

The Impact of Psychological Contract on Employee Motivation with Reference to People's Bank Head Office

M.T.H. Silva¹ and Mohamed Abdul Cader Salfiya Ummah²

¹Bachelor of Business Administration, South Eastern University of Sri Lanka

²Senior Lecturer, Department of Management, South Eastern University of Sri Lanka

Abstract

There are certain mutual unwritten expectations that exist between an employee and the employer regarding policies and practices in any organization. This research examined the impact of the psychological contract on employee motivation. In particular, the research identified the core elements of psychological contract, which impact on the motivation of employees. This study was to identify the relationship between psychological contracts on employee motivation with special reference to People's Bank Head office in Sri Lanka since there is dearth of the research has been conducted to identify the impact of psychological contract on employee motivation in Sri Lanka. To achieve this objective, hypothesis was developed and tested. Simple random sampling was applied to select 136 of representative as sample size. A structured questionnaire was used to gather information to test the hypothesis and the Statistical Package for Social Science (SPSS) version 20.0 was used to analyze the data. Descriptive statistical analysis, Cronbach's coefficient alpha, mean value, Multiple regression analysis aided in the analysis of the data. To test hypothesis correlation analysis and Multiple regression analysis were performed. The study found that the employees of people's bank have a significant impact of psychological contracts on employee motivation. It could be concluded, that there is a significant impact between psychological contracts on employee motivation in the People's Bank. Results of the study further indicate that, the psychological contracts affecting in motivation of employees in the people's Bank are higher than the average level. Managing the human resources in an effective manner is very important to identify whether they are motivated or not for the future success of the organizations. HRM systems are likely to influence psychological contracts. This is because the appropriate use of HR policies and practices will create a positive organizational environment that might influence the degree of employer and employee promises execution. Since the banking sector comes under the service sector, treating the employees in amicable manner is a most valuable part. In order to motivate employees, the banks should provide a better initiative as level of competition in the banking sector is very high. Therefore, the employees should be motivated by the management to get positive involvement to achieve organizational targets.

Keywords: Psychological contract, Employee motivation