.733

Table 2. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694 ^a	.482	.476	.406

There is a 0.694 correlation between observed and predicted values of consumer buying behavior. The value of R² of the regression model was 0.482., which means 48.2 percent of the total variance in the consumer buying behavior has been explained by the model.

Table 3. Summary result of each hypothesis tested

Hypothesis	Regression coefficient	
	β	p
H1= There is a positive impact of brand awareness on consumer Buying behavior.	0.103	0.015
H2= There is a positive impact of brand association on consumer Buying behavior.	0.076	0.030
H3= There is a positive impact of brand loyalty on consumer Buying behavior.	0.278	0.000
H4= There is a positive impact of perceived quality On consumer Buying behavior.	0.182	0.000
H5= There is a positive impact of brand equity on consumer buying behavior	0.624	0.000

The impact of independent variables on dependent variable was investigated and results in the table.3 indicates positive impact of brand loyalty and its dimensions on consumer buying behavior variable ($p < 0.05$). Thus, all the hypotheses were accepted.

4. DISCUSSION

The outcome of the brand awareness, brand association, brand loyalty, perceived quality, brand equity which had a significant positive β values ($\beta = 0.103, \beta = 0.076, \beta = 0.278, \beta = 0.182, \beta = 0.624, p < 0.05$) implies that these four dimensions with an overall impact of brand equity contribute to positively impact on the consumer buying behavior based brand equity model. Therefore, the findings of this research were consistent with the brand equity framework of Aaker (1991). The findings were matched with the theoretical arguments given by Aaker (1991), Malik, et al. (2013). They argued that brand awareness is one of the most important factors in determining consumer buying behavior, and it leads to increased consumer buying behavior with positive impact. The findings related to brand association are matched with the theoretical arguments given by Yoo, Donthu et al (2000). Brand association is one of the most important factors in determining consumer buying behavior, and it leads to increased consumer buying behavior with positive impact on consumer preferences and choice in buying (Malik, Ghafoor, & Iqbal, 2013). The findings related to brand loyalty are matched with the theoretical arguments given by

Ashraf, et al. (2017) and Sharma, et al, (2013). They argued that when brand loyalty is higher consumers' intention or behavior to repurchase a particular brand frequently higher and it has a positive impact on consumers to buy. Perceived quality findings are matched with the theoretical arguments given by Shaharuden et al. (2013), Kandasamy (2014). They argued that if the customers have a good perception about the quality of the product it will stimulate the consumers or individuals to buy a product from a certain brand. According to the above research findings and literature there is an overall impact of brand equity on consumer buying behavior. Therefore, this study related with the previous studies.

5. CONCLUSION

The findings of this research confirm that brand awareness, brand association, brand loyalty and perceived quality positive significant impact on consumer buying behavior of Huawei Brand in Colombo area. Additionally, in this study demographic variables such as gender, marital status, occupation, age cause for the variation in the mobile brand they use as Huawei brand is best demanded among males, 18-27 age category, married, and private staff while Samsung is high demanded among females, 18-27, singles and students. Therefore, strong brand equity allows Huawei Company to retain their customers and satisfy the needs of their customers in an effective way in order to increase their existing level of sales and profits. Brand equity can be increased by

increasing Huawei brand recall, recognition, brand personality, organizational associations, purchase repetition, brand prioritizing, tendency to be loyal, performance, features, reliability, and product information through successful marketing efforts. The study concluded that Huawei brand managers' efforts should be mainly focused to improve brand equity in terms of brand awareness, brand association, brand loyalty and perceived quality to stimulate the consumer buying behavior.

Existing level of sales and profits can be enhanced by improving Huawei brand strengths and by getting maximum of their opportunities and can stimulate the sales by enhancing brand prioritizing among customers, paying attention to mobile advertisements, and introducing new updates and excellence customer services will stimulate brand loyalty. Improve the Huawei product performances, features, reliability and information create perceived quality. Providing some human characters like competence and toughness which enhances the brand recall. As brand awareness having the least impact it is recommended to stimulate impact on consumer buying behavior more by marketing brand stories and humanizing the brand.

Despite the contributions of this study and the implications, it includes some limitations which can contribute for the future researches. In this research the data was collected by employing convenience sample method. Hence, it could not represent the target population of this research. In order to generalize the results employ simple

random sampling technique. This study was restricted only to the Mattakkuliya and Jinthupitiya areas where population is high in Colombo. Therefore, it is recommended capturing the other areas of Colombo and from other countries where Huawei brand is well established. The sample size of 380 used in this study could also be increased to examine effect of brand equity on consumer buying behavior based on Huawei in conclusion.

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The Impact of Organizational Commitment on Organizational Citizenship Behaviour among Managerial Level Employees in Apparel Industry in Gampaha District

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Abstract

Organizational Citizenship Behaviors (OCBs) are activities which are voluntary, go beyond the formal obligations of employees, and significantly affect the efficiency of the entire organization. Not only has the nature of OCBs been studied, but so too have their dimensions and antecedents. However, there is a significant research gap in the area of employee manifestations of citizenship behaviors in the Apparel industry. This study attempted to examine the impact of Organizational Commitment on Organizational Citizenship Behavior among managerial level employees in Apparel Industry in Gampaha District. The objective of this study was to investigate the impact of organization commitment and its dimensions (Affective commitment, continuance commitment, normative commitment) on organization citizenship behavior among managerial level employees 110 managerial level employees were selected as a sample by using simple random sampling method. In this study, data were collected by use of structured questionnaire. OCB was measured by using standard scale which was developed by Chiun-Lo and Ramayah (2009). Organizational commitment was measured by using a scale developed by Allen & Meyers (1990) which was consisted with 24 items. The finding of the research revealed that there is a positive relationship between affective commitment and normative commitment of organization with organizational citizenship behavior. Whereas, continuance commitment shows a negative relationship with OCB. Therefore it suggested that, if the management of the any organization consider the organization commitment it will positively relate with the organization citizenship behavior of the managerial level employees. Relevant training is most important to managerial level employees to give their high performance while giving fullest commitment to the organization.

Keywords : Organizational Citizenship Behavior , Organizational Commitment Affective Commitment, Continuance Commitment, Normative Commitment

1. INTRODUCTION

The Textile and Apparel industry occupies a prominent position in Sri Lanka's industrial structure. It is the biggest employer in manufacturing sector and it is considered as Sri Lanka's number one foreign exchange earner. The high quality of the product is the ultimate objective of the Apparel industry. To carry out the operation of the organization, efficiency, the contribution of Human Resource is crucial factor. In today's context most organization tries their best to gain a competitive advantage. According to the Organ and Ryan (1995) organizational citizenship behavior (OCB) a person willingly contributing more than duties and the responsibilities assigned to them, People positively contribute to work inside of the organization to increase the efficiency within the organization. Today, most organizations use their limited resources to obtain the higher productivity in fulfilling the objective, HR plays a great role. Most research accepts the fact that, by maintaining OCB in good level, the performances of the organization can be increased. According to the Organ (1988) highlights five specific categories of dimensional behavior of OCB and explain around how each of behavior helps to improve efficiency in the organization. In this study researcher selects three Apparel Industries in Gampaha District to study impact of organizational commitment to organizational Citizenship Behavior.

Organ (1998) define the organization citizenship behavior (OCB) as an individual behaviour 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 (Cited by Bahrami & Montazeralfaraj, 2013, p.26). According to the Smith, Organ and Near (1983) as cited in Tambe (2014), p.68 Organizational citizenship behavior refers to behavior that is not formally requested or directly rewarded, but can be functional to the operations of an organization.

According to the Lee, Kim, and Kim, (2013) explanation organizational citizenship behaviors are that, although not critical to the task or job, serve to facilitate organizational functioning. Contextual behaviors do not support the technical core itself so much as they support the broader organizational, social, and psychological environment in which the technical core must be functioned. Contextual behaviors provided a more tenable definition of OCB (Bormann & Motowidlo, 1993 as cited in Meade, 2010). Organizational citizenship behavior can be extremely valuable to organizations and can contribute to performance and competitive advantage (Nemath & Staw, 1989).

According to Organ (1988) conscientiousness, altruism, courtesy, sportsmanship, and civic virtue are five dimensions of OCB. conscientiousness, sportsmanship, civic virtue, courtesy, and altruism dimensions cover such organizational behaviours like that helping co-workers, not complaining, actively participating and following company rules in organizational.

Individual psychological attachment to the organization is called as

organization commitment (OC). Porter and his colleagues (1978) first conceptualized organizational commitment, as the likelihood that one will prescribe to an organization's values and will desire to maintain membership in the organization.

Organization commitment is the strength of an individual to identify and responsible to a particular organization (Mowday, Steers, & Porter, 1979) it ensures a reduction in potential labor turnover (Allon & Meyer, 1990). Among the different approaches to OC, the major approach is introduced Meyer and Allen (1990). Firstly, they suggested differences be made between affective commitment and continuance commitment. Affective Commitment (AC) Affective commitment is the individual's psychological or emotional connection to identification with and participation in the organization (Meyer & Allen 1988 as cited in Lumley, 2011, p.105).

Normative Commitment (NC) Bolon (2009) supported that normative commitment is the commitment that a person believes that they have to the organization or their feeling of obligation to their workplace (as cited in Lee, 2010).

Continuance Commitment (CC) Reichers (1985) study where continuance commitment defined as the willingness to remain in an organization because of the investment that the employee has with nontransferable investments include things such as retirement, relationships with other employees, or things that are special to the organization (as cited in Lee, 2010).

1.1 Problem Statement

Many studies have been carried out regarding the relationship between organizational citizenship behavior and organizational commitment that based on Western context. In these studies, they focused on educated community. Flinders & Rauter (2008) reported that teachers who showed more commitment report stronger identification with the organization. Riketta (2002) noted a higher correlation between attitudinal commitment and performance through citizenship behavior and in role behavior. According to the Ozems (2012) the teachers working at Anatolian high schools were found to have higher organizational commitment perceptions than the teachers working at vocational high schools in terms of school type variable.

According to the Ibrahim & Aslinda (2013) study found that OC positively and significantly related to OCB in PT Telkom Makassar. Ibrahim *at el.* (2013) had done the research on relationship between OCB and OC in Government-Owned corporation companies. They found relationship between Organizational Commitment and Organizational Citizenship Behaviors in the Public and Private Sectors, Dorota G,(2019). According Ismail B & all (2013), Results suggest that there is a significant relationship between organizational commitment and organizational citizenship behavior among women employees in textile sector in Turkey.

However, when comparing to literature it was found that there was

not a single study carried out related the among managerial level in Apperal Industry in Gampaha District in Sri Lankan context, therefore the present study was focused on the managerial level in apparel Industry in Gampha District. There are four dimensions of organizational citizenship Behavior (Civic Virtue, Conscientiousness, Helping and Courtesy). Organizational commitment is measured using three variables (Affective, Normative, Continuance).

This study attempted to address the following questions:

- (a) What is the impact of affective commitment and organizational citizenship behavior of managerial level employees in apperal industry in Gampaha District?
- (b) What is the impact of continuance commitment and organizational citizenship behavior of managerial level employees in apperal industry in Gampaha District?
- (c) What is the impact of normative commitment and organizational citizenship behavior of managerial level employees in apperal industry in Gampaha District?

1.2 Research Objectives

Having considered the research questions states above, and also the significance of present research, the following objectives were determined.

- (d) To identify impact of affective commitment on organizational citizenship behavior on managerial level employees in apperal industry in Gampaha District.
- (e) To identify impact of continuance commitment and organizational citizenship behavior on managerial level employees in apperal industry in Gampaha District.
- (f) To identify impact of normative commitment and organizational citizenship behavior on managerial level employees in apperal industry in Gampaha District.

1.3 Significance of the Study

In this research, the researcher identified that how OC related to OCB. By increasing OCB organization will achieve higher job satisfaction, increase employee performance and maintain high profit. So, by this report will help to Apperal Industry management to understanding the level of commitment and how it relates to OCB. So they will take the action to increase the OCB and through the high OCB level they will increase their productivity, take correct decision and activate programmer.

Apparel industry is the most important and fast-growing industry in Sri Lanka. Therefore, OCB has become a most important icon in the Apparel industry. With the findings researchers can know about the organizational

commitment and organizational citizenship behavior measurements and its impact on the organizational citizenship behavior. Mainly researcher knowledge will be expanded about the organizational commitment measurement scale for Apparel industry and development of successful organizational commitment measurement scale for different Apparel industries

The management of apparel industries can use this trustworthy evidence to understand the current organizational commitment, its impact on organizational citizenship behavior and what are the areas which managerial level employees evaluate the organizational commitment through this study.

This study has investigated the impact of organizational commitment on organizational citizenship behaviour among managerial level employees in apparel industry in Gampaha District. In here especially organizational commitment related scale has been used to measure the organizational commitment and its impact on managerial level employees. Therefore, future researcher can understand what is the important of using specialized scale for Apparel sector and they can use this special organizational commitment dimension for their future research.

2. METHODOLOGY

In this study, mainly deductive approach has been used. Data for this research were collected within a particular time period. Based on those features this study could be concluded

as a cross sectional in nature. The researcher established it as a causal research design and this study is a cross sectional study because study in which data of a statistically significant sample of a population is gathered at one point time.

The researcher developed a model in figure 1 to conceptualize the theoretical framework of the study. The model shows the relationship between independent variable and dependent variable. In this study dependent variable is Organizational Citizenship Behavior and independent variable is Organizational Commitment.

2.1 Conceptual framework

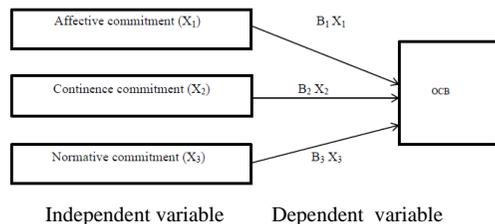


Figure 1. Conceptual Framework

This study investigated three hypotheses as follows:

- H₁:** There is a significance impact of affective commitment on organizational citizenship behavior of managerial level employees apparel industry in Gampaha District.
- H₂:** There is a significance impact of continuance commitment on organizational citizenship behavior of managerial level employees apparel industry in Gampaha District.

H₃: There is a significance impact of normative commitment on organizational citizenship behavior of managerial level employees apparel industry in Gampaha District.

2.1 Population & Sample

There are large number of Apparel industries are located in Sri Lanka. In this study the researcher only focuses on Apparel industries located in Gampaha District and also only investigating about managerial level employees. In this study researcher selected only two number of Brandix Apparel Solutions Ltd , two number of MAS holdings Ltd and two number of Courtaulds Clothing Ltd because of convenience purpose and the higher percentage of managerial workforce that they own. Therefore, this research study is based on managerial level employees in Apparel industry located in Gampaha District in Sri Lanka, the researcher chooses them as the population of this study. Below table present total number of managerial level employees who works in the six number of Apparel industries located in Gampaha District

Table 1. Population of the Study

Name of Apparel Industries	Location	Managerial level
Brandix Apparel Solutions Ltd	Welisara	53
	Mirigama	42
Mas Holdings Ltd	Niwala	50
	Katunayake	46
Courtaulds Clothing Ltd	Kalagedihena	47
	Katuwellegama	38

Here the researcher uses the markup for select the population. There the six number of Apparel industries are mentioned. Among them only three number industries own more than 45 no of managerial level employees. Based on that condition, in this study population comprised a total 150 Managerial level employees of selected Apperal Industry of Brandix Apperal solutions Ltd (Welisara), Mas holdings Ltd (Niwala) and Courtaulds Clothing Ltd (Katuwallegama) in Gampaha District.

Table 2. Sample of the Study

Name of selected Apparel Industries	Population	Sample Size	%
Brandix Apparel Solutions Ltd – Welisara	50	36	33%
Mas Holdings Ltd – Niwala	52	39	35%
Courtaulds Clothing Ltd – Katuwellegama	48	35	32%
Total	150	110	100%

According to Krejcia & Morgan (1970), the minimum sample size for the 150 population will be 108 respondents. In this study researcher selected 110 respondents as sample of the study. In this study was used simple random sampling technique.

2.2 Data collection method

This study used questionnaire as a medium to obtain the data needed. There were two sections in the

questionnaire. Questionnaire was basically divided into two parts. First part was design to collect the information on respondents' demography such as gender, age, type of employment, highest education level, Income level and duration of service (Tenure). Additionally, second part consists with individual closed ended items for organizational citizenship behaviour and organizational commitment. OCB was measured by using standard scale which was developed by Chiun-Lo and Ramayah (2009). Organizational commitment was measured by using a scale developed by Allen & Meyers (1990) which was consisted with 24 items. The questionnaire of this study is self - developed one. The questionnaire consists with 48 questions. This questionnaire was used seven point Likert scale. The questionnaire is mainly delivered to respondents in paper version.

2.3 Data Analysis Procedures

This research used Pearson Correlation and Regression Analysis. The data analysis for this study conducted through "Statistical Package for Social Sciences" software or SPSS version 20. The study also tested reliability of the instrument by using Cronbach's Alpha.

3. RESULTS

Total of 110 managerial level employees and 33% (36) from Brandix Apparel Solutions Ltd – Welisara, 35%(39) from Mas Holdings Ltd – Niwala and 32% (35) from Courtaulds Clothing Ltd – Katuwellegama. From respondents are

78.18% male and 21.82% female. Most of the respondents in managerial level are up to university (51.8%). 39 respondents are up to A/L and 14 respondents are up to O/L. Further 35.5% respondents of the sample are educated up to A/L and 12.7% respondents are educated up to O/L.

In this research the Cronbach's alpha was applied to ensure the reliability of the questionnaire in which regarding Organizational Commitment on Organizational Citizenship Behavior among managerial level employees

Cronbach's Alpha value of the scale is greater than 0.7 is it good scale (Field 2009) Cronbach's Alpha values for all the independent variables were greater than 0.7. According to findings alpha value for Affective Commitment (0.861), Continnence Commitment (0.778) and Normative Commitment (0.772) which are the highest alpha value among managerial level employees. The researcher has evidence that internal consistency of the entire scale was reliable for the researcher's context.

3.1 Regression Analysis

Table 3. Model Summary

	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
Model	.983	0.966	.965	.06212	1.640

Source: Survey data

A linear regression analysis was used to analyze the hypothesis. The regression adjusted R square was 0.966. R² value indicates that predictor variables for the test have ability to explain 96% variation of the

dependent variable. Therefore, it can be concluded that this regression model is strongly fit to the data. Organizational commitment and its dimensions (AC,CC,and NC) explain 96% variation of Organizational citizenship Behaviour.

Table 4. Coefficient Table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(constant)	1.135	.133		8.548	.000
AC	.557	.054	.828	10.266	.000
CC	-.527	.091	-.745	-5.790	.000
NC	.719	.115	.892	6.231	.000

Source: survey data

According to the research model for this study, the regression equation derives as follows.

$$Y = 1.135 + .557 X1 - .527 X2 - .719 X3$$

This can be further explained by following hypothesis:

H₁: There is a significance impact of Affective commitment on organizational citizenship behavior of managerial level employees Apparel industry in Gampaha District. According to the above table sig value of Affective Commitment was less than 0.05. It implied that Organizational Commitment was good enough in predicting the Organizational Citizenship Behavior. Since the coefficient 0.557 of

Affective l Commitment shows that it has significant influence on OCB, H₁ of the study is accepted.

H₂: There is a significance impact of Continuance Commitment on Organizational Citizenship Behavior of managerial level employees apparel industry in Gampaha District

According to the above table sig value of Continuance Commitment was less than 0.05. It implied that Organizational Commitment was good enough in predicting the organizational citizenship behavior. Since the coefficient of -0.527 of Continuance Commitment shows that it has significant influence and negatively impact on OCB, H₂ of the study is accepted.

H₃: There is a significance impact of Normative Commitment on Organizational Citizenship Behavior of managerial level employees apparel industry in Gampaha District.

According to the above table sig value of Normative Commitment was less than 0.05. It implied that Normative Commitment was good enough in predicting the Organizational Citizenship Behavior. Since the coefficient of - 0.719 of Normative Commitment shows that it has significant influence on OCB, H₃ of the study is accepted.

4. DISCUSSION

The objective of this study was to investigate the impact of organization commitment and its dimensions on organization citizenship behaviour. According to previous literature also found out that the relationship between OCB and OC. According to

Bolat and Bolat 2008 as cited in Ozdem (2012) workers who committed to their organizations because of the opportunities they were offered. This commitment becomes organizational citizenship behaviour in the time, which contributes to the organisation itself. Ibrahim and Aslinda (2013) on their research found that organizational commitment has a direct relationship (positive) with OCB. Chang *et al.* (2011), suggest that strong commitment of employee ultimately increase their OCB level.

In the past literature, it has identified that there is a relationship between AC and OCB. According to the Bolat and Bolat (2008) Workers of the any organization, who have a higher affective organizational commitment regarding the organization they have more organizational citizenship behaviour regarding the organization (Ozdem, 2012). According to the Chun and Ching (2011) AC has a positive relationship with OCB. Chen and Francesco (2003) indicated that the influence of AC on OCB was greater than that on in role behaviour. in the current study Pearson correlation analysis shows that there is positive correlation between the AC and OCB ($r = 0.976$). According to the results of the correlation testing it was empirically proved that there was a positive relationship between AC and OCB. The coefficient of 0.557 of Affective Commitment shows that it has significant influence on OCB, H_1 of the study is accepted.

According to literature, Shore and Wayne 2004 as cited in Ozdem (2012) identified that negative correlation between continuance commitment and

OCB. Scholle (1981) argues that continuance commitment was negatively related to OCB and its dimension cited by Mohamed & Anisa (2012) as well as Meyer *et al.* (2002) found that negative correlation between continuance commitment and OCB. According to the Chun and Ching (2011) study find that CC has significant and negative influence on OCB. As well as Mohamed and Anisa (2012) found that continuous commitment has positive but weak relationship with organization citizenship behaviour. Table 2 shows that there is a negative correlation between the CC and OCB ($r = - 0.962$) in the Sri Lankan garment sector among managerial level employees. According to the regression analysis of this study sig value of continuance Commitment was less than 0.05. It implied that Organizational Commitment was good enough in predicting the organizational citizenship behavior. Since the coefficient of Continuance Commitment is $- 0.552$, shows that it has significant negative impact on OCB, H_2 of the study is accepted.

Mohamed and Anisa (2012) found that normative commitment has a positive relationship with OCB and its dimension. Meyer *et al.* (2002) identified that significant and positive relationship between normative aspect of organization commitment and organization citizenship behaviour. In current study, The Pearson correlation analysis shows that there is positive correlation between the NC and OCB ($r = 0.940$). According to the results of the correlation testing it was empirically proved that there was a positive relationship between NC and

OCB. According to the regression analysis of this study sig value of Normative Commitment was less than 0.05. It implied that Normative Commitment was good enough in predicting the Organizational Citizenship Behavior. Since the coefficient of -0.719 of Normative Commitment shows that it has significant influence on OCB, H_3 of the study is accepted.

So, if the management of the any organization consider the organization commitment it will positively relate with the organization citizenship behaviour of the managerial level employees. Relevant training is most important to managerial level employees to give their high performance while giving fullest commitment to the organization. If the organization provides relevant training to managerial level employees, it will increase the employees' affective commitment and increase the organization citizenship behavior of the managerial level employees.

If there have good learning opportunity for employees encourage the employees to do their work properly and effectively as well as increase their commitment regarding the organization. Continuance commitment is gain losses of work in an organization or leaves an organization. Employees who committed to the organization because of she or he perceived high cost losing the organization. Apparel industries can maintain good benefit scale for managerial level employees it will lead employee's continuance commitment. Feeling and emotion of

the employee after entering to organization is called normative commitment. The organization can protect the employees from their employment related problems give the advance rewards, join the organization to the family or socialization process of employees. It will lead to increase the normative commitment of the managerial level employees regarding the organization.

5. CONCLUSION

In today's competitive business environment human resource plays a significant role in any organization. In order to achieve organizational goals and objectives employees of the organization need to show extra ordinary behaviours, which are, not limited to their job descriptions. In order to produce high quality products and maintain organization efficiency level, involvement of managerial level employees is essential. The first objective is identifying impact of affective commitment on organizational citizenship behavior on managerial level employees in Apparel industry in Gampaha District. According to the findings of this study, proved there is a positive impact of Affective Commitment on OCB among managerial level employees in Apparel industry in Gampaha District. As well as another objective is identify impact of continuance commitment and organizational citizenship behavior on managerial level employees. According to the findings of this study, proved there is a negative impact of Continuance Commitment on OCB among managerial level employees in Apparel industry in

Gampaha District. Final objective is identifying impact of normative commitment on organizational citizenship behavior among managerial level employees in Apparel industry in Gampaha District. According to the findings of this study, proved there is a positive impact normative commitment on organizational citizenship behavior among managerial level employees in Apparel industry in Gampaha District.

According to the finding of the study, if an organization treats its managerial level employees fairly and impartially they will be able to maintain a committed work force in order to meet their goals and objectives successfully. Further, there is a positive relationship between organization commitment and organization citizenship behaviour.

So, if the management of the any organization consider the organization commitment it will positively relate with the organization citizenship behaviour of the managerial level employees. Relevant training is most important to managerial level employees to give their high performance while giving fullest commitment to the organization. If the organization provides relevant training to managerial level employees, it will increase the employees' affective commitment and increase the organization citizenship behavior of the managerial level employees.

It will help to it make sure their career and it will lead to increase commitment of these employees regarding the organization. Provide fair and competitive salaries to for

managerial level. It will positively affect to increase the commitment regarding the organization. If there have good leaning opportunity for employees encourage the employees to do their work properly and effectively as well as increase their commitment regarding the organization. If there have good learning opportunity for employees encourage the employees to do their work properly and effectively as well as increase their commitment regarding the organization.

Continuance commitment is gain losses of work in an organization or leaves an organization. Employees who committed to the organization because of she or he perceived high cost losing the organization. Apparel industries can maintain good benefit scale for managerial level employees it will lead employee's continuance commitment. Feeling and emotion of the employee after entering to organization is called normative commitment. The organization can protect the employees from their employment related problems give the advance rewards, join the organization to the family or socialization process of employees.

It will lead to increase the normative commitment of the managerial level employees regarding the organization. Therefore, these variables strongly relate to the employee's commitment. Responsibility will goes to organization to find ways to enhance the organizational commitment to increase the level of organization citizenship behaviour of managerial level employees.

The results of the study have revealed several important aspects that managers should pay attention to. One is to understand that an employee who is especially engaged actively, and thus emotionally connected to the organization, can bring many benefits. According to the results of the study, this commitment will have a positive impact on organizational citizenship behavior. As suggested by Organ a high level of employee OCB improves the organization's performance and increases innovation. Management should therefore do all it can to increase employee commitment and ensure that such people remain within the organization. As Narteh suggests, internal marketing elements such as training, communication and awards can increase employee involvement. Managers increase employee engagement by conducting training that, by increasing employee knowledge or skills, will change their attitudes and increase motivation.

According to the theory of social exchange, greater affective commitment is associated with greater social support in the workplace. Employees who feel supported by their organization feel the need to "pay it back" to the organization, and therefore want to identify with it. Thus, the entire organization and every manager should support each employee. If the employee feels this support, He or she will become increasingly attached to the organization and will transfer more of its social resources to it, even in the form of citizenship behavior.

It should be noted that managers should approach the problem of

organizational citizenship behavior comprehensively. Employee commitment alone is not enough, but it is certainly the place to start from. Employees must also have job satisfaction and a sense of fairness. How the leader behaves, with regard to employee support in particular, also plays a huge role here.

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Factors Affecting for Loan Defaults with Special Reference to State Commercial Banks

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Abstract

Financial system stability is one of the key fundamentals upon which economic growth is based. Most developing countries' financial system is dominated by the banking sector. Commercial banks constitute the anchor of the growth of other sectors by providing them access to credit facilities in the form of loans consequently, the soundness of the banking industry is an essential consideration for financial system stability. Though there were many research studies published in the banking sector for enhancing customer loyalty, there is limited consideration to identify reasons for non-performing loans in the banking sector in Sri Lanka. Thus this study was conducted to assess factors affecting loan defaults in addressing the aforementioned gap. The quantitative research approach was adopted for the study. A survey was conducted with professionals engaged in two state-owned commercial banks using a self-administrative questionnaire. A convenient sampling procedure was used to obtain 164 responses from customers. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The finding of the study shows that economic factors, and institutional factors to the causes of loan default. The research proved that institutional factors and economic factors impacted loan defaults. The findings of the study suggest to the bank managers, loan officers, recovery officers, and other staff members to pay attention to credit terms, monitoring, inflation rates, and the income of the customers when they grant loans for new customers. The findings of this study will aid the management to improve their management of non-performing loans, encourage bank managers to participate more in policy formulation at the micro and macro levels as far as bad debt management is concerned, and also to diversify bank's investment portfolios.

Keywords: Non-performing loans, Commercial Banks, Sri Lanka

1. INTRODUCTION

Banks exist to provide financial intermediation services while at the same time endeavor to maximize profit and shareholders' value. Lending is considered the most important function for fund utilization of commercial Banks as a major portion of their income is earned from loans and advances (Radha, 1980). Despite the fact that loan is a major source of banks income and constitutes their major assets, it is a risky area of the industry. That is also why credit risk management is one of the most critical risk management activities carried out by firms in the financial services industry. In fact of all the risks banks face, credit risk is considered the most lethal as bad debts would impair a bank's profit. It has to be noted that credit risk arises from uncertainty in a given counterparty's ability to meet its obligations is accepted. A rapid build-up of bad loans plays a crucial role in banking crises (Demirgüç-Kunt & Detragiache, 1998; González-Hermosillo, 1999). A high level of non-performing loans is linked to bank failures and financial crises. Failure in one branch might lead to failure of the bank and failure in one bank might lead to run on bank which in turn has a contagious impact affecting the whole banking industry.

In the Sri Lankan context, the low asset quality of commercial banks is more emphasized when compared that with the developed countries (World Bank, 2014). Sri Lanka has experienced a distressing situation in the number of commercial banks by recording high non-performing loans

showing the early indicators of problematic bank practices that could have led to bank failures.

In the researcher's context of the study, the banks are facing a high amount of loan defaults amounted to 10 percentages of non-performing loan ratios. These banks have 30 years of history in lending operations and currently, each bank is granting more than 200 loans per month. Though they have been preparing action plans to reduce the non-performing loans, they have failed to reach an acceptable level which has made the situation. The non-performing loan amounts since 2009 up to 2014 are indicated in figure 1.

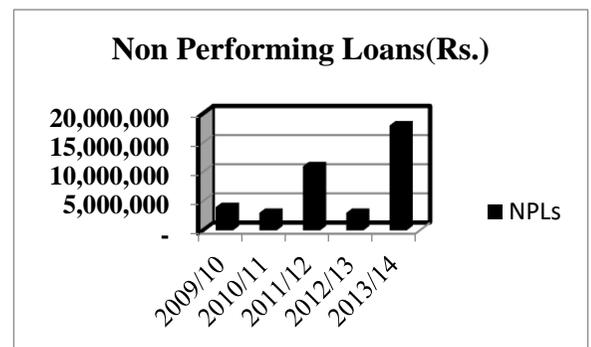


Figure 1. Non-Performing Loans for the period 2009-2014

Though there were a number of research studies published in the banking sector for enhancing customer loyalty, there is limited consideration to identify reasons for non-performing loans in the banking sector in Sri Lanka. Thus this study was conducted with the aim of assessing factors affecting loan defaults in addressing the aforementioned gap.

To address the aforesaid research problem, the following research questions were developed;

- What are the factors affecting loan defaults?
- What is the degree of impact of those factors on loan defaults?

The research was executed to find answers to the above-mentioned research questions through achieving the objectives of finding out which factors impact loan defaults and what is the degree of impact of those factors on loan defaults.

The study focuses on the non-performing loans in the state commercial banks in the Kegalle district with particular focus on the bank of Ceylon Kegalle super grade branch and people's bank Kegalle.

A non-performing loan occurs when payments of interests and principal are past due by 90 days or more, or at least 90 days of interest payment have been capitalized, delayed by agreement, or payments are less than 90 days overdue (IMF, 2009).

Woo (2000) supposed that, on the macroeconomic assumption, non-performing loans are a typical signal of the financial crisis. Rising interest rates, economic slowdowns, currency exchange rate depreciation can even severely deteriorate the phenomenon of non-performing loans. Understanding the causes and consequences of non-performing loans is a crucial prerequisite to tackle the non-performing loans phenomenon. Besides, the objective of managing non-performing loans is also a critical element. Non-performing loan management, or

credit risk management in the banking sector, is a process of formation and conduction of policies to attain objectives. The objectives of managing nonperforming loans focus on hedging the expansion of non-performing loans, combining with solving current non-performing loans (Woo, 2000).

Warue (2013) identified that lending interest rates are positive and significantly related to non-performing loans in commercial banks. Jimenez & Saurina (2006) also showed similar results found a significant and positive relationship between the market interest rate and problem loans. Warue (2013) concluded that inflation has a negative impact on government commercial banks. Empirical studies tend to confirm a positive link between the nonperforming loans and the unemployment rate of the economy. (Nkusu, 2011) explains that unemployment reduces the level of income that individuals obtain thereby increasing their debt burden. Loss of job or increased unemployment makes it hard for the affected individuals with outstanding loans to service the loans. It was identified that speculation: such as investing in high-risk assets to earn a high income and also fraudulent practices such as advancing loans to ineligible persons or advances without security or reference as some of the causes of non-performing loans. According to Gorter & Bloem (2002), unsettled loans are mainly caused by an inevitable number of wrong economic decisions by individuals. Further, it was claimed that non-performing loans may be caused by poor

management, poor supervision, and over-optimistic assessment (Bloem & Gorter, 2001; Berger & De Young, 1997). Ahmad, (2002), mentioned some important factors that cause loan defaults which include; lack of willingness to pay loans coupled with the diversion of funds by borrowers, willful negligence, and improper appraisal by Credit Officers.

Based on aforesaid facts the researcher constructed a conceptual framework that provides empirical predictions and highlights important issues for this analysis as depicted below;

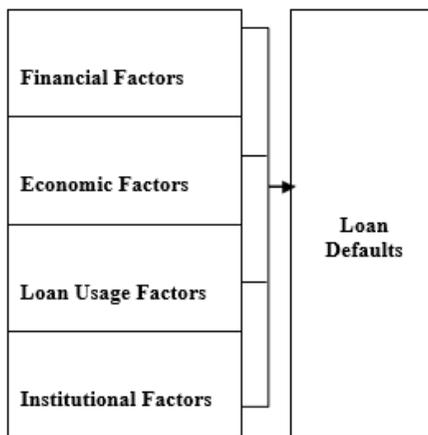


Figure 2. Conceptual Framework

Based upon prevailing literature and in alignment with the conceptual framework following hypotheses were constructed;

- H₁: Financial factors have a significant impact on loan defaults
- H₂: Economic factors have a significant impact on loan defaults
- H₃: Loan usage factors have a significant impact on loan defaults
- H₄: Institutional factors have a significant impact on loan defaults

2. METHODS

This research adopted a quantitative approach. The research used a survey strategy to collect primary data using a self-administered questionnaire fallen into a cross-sectional study where data was collected just once at a particular time.

The customers who have not paid the borrowed loans from the two banks in Kegalle district composite the population for the study where 180 customers were selected as the sample using a convenience sampling technique. A self-administered questionnaire was distributed among the sample and 166 responses were received. The response rate was 92 percent (92%).

The questionnaire was distributed in both English and Sinhala languages for the customers as per their preference. Questionnaires part (A) consist of questions regarding general information and part (B) consists of questions related to financial factors, economic factors, institutional factors, and loan default factors. In the questionnaire, part (A) consists of 5 questions regarding general information, part (B) consists of 18 questions related to financial factors, economical factors, loan default factors, and institutional factors, (1-4) related to financial factor, (5-8) related to the economic factors, (9-12) related to loan usage factors, (14-17) related to institutional factors and (18-19) related to loan defaults factors.

After collecting, the data was edited, classified, coded, and tabulated. Quantitative data were analyzed using

a statistical package for social science. Pearson's correlations analysis, simple regression, and multiple regression analysis were used to analyze the data. To achieve the objective of the study, a model was developed using causes as independent variables & loan defaults as the dependent variable. The extent to which non-performing loans (loan defaults) have impacted state banks in the Kegalle district was analyzed using multiple regression analysis.

3. RESULTS

The proposed regression model for the present study can be expressed as follows.

$$Y_{LD} = \beta_0 + \beta_1F + \beta_2E + \beta_3L + \beta_4I + U$$

Key;

Y_{LD} = Loan Defaults

β_0 = Constant

β_1F = Financial Factors

β_2E = Economic Factors

β_3L = Loan usage Factors

β_4I = Institutional Factors

U = Error term

The correlation matrix used to measure the relationship between two variables and the impact of those variables on NPL is measured using multiple regression analysis.

The sample characteristics are depicted in table 1.

Table 1. Sample Distribution

Dimension	Subject	Frequency	Percentage %
Gender	Male	96	59%
	Female	68	41%
Civil Status	Married	94	57%
	Single	70	43%
Age Composition	Between 18-30 Years	29	18%
	Between 31-40 Years	39	24%
	Between 41-50 Years	41	25%
	Between 51-60 Years	30	18%
	Between 61-70 Years	25	15%
Educational Qualifications	G.C.E.(O/L)	25	15%
	For G.C.E. (A/L)	32	19%
	Certificate Level	41	25%
	Diploma	37	23%
	Degree and Above	29	18%
Loan Borrowing Times	Single	59	62%
	More than one time	102	38%

As depicted in the table, a major portion of the respondents is male representing 59% of the sample. Out of the respondents, 57% are married customers and 62% have borrowed loans more than once.

Table 2. Reliability Testing

Variable	Cronbach's Alpha
Financial Factors	.869
Economic Factors	.852
Loan usage Factors	.858
Institutional Factors	.859
Loan Defaults	.884

The reliability of the variables is closer to or greater than the accepted minimum level of 0.60. (Sekaran & Bougie, 2010) Accordingly, the reliability test results verify that the questionnaire developed had measured the variables unflinchingly.

Table 3. Correlation Analysis

Correlation	Financial Factors	Economic Factors	Loan Usage Factors	Institutional Factors
Pearson Correlation	.509**	.552**	.520**	.669**
Sig. (2-tailed)	.000	.000	.000	.000

As table 3 depicted the institutional factors have the highest significant relationship with the loan defaults with a Pearson’s Correlation value of 0.669. Economic factors (r= .552), loan usage factors (r= .520) and financial factors (r= .509) shows a significant relationship with NPL respectively.

Table 4. Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	.386	.197	
1 Financial Factors	.058	.077	.065
Economic Factors	.135	.118	.116
Loan usage Factors	.094	.120	.078
Institutional Factors	.558*	.088	.506

(Constant)	.390*	.197	
2 Economic Factors	.152	.115	.132
Loan usage Factors	.121	.114	.101
Institutional Factors	.576*	.085	.522
(Constant)	.435*	.192	
3 Economic Factors	.232*	.087	.201
Institutional Factors	.593*	.083	.538

Table 4 illustrate the B values of the variables and their significance. According to the backward method model summary of regression analysis B reflects a positive relationship between economic factors and loan defaults among the multiple variable models 1, 2, and 3 respectively are 0.135, 0.152, and 0.232. According to model 3, there was a positive relationship between economic factors and loan defaults that shows 23%. It is evident that economic factors significantly impact loan defaults.

According to the backward method model summary of regression analysis B reflects a positive relationship between institutional factors and loan defaults among the multiple variable models 1, 2, and 3 respectively is 0.558, 0.576, and 0.593. According to model 3, there was a positive relationship between institutional factors and loan defaults that shows 59%. It is too evident that institutional factors significantly impact loan defaults.

According to the model 1 summary of regression analysis B reflects a positive relationship between financial factors and loan defaults among the multiple variables, which is 0.058. So there was a positive weakest

relationship between financial factors and loan defaults that shows 6%. The significant value model 1 is 0.451. As per the results, it can be stated that the financial factors do not significantly impact loan defaults.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square
1	.806 ^c	.701	.664

a Predictors: (Constant), financial factors, economic factors, loan usage factors, institutional factors

Finally, according to the model summary of regression analysis B reflects a positive relationship between loan usage factors and loan defaults among the multiple variables. It shows models 1 and 2 respectively 0.094 and 0.121. The significant values are models 1 and 2 respectively 0.435, 0.288. Here loan usage factors are not significant on loan defaults as depicted by the regression results.

The R² value of the regression model accounts for 0.702 which represent the four predictor variable can account for 70.2% of the variation in loan defaults.

4. DISCUSSION

According to the regression results, it is evident that only economic factors and institutional factors were able to regress with NPL. The other two factors even though they had a positive correlation with NPL, failed to regress with NPL.

Table 6. Summary

Variable	B Value	Decision
Constant	0.435	
Financial Factors	0.058	H1 Rejected
Economic Factors	0.232*	H2 Accepted
Loan usage Factors	0.121	H3 Rejected
Institutional Factors	0.593*	H4 Accepted

As depicted in table 6, the financial factors fail to have a significant P-value. There isn't enough evidence to reject the null hypothesis. It tells that financial factors do not significantly impact loan defaults. Therefore, this hypothesis is rejected.

The economic factors are able to maintain a significant coefficient in all three models. Therefore, it provides enough evidence to reject the null hypothesis which allows accepting alternative hypothesis which tells that there was a significant impact on economic factors on loan defaults. Thus the result of this study confirms this hypothesis.

The loan usage Factor P-value is 0.435. Since the given P value was greater than 0.05. There isn't enough evidence to reject the null hypothesis. It tells that there is it tells that loan usage factors do not impact loan defaults. Therefore, this hypothesis is rejected.

The institutional factor of all three models provided enough evidence to reject the null hypothesis which gives evidence to accept the alternative

hypothesis which tells that there was a significant impact on institutional factors on loan defaults. Thus the result of this study confirms this hypothesis.

Consequently, the following regression model was constructed based on the analysis.

$$Y_{LD} = 0.435 + 0.232E + 0.593I + U$$

The value of R^2 in this model is 0.702. That represents the four predictor variable can account for 70.2% of the variation in loan defaults. There might be many factors that can explain this variation. However, the current model which includes only financial factors, economic factors, loan usage factors, and institutional factors that can explain approximately 70.2%.

The adjusted R^2 value explains how much variance in the dependent variable would be accounted for if the model has been derived from the population from which the sample was taken. Also adjusted R^2 gives us some idea of how well this model can be generalized and ideally it would like its value to be the same or very close to the value of R^2 (Field, 2009). The current study is R^2 is 0.702 and the adjusted R^2 of this study is 0.664.

In this study, the researcher could find out that the most influential dimensions which influence the loans defaults are institutional factors and economic factors. According to the regression analysis, they have a significant positive relationship with loan defaults.

5. CONCLUSION

The objective of this research was to identify the factors affecting loan defaults with special reference to state commercial banks in the Kegalle district. The results showed that, based on the respondents' view, it was evident that most likely factors that affect occurrences of nonperforming loans in-state commercial banks in the Kegalle district.

Ultimately, this study concluded that institutional factors are the most influential factor in loan default in compliance with the findings of Bloem & Gorter, (2001); Berger & De Young (1997). Based on the findings of the research, state commercial banks need more pay attention to their management team and the staff members. Besides, despite the fact that lenient credit term and monitoring/follow-up plays a pivotal role to ensure loan collection failure to do this properly was also found to be causes for loan defaults. Cases of underfinancing loan requirements that meant a shortage of working capital or not being able to meet planned targets were associated with defaults.

Further, it could be concluded that economic factors have an impact on loan defaults. Economic factors are a common impact on the banking industry to create non-performing loans. Inflation rates and unemployment situation (income) are the majority impacted to the loan defaults in economic factors which confirms with the findings of Warue (2013); Jimenez & Saurina (2006); and Nkusu (2011). Therefore, state commercial banks need special

attention regarding economic factors when they grant loans to customers to prevent non-performing loans. In the current study, other factors such as financial factors and loan usage factors had few impacts respectively on the loan defaults. Based on the findings the researcher could draw the conclusion that non-performing loans are mainly caused by institutional factors and economic factors.

Therefore, state commercial banks in Kegalle need to continue to strengthen their credit risk mitigation measures to maintain the stability of the banking sector. As such, it is essential for banks to carry out a proper evaluation of credit applications and closely monitor repayment capacity and cash flow of the borrowers to ensure that expansion of credit will not pose a further risk to financial system stability. Resolution on performing loans in countries like Sri Lanka ultimately lies in developing a competitive environment for the financial sector as a whole.

After analyzed of the research findings, the following recommendations are suggested by the researcher: Banks should put in place a vibrant credit process that would encompass issues of proper customer selection, robust credit analysis, proactive monitoring, and follow up and clear recovery strategies to prevent non-performing loans in-state commercial banks.

Banks should put in place a clear policy framework that addresses issues of conflict of inflation rates, income level, and cost of living in the decision-making process for all those

involved in the credit process to ensure its implementation thereof.

The study further recommends that there is a need for state commercial banks to initiate policies that will control the number of loans they have.

Direction for future researchers is as such that this study was focused only on four factors affecting loan defaults where a further study can be carried out by including more variables to the regression model. The study can be further expanded by including both public and private sector banks and expanding the geographical area.

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Leader Member Exchange (LMX) and Followership Styles

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Abstract

The Leader Member Exchange (LMX) often has more ramifications for organizational results than a leader trait or behavior. LMX theory studies the quality of the relationship between the leader and each individual follower in a work unit. In certain instances, the styles of followers' is an ancestor for the formation of high-quality LMX relationships. Five styles of followership styles have been described as alienated, conformist, passive, exemplary and pragmatic based on two behavioral dimensions of independent critical thinking and active engagement. How these followership styles relate with the formation of quality of LMX is an absent field in both relationship based approach to leadership and as well as followership literature. Accordingly, this investigation was carried out to fill this gap. Based on a purposeful sampling procedure, 200 newly graduated employees were selected. The main research instruments were questionnaires. The LMX 7 questionnaire was used to collect data regarding the quality of the relationship between leaders and followers, while Kelley's followership styles assessment and model was used to identify the followership styles of the respondents. Findings have shown that the existing level of LMX, active engagement and independent critical thinking behavior of newly graduated employees are not in a satisfactory. Further, active engagement behavior is closely linked with LMX as opposed to independent critical thinking behavior. Moreover, it was revealed that high quality LMX relationships were encountered by conformist and exemplary followership styles.

Keywords: Leader Member Exchange (LMX), Independent Critical Thinking, Active Engagement, Newly graduated employees, Sri Lanka

1. INTRODUCTION

The quality of a leader-follower dyadic relationship would be more predictive of positive organizational outcomes than traits or behaviors of superiors (Lussier and Achua, 2010). As a dyadic relationship tool, the leader-member exchange (LMX)

theory has traditionally been regarded as a relevant and an important instrument for organizational management. LMX theory is a relationship-based approach to understanding how vertical dyads consisting of a leader (supervisor) and a member (subordinate) accomplish organizational tasks together

(O'Donnell et al., 2012). LMX is at the heart of getting work done. The relationship between a supervisor and subordinate is a large factor in determining success, not only of the work-task, but also team and organizational performance (Dulebohn et al., 2011).

Several researchers have posited that there is a positive relationship between LMX and many variables linked to organizational effectiveness including performance, communication, job satisfaction, and organizational climate. Conversely, LMX has also been linked to deleterious consequences including job dissatisfaction and burnout (Ngoma, 2011). In essence, LMX is about a work-related dyadic relationship that occurs between leader and each individual follower. Drawing on social exchange theory (Blau, 1964), the central premise of LMX theory is that leaders develop different types of exchange relationships with their followers, ranging from high quality to low quality, and the quality of these relationships affects important member attitudes and behaviors (Gerstner & Day, 1997).

With some members, leaders develop high-quality exchanges that are characterized by mutual trust, loyalty, respect, and obligation. These are the “in-group”. With others, they conduct low-quality interactions that rely on the formal employment – they are categorized as a member of “out-group” (Graen & Uhl-Bien, 1995). According to Lussier and Achua (2010) different kind of behavioral and situational factors such as follower attributes/ personality, leader

and follower perceptions of each other and situational factors often influence to the creation of high or low quality LMX.

Like leaders, there are different types of followers. Based on individual characteristics, motivations, and behaviors, some followers may be more active and involved than others. While followership style itself is a significant concept to study, of more importance is how it relates to the creation of quality of LMX relationship. The rationality of this argument based on because leaders choose some specific followers to develop high-LMX than others. Due to the precocity of studies focus on this, researcher found a gap exist in study area in terms of theory and research context. Accordingly, this study is an initial attempt to bridge the knowledge gap by providing practical, theoretical and contextual contribution. The findings of this study would help to academicians and practitioners and as well as leaders and followers of organizations in determining how followership styles would contribute to develop high quality LMX which could be ultimately contribute to the organizational success by specially referring to the newly graduated employees in Kurunegala district in Sri Lanka.

1.1 Objectives of the Study

To investigate the level of leader member exchange (LMX) perceived by the newly graduated employees.
To investigate the level of critical thinking behavior perceived by the newly graduated employees.

To investigate the level of active involvement behavior perceived by the newly graduated employees.

To investigate the most effective followership style which contributes to create high quality leader member exchange (LMX).

2. LITERATURE REVIEW

The Leader-Member Exchange (LMX)

The Leader-Member Exchange (LMX) theory that is emerged in the 1970s has evolved substantially (Graen, 1976; Graen and Scandura, 1987; Graen and Uhl-Bien, 1991). LMX theory proposes that, over time, leaders develop differentiated relationships with their subordinates and that the quality of these relationships has important implications for subordinate attitudes and behaviors (Gerstner & Day, 1997). LMX research categorized the quality of the relationship between a leader and with their followers into two groups: the in-group and out-group, more recently referred to as high-quality exchanges and low-quality exchanges respectively (Graen and Uhl-Bien, 1995). The in-group includes followers with strong social ties to their leader in a supportive relationship characterized by high mutual trust, respect, loyalty, and influence. Leaders primarily use expert, referent, and reward power to influence members of the in-group (Lussier and Achua, 2010). In contrast, leaders and followers in low-quality relationships closely adhere to their respective organizational roles and do not step beyond those bounds.

The benefits of high quality LMX relationships are numerous, including preferential treatment, increased job-related communication, differential allocation of formal and informal rewards, ample access to supervisors, and increased performance-related feedback (Graen and Uhl-Bien, 1995). Conversely, subordinates in low quality LMX relationships often experience the exact opposite; supervisors provide limited emotional support and trust and the subordinates receive few, if any, benefits outside the employment contract (Dienesch and Liden, 1986). This high quality/low quality exchange may have significant implications on the followership styles.

Followership Styles

The best conceptualization of followership styles is Kelley's model (Lussier and Achua, 2010). According to Kelley (1992) two dimensions describe the way that people follow. The first dimension is independent, critical thinking, versus dependent, uncritical thinking. Followers who are independent, critical thinkers consider the impact of their actions on the organization, they are willing to be inventive and offer constructive criticism in spite of the consequences (Mushonga & Torrance, 2008). Dependent, uncritical thinkers on the other hand stick to the leader's thinking and only do what the leader tells them to do.

The second behavior variable—level of involvement—refers to the follower's willingness to be a visible and active participant. The opposite of this person is someone who is low on involvement. She or he is barely

noticeable within the work unit (Lussier and Achua, 2010).

Based on the two dimensions stated above which describe characteristics of followers with different levels of thinking and engagement, Kelley (1992) identified five basic styles of followership that depend on how high or low the rank on the two dimensions is: alienated, passive, conformist, pragmatist and exemplary followers.

Alienated followers are capable independent thinkers but are less likely to engage in aspects of the organization. According to Kelley, this lack of engagement can actually occur through withdrawal from certain aspects of organizational life. Their independent thinking style allows them to evaluate the organization critically. At the same time, their analysis does not translate into action. They may have an idea concerning what should be done but do not act upon their impressions. Rather, they can become critical and launch disparaging appraisals of leadership and the organization (Leonard et al, 2011).

Unlike alienated followers, passive followers are dependent, uncritical thinking individuals who take a passive approach within the organization. Passive followers rank low on both independent and critical thinking and active engagement. They depend on leaders to do the thinking for them. They are unenthusiastic set of people who require constant supervision to complete assigned tasks. They are neither creative nor ambitious and are more likely to experience job fatigue (Kelley, 1988). For this reason, passive followers

represent ineffective followers. It is typical of passive followers to avoid situations or tasks that require or force them to engage in independent thinking. In addition, they do not put in extra time to complete given tasks; they leave whether or not they have completed tasks when the day is over. Passive followers are prone to being easily swayed by manipulative leaders because they lack the courage to defend themselves or the organization (Oyetunji, 2013).

Opposite of alienated followers are conformist followers. These individuals tend to be actively engaged in the organization but do not have the capacity for or have forfeited independent thinking. Individuals at this level of followership trust in the leadership of the organization to think critically and make a decision for them. They have accepted the role of obedient worker, which is a role that traditional business managers seem to find compatible with their definition of good followers (Kellerman, 2008) Compared to alienated, passive and conformist followers, exemplary followers are independent, critical thinkers, innovative and willing to question the leadership. Exemplary followers rank high on both independent and critical thinking and active engagement. This type of follower is vital to organizational success because this followership style is ideal in many ways. Exemplary followers consider the consequences of tasks before they carry them out and excel in all tasks. They treat everyone in the organization the same way, get along very well with their colleagues (Bjugstad et al., 2006), provide

support and intelligent criticism to the leader and even withdraw their support from an incompetent leader without disrupting the organization's operations. They stand to serve the best interest of the organization. Exemplary followers are likely to function very well in self-managed teams. They are a manager's best asset in the sense that they complement the leaders' efforts and can be depended upon to relieve the leader of many tasks (Mushonga & Torrance, 2008).

Pragmatist followers have the capacity to think and act on their own, but they are limited in their ability to follow through. As followers, they perform the basic functions of their job or task, but do not move beyond essential behaviors needed to maintain average organizational performance. Safety in the organization is their main motivation (Leonard et al, 2011). When the organization is going through difficult situation, pragmatic followers do everything which is needed to get them through the crisis and not necessarily the organization. This characteristic is also affirmed by Lussier and Achua, (2010).

3. METHODOLOGY

The study adopted the deductive and quantitative approach in reaching research objectives. The unit of analysis was individuals who are the newly graduated employees and study was performed as a cross-sectional study. The target population represented the graduated employees (teachers, executive officers, engineers, and others) living in Kurunegala district in Sri Lanka, whose working experience is less than

three years after their graduation. A total of 200 questionnaires were distributed across selected newly graduated employees, and 132 surveys were returned for an overall response rate of 66%. The collected data were classified and coded for analysis. Statistical Packages for Social Science (SPSS, 20) version was used to analyze the data. Descriptive statistics, one sample T-test and correlation analysis were used

Measures

LMX: LMX 7 questionnaire developed by Graen & Uhl-Bien (1995) was used to measure the perceived level of quality of relationship between participants and their supervisors. It is most commonly used by researchers to explore theoretical questions relating to mutual trust, respect, affection, support, loyalty etc. The scale consisted of 5 items.

Followership Personality: Kelley's (1992) followership styles assessment and model (KFAM) was developed to identify the different followership styles. The assessment consists of 20 items on a five-point scale for the follower to self-assess. The results categorize followership styles as passive, conformist, alienated, pragmatic, and exemplary.

Hypotheses

HO₁: Newly Graduated employees' perceived leader member exchange (LMX) is in a satisfactory level.

HO₂: Newly Graduated employees' critical thinking behavior is in a satisfactory level.

HO₃: Newly Graduated employees' active involvement behavior is in a satisfactory level.

HO₄: Employees who demonstrate exemplary followership style record high quality leader member exchange (LMX) compared to employees indicating alienated, conformist, pragmatist, and passive styles of followership.

4. RESULTS

The demographic characteristics of the respondents are shown in table 1. Accordingly 78 respondents were female (59%), and 54 respondents were male (41%). 34% of the participants' ages were between 20-29, 57% of participants' ages were between 30-39, and 8% were over 40 years old. 42% of participants were bachelors. In terms of working experience, 36% of the respondents have less than 5 years working experience, 57% have 5-10 years, and 7% have more than 10 years working experience.

Table 1. Demographic Characteristics of Respondents

Demographics		N	%
Gender	Female	78	59
	Male	54	41
Age	20-29	45	34
	30-39	76	57
	Over 40	11	09
Marital status	Not married	56	42
	Married	76	58
Working experience	Less than 5 years	48	36
	Between 5 and 10 years	75	57
	Over 10 years	9	7

Followership Types

Table 2 shows the information regarding the newly graduated employees' followership style.

Table 2. Exhibited Followership Styles of Newly Graduated Employees.

Followership Style	Frequency	Percentage
Alienated	27	21.9
Exemplary	21	15.9
Pragmatic	46	34.8
Passive	9	6.8
Conformist	29	20.6
Total	132	100

As per table 2, frequency and percentage were used to identify the graduated employees' followership styles. The majority (34.8%) of the participants acted as pragmatic follower, 21.9% of the participants acted as alienated follower, 20.6% of them were conformist followers, 15.6% were exemplary followers and 6.8% of the participants acted as passive follower.

The Degree of LMX Relationship

The degree of LMX relationship was measured by using the guidelines provided by Graen & Uhi-Bien (1995). Table 3 provides information about the quality of the leader member exchange relationship perceived by the respondents. Frequency and percentage were used to identify such dyadic relationship.

Table 3. The Degree of LMX

Degree of Relationship	Frequency	Percentage
High Quality LMX	60	45.5
Low Quality LMX	72	54.5
Total	132	100

It was revealed that majority (54.5%) of participants perceived low quality relationship with his/her manager.

Preliminary Analyses

The assumption of univariate and bivariate normality was tested for the KFAM and LMX-7. One-Sample Kolmogorov-Smirnov Test (K-S) was used to test the null hypothesis that the variable is normally distributed. It was found that the K-S test is not significant (0.960); thus, cannot reject the null hypothesis and may assume that data is normally distributed. The histogram was symmetrical, skewness (-.62) and kurtosis (-.11) were within +/- 1.00 tolerance (Meyers, Gamst, & Guarino, 2013). The Q-Q normality plot, which is the plot of each observed value with the expected value if the distribution were normal, showed that plotted values did not depart significantly from a straight diagonal line, thereby indicating that the scores were considered normally distributed. Internal consistency reliabilities of the two instruments were also tested. KFAM recorded Cronbach’s $\alpha = .81$, while LMX-7 revealed Cronbach’s $\alpha = .86$ which suggests that the internal reliability of the instrument is satisfactory.

Primary Analyses

To test the hypothesis 01 (Newly graduated employees’ perceived leader member exchange (LMX) is in a satisfactory level) study applied the One- Sample T Test to detect the level of LMX perceived by newly graduated employees.

Table 4. T test results (One- Sample T Test) to detect the level of perceived quality of leader member exchange (LMX)

	Mean	SD	df	t-value	Significance
LMX	3.24	0.47	194	2.26	0.00

The table shows that the value of (T) is positive and stood at (2.264) and statistically significant and (0.00), where general mean value compared to the standard value of the Likert 5 Scale, namely, (3.24), and the results statistically confirmed that newly graduated employees’ perceived leader member exchange (LMX) is not in a satisfactory level

The result of the One Sample T Test to detect the hypothesis 02 (Newly Graduated employees’ critical thinking behavior is in a satisfactory level) is shown by following table.

Table 5. T test results (One- Sample T Test) to detect the level of critical thinking behavior

Critical Thinking Behavior	Mean	SD	df	t-value	Significance
	3.58	0.69	207	3.19	0.00

The table shows that the value of (T) is positive and stood at (3.189) and statistically significant and (0.00), where general mean value compared to the standard value (4) of the Likert 5 Scale, namely, (3.58), and the results statistically confirmed that newly graduated employees' critical thinking behavior is not in a satisfactory level.

The result of the One Sample T Test to detect the hypothesis 03 (Newly Graduated employees' active involvement behavior is in a satisfactory level), is shown by following table.

Table 6. T test results (One- Sample T Test) to detect the level of active engagement behavior

Active Engagem ent Behavior	Mean	SD	df	t- val u e	Sign ifica nce
	3.89	0.53	178	2.91	0.00

The table shows that the value of (T) is positive and stood at (2.908) and statistically significant and (0.00), where general mean value compared to the standard value (4) of the Likert 5 Scale, namely, (3.89), and the results statistically confirmed that newly graduated employees' critical thinking behavior is not in a satisfactory level

Correlation analysis was used to measure the degree of relationship between leader member exchange and followership styles. The correlation coefficients and relevant P values received by each relationship are shown in table 7. These values were used to determine the relationship and the significance of the relationships existing among the variables.

Table 7. Matrix of Inter Correlations

Variable	LMX
1. Active engagement	0.77***
2. Independent critical thinking	0.61**
3. Alienated followership	0.38
4. Conformist	0.79***
5. Passive	0.25
6. Exemplary	0.82***
7. Pragmatic	0.47

*** Correlation is Very Strong at the 0.01 level (2-tailed)

** Correlation is Very Substantial at the 0.01 level (2-tailed).

According to Connolly and Sluckin (1962) the r value of 0.9 – 1.00 shows the positive and strong relationships, 0.7 - 0.9 shows good relationships, 0.4 – 0.7 shows the moderate relationships, 0.2 – 0.4 shows the low relationships and the value less than 0.2 shows the weak relationships.

As shown in Table 7, when comparing to the two dimensions of independent, critical thinking and active engagement, it was revealed that active engagement ($r = .0.77, p < 0.05$) was related to LMX and the relationship was good. Further, independent critical thinking ($r = .0.61, p < 0.05$) was moderately related to LMX. This was statistically proven that leaders tend to develop high LMX with the followers who are willing to be a visible and actively participate than the followers who are capable in examine, analyze, and evaluate matters of significance in the organization's life.

Moreover, it was revealed that exemplary followership style ($r = .0.82, p < 0.05$) was related to LMX and the relationship was good. This means that exemplary followers often recorded high level of leader member exchange than other followership types. Further, results also revealed that conformist followership style was highly correlated to LMX ($r = 0.79, p < 0.05$), and the relationship was good. Pragmatic followership style ($r = 0.47, p < 0.05$) was moderately related to LMX, the relationship was significant. Alienated and passive followership styles recorded low relationship with LMX. Based on above results it is statistically proven that exemplary followership type is highly correlated with quality of leader-member exchange (LMX) than the other followership types of alienated, pragmatic, conformist and passive. Hypothesis H₄ is then accepted.

5. CONCLUSION

The findings showed that the active engagement level of newly graduating employees is higher than their independent/critical level of thinking. However both active engagement and independent critical thinking behavior are not at a satisfying level. It can also be noticed that the relationship between active engagement and LMX is relatively strong compared to the correlation between independent, critical thinking and LMX. Since independent critical thinkers often have more critical opinions on decision-making by leaders, and can question, disagree, or condemn them, there is possibility for leaders to welcome followers who are actively

participating to the execution of decisions taken by them.

Based on Kelley's (1992) theory, exemplary followers are high on critical thinking and active engagement. This group of employees has more than their usual work criteria. They are engaging their practices with passion. They are risk-takers who have the willingness to initiate reform and put themselves at risk or in confrontation with others, including their leaders, in order to strengthen their organization. They are engaged in daily life and readily give positive criticism not only to their subordinates or colleagues, but also to their superiors. In the corporate environment, they are known to be the greatest resource of any organization, since they are an accessory to the leadership's activities and can be counted upon to relieve the leader of certain duties. The results show that 15.9 per cent of newly graduated employees who participated in the study are in this category. The findings suggest that this type of followership is strongly associated with the high-quality LMX. Followers who report high-quality LMX for their superiors earn various advantages, including preferential treatment, improved job-related coordination, differential sharing of formal and informal incentives, comprehensive access to superiors, and enhanced performance-related input (Graen and Uhl-Bien, 1995). There is no question that the extemporary follower records high-quality LMX with his/her leader as his/her job success standard should be exceptional. They are loyal to the organization and look beyond themselves, and their efforts should

have a positive effect on the organization (Oyetungi, 2013). Conformist followers tend to be actively engaged in the organization but do not have the capacity for or have forfeited independent thinking. Individuals at this level of followership trust in the leadership of the organization to think critically and make decisions for them. They have accepted the role of obedient worker, which is a role that traditional business managers seem to find compatible with their definition of good followers (Kellerman, 2008). The findings indicate that 20.6% of newly graduated employees who participated in the study are in this group and record significant correlation with LMX. Since conformists are always obedient to their leaders, high probability is there that leaders develop high LMX with those followers even though they are lacking in independent critical thinking.

According to Kelley's (1992) theory, pragmatist followership style is eclectic, it exhibits a little of conformist, alienated, passive and exemplary followership styles. The findings of this study revealed that majority of newly graduated employees (34.8%) are in this category. The implication of this is that they are "stuck in the middle" most of the time. Because it is difficult to discern just where they stand on issues, they present an ambiguous image, with positive and negative sides (Lussier and Achua, 2010). They are merely doing the minimum to get themselves sustained on their jobs, and they are not all that passionate about the vision of the organization and that of the nation itself (Oyetungi,

2013). Study revealed that pragmatic followers record moderate quality relationship with their leaders.

Going by Kelley's (1992) theory, alienated followers are aloof from of the organization, since they feel cheated or unappreciated by his organization for outstanding work. They are ready, but not inclined, to use their competence to develop solutions to problems. The results of this study reveal that 21.9% of the participants are in this group. According to Kelley (1992), this absence of dedication will potentially arise by withdrawing from certain facets of organizational life. Their independent thinking style helps them to objectively analyze the organization. Around the same time, their analysis is not put into effect. They may have an understanding of what needs to be done, but they do not act on their experiences. Rather, they may become critical and elicit disparaging evaluations of the leadership and the organization. The research confirms poor LMX with alienated followers by confirming Kelly's theory.

The findings of this study showed that the followership styles of the majority of graduates are pragmatic. Alienated and passive followership styles were not linked to the development of high-quality member exchange (LMX). Efficient followership style was closely linked to the development of a high-quality leader member exchange (LMX) suggesting that leaders build high quality relationships with followers who show high expertise in job skills, interpersonal skills and value components.

In order to be successful as a follower, it is crucial to learn the skills required

to balance two opposing roles of follower; respectively, to execute decisions taken by the leader and to pose concerns about certain decisions when they are perceived to be false or immoral. While not always realistic, supporters must be able to risk the leader's displeasure with this criticism. Moral dignity and ability to take a stand on the basis of principle distinguish the traits of a successful follower (Lussier and Achua, 2004). Developing a high-quality LMX through mutual trust and respect between the leader and the follower can offer mutual benefits.

Compared to those who have poor relations with their leaders, high-quality exchanges appear to gain widespread social, political and economic assistance, indicating that these people will not only be happy with their employment assignments, but will also go beyond their formal job criteria to validate and reimburse such treatment (Erdogan and Enders, 2007). In the other hand, subordinates in a high-quality LMX relationship prefer to gain more support and career assistance, such as preparation and professional growth opportunities. Such resources and support will enhance the self-development and development of skills of subordinates, boost their job performance and reduce their work pressure (Jongsoo, 2013).

The low satisfactory level of independent critical thinking behavior and active engagement behavior of newly graduated employees suggests that the Sri Lankan higher education system pays little attention to the development of industry-needed

graduates. As Dyllick (2015) pointed out there are significant questions regarding the capacity of higher education institutions to provide students with the skills required to work in contemporary organizations and to train them for the technical demands and challenges of globalized industry in a pluralistic environment. One of the biggest critiques of state universities is the consistency and importance of education to job security. As a result, state university education has not provided the country with a workforce ready to face the challenges of a dynamic market-oriented economy (World Bank, 2010). While technical and professional subjects in the fields of medicine, engineering, general sciences, management and law have been introduced to the universities, there was a mismatch between the skill demands of private sector and the supply of universities (Ranasinghe, 1992). It is also important to consider the methods implemented to address these demands and how attitudinal improvements are incorporated in the higher education sector in order to improve efficiency and responsiveness. Furthermore in today's world, it might not be enough to equip workforce with the potential to be employable. They will need capabilities to consistently update their skills for potential employability (Wickramasinghe, 2018).

There are several drawbacks in this study. First, data for review were obtained using arbitrary scales and self-reports that could misrepresent the correlation between constructs. And self-reported data is subject to a standard form of variance. Another

drawback was that this research was limited to newly graduated employees in Kurunegala district of Sri Lanka. The participants differed in role, duties, responsibilities, and even skills. It is important to overcome generalization issues by undertaking research in other districts/provinces and other communities.

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