



The Moderating Role of Employee Empowerment and Distributive Justice in Transformational Leadership with Its Impact on Organizational Commitment in Islamic Banks at Pakistan

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The basic of the current study was to discover the influence of transformational leadership on organizational commitment, distributive justice, and employee empowerment as moderate variables in the Islamic banking company of District Swat, KP-Pakistan. Adopted questionnaires were used to have five points Likert scales and containing 24 items. 18 samples were taken with Random Sampling Techniques from the Islamic bank's sector. A total of 305 questionnaires were distributed among employees and the feedback rate was 80 % which 245 questionnaires received. Data analysis used multiple linear regression. The study found that organizational commitment is positively and significantly affect empowerment. Distributive justice has a positive influence on organization commitment but not significant. There was also found that the leadership of transformational influences organization commitment positively and significantly. The variance of transformational leadership and organizational commitments were 16% which indicates a weak significant influence.

Keywords: Transformational leadership, Organizational commitment, Distributive Justice, Empowerment, Islamic Banking sector

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BACKGROUND

The Islamic banking company is an important sector for the country to increase financial growth and investment through loans given to the community. According to [Wachtel \(2001\)](#) and [Jaffee and Levonian \(2001\)](#) the functions of banks are important because banks can allocate assets to achieve the highest value, minimize management risk and create economic movements. Some of the problems faced by the Pakistan Islamic banking sector are employee stress and work fatigue, heavy work routines, and tight work schedules. Long working hours and unskilled use of technology caused bank employees to be dissatisfied and low employee commitment. Most business graduates who choose to join the banking sector will face a variety of problems including lower levels of commitment, low employee performance, and high employee turnover.

The Islamic banking company in Pakistan has boosted the economy over the previous decade. Multinational and private banks have absorbed a large workforce. Islamic Banks prioritize competent and experienced personnel by providing attractive incentives. This strategy can affect bank employee productivity now. So that transformational leadership is very important especially when there is high inflation. Skilled employees must get good wages and facilities. Transformational leaders treat employees fairly by their performance achievements. Therefore a leader can bring his employees to achieve common goals. [Bass and Avolio \(1990\)](#). Transformational leadership has four indicators: inspirational motivation, individualized consideration, idealized influence, and intellectual stimulation [Bass \(1985\)](#). The leadership of transformational leadership presents positive outcomes in a different culture for organizational commitment in different organizations [Avolio et al. \(2004\)](#).

Organizational commitment is an important variable in the consequences. Employees deserve an increased salary when the employee committed to the organization. Employee placement must be by the capabilities and responsibilities to achieve organizational goals so it can reduce employee turnover. [Allen and Mayer \(1990\)](#). [Meyer et al. \(2002\)](#) argue that a commitment has an ongoing strength to form strong employee relationships. A strong relationship can increase organizational commitment [John \(1991\)](#).

RESEARCH GAP

Research on leadership, especially transformational leadership in Pakistan is not too much compared to developed countries. This happened because of the difficulty of cultural equality the cultural, social and political differences that exist in Pakistan. So the research objectives were to discover transformational leadership's influence on the Islamic banking company's commitment to Pakistan. The study also aims to test employee empowerment and distribution justice as moderate variables in the relationship of transformational leadership on organizational commitment.

LITERATURE REVIEW

Relationship between Transformational Leadership and Organizational Commitment

Transformational leaders are considered from the performance of creative leaders such as the right hand in the performance level of cumulative support personnel who offer job satisfaction and increased commitment to the company. Transformational leaders also suggest the efficiency of authoritative leadership in a group than the individual. [Degroot et al. \(2000\)](#). Transformational leadership can encourage employee performance through charisma, inspiration, intellectual encouragement, and individual attention and inspiration. Organizational commitment is participation to increase identity skills in certain organizations. The absence of organizational commitment can lead to poor performance, high turnover, high absenteeism which can adversely affect organizational effectiveness and efficiency [Porter et al. \(1974\)](#). Conceptually and empirically, the coloration of transformational leadership with the commitment of organizational focuses on influence in the transformational leadership process on the subordinate's level in the commitment of organizational [Bono and Judge \(2003\)](#).

Many surveys show organizational commitment influenced by transformational leadership. [Gulluce and Kaygin \(2016\)](#) in their research have discovered a positive moderate relationship between the transformational leadership scale and the organizational commitment scale. [Florence, et al. \(2015\)](#) [Stinglhamber et al. \(2015\)](#); [Shin \(2015\)](#); [Atmojo \(2012\)](#), and [Avolio et al. \(2004\)](#) argue a positive association among transformational leadership with the commitment of organizational. Another study said the relationship between the leadership of transformational with organizational commitment was positive and significant [Saeed et al. \(2013\)](#). Based on the description, it was concluded that the leadership of transformational have a connection with the commitment of organizational, so hypothesis 1 is:

H1: Transformational leadership have a positive influence on organizational commitment

Moderation Role of Employee Empowerment in Relationship Transformational Leadership with Organizational Commitment

Empowerment of organizational growth is one important factor in strengthening decisions taken to achieve organizational goals. Empowerment can expand ownership, the sensation of self-esteem, and strengthen a sense of employee responsibility, [Thomas and Velthouse \(1990\)](#). When the organization reaches the highest level in practicing, describing, authorizing employees and conducting work assessments consequently the trust and support of employees are greater for the organization to achieve great employee commitment and employee retention. ([Tsui and III \(1989\)](#) ; [Appelbaum and Reichart \(1998\)](#) ; [Eby et al. \(1999\)](#) ; [Allen and Meyer \(1996\)](#)). The study by [Bhatnagar \(2005\)](#) exposed an optimistic association between psychological empowerment (self-determination, the

consequence of competence and meaning) and continuation, affective, normally commitment. Work location empowerment also leads to work satisfaction and consequently builds an affective organizational commitment. Transformational leadership makes employees participate in the organization. Employee participation will improve distributive justice, which is the right of every employee to provide opinions on the creation of assessment procedures. Another study by Avolio et al. (2004) states that the relationship between psychological empowerment and organizational commitment was significant. Another result of the research is the empowerment of psychological improve commitment and job satisfaction in the organization. Bordin et al. (2007) explained the predecessor and psychological empowerment's impact. Ambad and Bahron (2012) stated two factors of psychological empowerment (self-determination and consequence) influence organizational commitment. While another study by Saeed, Saeed et al. (2013) explained the empowerment of psychological positively mediates transformational leadership on the commitment of organizational. Jayarathna (2019) found that psychological empowerment has a partial mediation on the connection between transformational leadership and OCB. Based on the description, it was concluded that there was a connection among transformational leadership, employee empowerment with the commitment of organizational, so hypothesis 2 is:

H2 : Employee Empowerment moderate transformational leadership on organizational commitment positively

Moderation Role of Distributive Justice in Relationship Transformational Leadership with Organizational Commitment

Distributive justice is the main dimension of organizational justice as the earliest form of justice. Justice of distributive is related to people's perceptions of consequences Adams (1965). Theory of distributive justice recommend that personnel will rate allocations of resource with respect according to three rules of distributive: equality, need and equity Cropanzano et al. (2007). Many studies show distributive justice as a moderating variable in transformational leadership influence on organizational commitment. Cremer (2004) states that distributive justice positively moderates transformational leadership on organizational commitment. Wahibur Rokhman, 2012 Rokhman (2011) have research result that distributive justice positively mediates the influence of transformational leadership on the commitment of organizational. Lee and Wei (2017) argue that transformational leadership moderates the connection between interactional justice and affective commitment. Greenberg (2011) states that procedural justice is the perception of people about fairness procedures used to determine their receive outcomes. People not only pay attention to fair outcomes but also the processes and procedures for outcomes sharing those. Jaya (2018) argue that procedural justice mediates partially the influence of transformational leadership on organizational commitment and job satisfaction. Based on the description, it was concluded that there was a connection among transformational leadership, distributive justice with the commitment of organizational, so hypothesis 3 is :

H3 : Distributive Justice moderate transformational leader-

ship on organizational commitment positively's empowerment and distributive justice as moderators and, so the research framework developed as follows:

[Figure 1 about here.]

METHODOLOGY

In the target population, 18 samples were taken with Random sampling techniques from the Islamic banking sector. A total of 305 questionnaires were spread out to bank employees and the feedback rate was 80 % which 245 questionnaires received. Eighteen Islamic banks of district Swat, KPK-Pakistan were selected for data collection. The Islamic banks are Habib Bank Ltd., United Bank, Allied Bank, Mezan Bank, and MCB Bank include their branches. The questionnaire adopted uses a five-point Likert scale. Techniques of collected data are used to fulfill according to data to the problem so that normal distribution is used in quantitative data in this study. Test research instruments using factor analysis for validity, and alpha Cronbach for reliability. Analysis tools using multiple linear regression.

RESULTS

The objectives of this analysis show in two parts: descriptive findings and relevant findings of the hypothesis. Descriptive findings, which consist of reliability, standard deviation, mean, and correlation of research variables, such as transformational leadership, employee empowerment, distributive justice, and organizational commitment are displayed on table number one.

[Table 1 about here.]

TL: Transformational Leadership

EE: Employee Empowerment

DJ: Distributive Justice

OC: Organizational Commitment

The results obtained from multiple regression analysis are as below:

[Table 2 about here.]

Table 2 shows that the value of R^2 is 0.165. It means that 16% of changes occur due to these two variables, so the model is not fit. F-statistics show the value is far from 0. It means the significance is not strong. The F statistics displays significant because have significance at 1% level for the overall model.

Organization commitment is 0.349 positively affected by transformational leadership. When the leadership of transformational increase then organization commitment also increases. T-test shows that leadership of transformational was significantly at level 1 %.

Organization commitment is 0.228 positively affected by empowerment. When empowerment increase then organization commitment also increases. Organization commitment is 0.097 positively affected by distributive justice. Considering the employee empowerment coefficient is significant while Distributive Justice coefficient is not significant according to the t-test.

The model is not fit because the value of R^2 is 0.125 and the value is far from 0. It means the significance is not strong. F statistics displays significant because the overall model has significance in 1% level.

CONCLUSION

Transformational leadership influence organizational commitment. Empirical evidence and theoretical results in this research indicate transformational leadership has the main role in the Islamic banking sector in Pakistan. This means that transformational leadership is the main subject to accomplish organizational commitment. Transformational leadership is an innovative method of leading employees to improve employee performance and organizational performance.

Although organizational commitment and transformational leadership are very close to insignificant associations, this study shows a negative relationship between organizational commitment and distributive justice, even though the association is positive. Whereas qualitative analysis and statistical data are based on the assessment of several Swat banks which show pragmatically. The correlation between distributive justice and organizational commitment is not significant. Because an important factor influencing the workplace and

internal relations in the bank is a strong and political referral system interference in the recruitment and promotion process. This study also shows that employee empowerment can moderate transformational leadership on organizational commitment positively.

During discussions and interviews with bank employees as respondents, it was concluded that respondents felt work inconvenience and work pressure. Besides, respondents also felt that they lost their enthusiasm for work because of low wages, no career path, no work benefits and little reward given. The results of this study are expected to provide recommendations to Islamic banks in Pakistan about work arrangements that are more comfortable for their employees. This work arrangement includes a promotion system, performance appraisal, and response to employee complaints.

LIMITATIONS AND FUTURE RESEARCH

We acknowledge that our study has limitation. The R^2 is 16%. It means that the resulting model is poor because independent variable can only explain dependent variable by 16 percent. We suggest that future research use another variables such as perceived organizational support and self-efficacy.

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in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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TABLE 1 | Correlation, Standard Deviation and Means

Variables	Means	SD	1	2	3	4
TL	5.8961	.57624				
EE	6.0545	.66584	.795			
DJ	5.7881	.92315	.695	.564		
OC	5.4453	.87555	.795	.636	.616	

TABLE 2 | Multiple Linear Regression

Dependent Variable	Independent Variable	Standardized Path Coefficients	Probability	F test	R²
Organizational Commitment	Transformational Leadership	0.349	0.000	45.267	0.165
	Moderate 1 (Employee Empowerment)	0.228	0.000	16.903	0.125
	Moderate 2 (Distributive Justice)	0.097	0.070		

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