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# Commitment and Business Creditworthiness: A Contemporary Issue Enclosing Retailers Perspective

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*The paper throws light on the present commitment status and commitment accredits that ultimately abets the business in establishing, sustaining and maintaining its creditworthiness. The research takes into preview the retailers empirical data collected from 225 retailers functioning in District Udhampur of J&K State. The primary data was collected and subjected to factor analysis in order to disclose the reliability and validity of the construct. The KMO and Cronbach Alpha values also revealed significance of the construct. The results of CFA confirmed all the statements so obtained from EFA which were valid and reliable. The results of hierarchical linear regression revealed that commitment develops coordination among business partners/parties, commitment enhances creditworthiness of businessmen and commitment is considered as core asset of the business.*

**Key Words:** Commitment, Retailers, Creditworthiness, Business.

## INTRODUCTION

Commitment is a promise ensured to other person and performing accordingly. Commitment now-a-days is considered as business asset as customers, firms, creditors, financial institutions are attracted by committed businessmen. Commitment ensures satisfaction even as the committed status is delivered as per the quoted utterances of the words. Commitment however means “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer et al. 1987) and suggests a future orientation in which a firm attempt to build a relationship that can be sustained in the face of unanticipated problems (Fynes & Voss, 2002). Many scholars, researchers, experts, academicians i.e. Teas & Sibley (1980), Anderson & Weitz (1992), and Wilson (1995) hold the viewpoint that commitment consists of a set of factors including desire, willingness, sacrifice behaviour, expectation of continuity, belief and importance of the relationship (Doney & Cannon, 1997; Morgan & Hunt, 1994 and Smith, Carroll & Ashford, 1995). Anderson & Weitz (1992), define commitment as “a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship and a confidence in the stability of the relationship”. Moorman, Zaltman & Deshpande (1992), construe commitment as “an enduring desire to maintain a valued relationship”, while Morgan & Hunt (1994),

view commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it”. Contrarily, if partners have a high level of commitment between them, they will be willing to trust and communicate openly and will also accept & bear risk jointly. So, the above stated matter discloses that commitment naturally and gradually enhances the business creditworthiness and promotes the connectivity/sustainability of the business.

## REVIEW OF LITERATURE

**Organisational Commitment:** Organisational commitment is the concept created by Becker (1960) and may be viewed as an organisational member's psychological attachment to the organisation. It is the degree to which an employee identifies with a particular organisation and its goals and wishes to maintain membership in the organisation.

### The following review of the related literature had been done to enhance the research preview:

Fredendall and Bhonsle (2005) investigated the influence of leadership and external & internal cooperation with commitment on purchasing internal service performance for higher product quality and lower total cost. The data were collected from 2500 US purchasing managers of Institute of Supply Management (ISM) and the effective response rate was of 20 percent. The results of Structural Equation Modeling indicated both internal & external cooperation with commitment positively influence internal service performance. Visionary leadership also positively and significantly influences both internal & external cooperation and commitment. Moreover level of commitment and communication positively influences trust and thereby leads to higher external cooperation. The study suggested timely, accurate, complete & credible communication between purchasing managers & their suppliers and

purchasing managers & buyers.

Misra and Sreekumar (2007) proposed a benchmarking scheme for supply chain collaboration and commitment that links the industry collaborative performance and collaborative efforts using Data Envelopment Analysis, a Linear programming problem (LPP). The study concluded that a collaborative and committed performance system requires information sharing, incentive alignment and decision synchronisation to facilitate the improvement of three collaborative performance systems namely, exception cycle, improvement cycle and review cycle. Further, the study made it mandatory among the participating members to design appropriate form that ensure trustworthiness and accountability.

Lakshminarshima, A. (2007) assessed the relationship between trust, commitment and supply chain management for promoting collaboration, flexibility, risk taking, shared information and shared resources. The data for the study were collected through questionnaire consisting of 29 statements covering the various drivers, enablers & disablers of supply chain management, administered on different industries located in Bangalore and its environs including Hosur and Mangalore. The study concluded that 33% companies in India share information with their suppliers, 51% companies are more than willing to treat customers as a part of the company and 43% companies trust and are committed with their suppliers.

Selvi, T. (2007) highlighted the various supply chain factors that go into building a strong brand for a company. Effective supply chain mechanisms increases perfect orders, improves information with supplier & trading partners, ensures improved service & product availability, reduces lead times, costs & inventory levels which go into making brands attractive and thus making customers loyal to brands. The study suggested that by maintaining optimum level of product availability, product

quality and best packaging brand equity is created. Informing references of customers & delivery dates to manufacturers, replenishing the retailer's inventory promptly & at minimum cost and streamlining, manufacturing, scheduling, shipping at the manufacturer's level strengthens the supply chain process. Effective coordination, straight forward commitment, strong links, improved information sharing and overall perspective among members also adds to brand loyalty. Moreover adoption of latest technologies such as Radio Frequency Identification (RFID) technology, Collaborative Planning & Forecasting and Replenishment (CPFR) helps companies push for brand excellence and commitment among supply chain members formulates customer loyalty.

Kwon and Suh (2004) evaluated the factors affecting the level of trust and commitment in supply chain management based on the survey in four supply chain practicing organisations namely American Production and Inventory Control Society (APICS), American Society of Quality (ASQ), the Council of Logistic Management (CLM) and The Institute of Supply Management (ISM). 1800 members were contacted for survey in these organisations and the effective response rate was 9.5 percent. Results of the study indicated that a firms trust in supply chain partner was highly associated with both sides; specific asset investments (positively) and behavioural uncertainty (negatively). It was also found that information sharing reduces the level of behavioural uncertainty, which in turn improves the level of trust & commitment. A partner reputation in the market had a strong positive impact on the trust building process, whereas a partner's perceived conflict creates a strong negative impact on trust & commitment. To foster the level of trust & commitment among supply chain partners, the study suggested the development of a new breed of decision makers whose visions are more towards enterprise optimisation than functional outcomes.

Wagner and Buko (2005) examined the linkages and relationships with customers, competitors and

suppliers to acquire, disseminate and ultimately use market information as inputs to the firms' innovative process. A multi industry mail-survey targeted on top management of 1,738 firms in Germany and Switzerland was carried and effective response was found to be 10.5 percent. The knowledge sharing variables in the construct were satisfaction, communication & resource commitment, degree of knowledge sharing, tactness and control variables. The results of t-test revealed that the means for knowledge sharing (KS) “customer” and KS “supplier” are significantly higher than KS “research”. Results of multivariate Ordinary Least Square (OLS) indicated that the influence of resources on KS “research” and KS “customer” was positive and highly significant but influence of “resources” on KS “supplier” was not significant. The frequency of communication with network partners is positively related to satisfaction but relationship between degree of knowledge sharing with research institution & satisfaction was not significant. The study suggested that managers should carry out right degree of knowledge sharing with different partners of supply networks by paying attention to the effect of knowledge type to be transferred, frequent communication and sufficient resource commitment.

Mowdey et al. (2009) found that collaborative structure for working together is built over certain duration of time, not something that comes naturally, but once build lead to benefit over a long period of time.

## HYPOTHESES DEVELOPMENT

The following hypotheses were proposed for the study:

**Hyp1: Commitment develops coordination among business partners/parties.**

**Hyp2: Commitment enhances creditworthiness of businessmen.**

**Hyp3: Commitment is considered as core asset of the business.**

## OBJECTIVE OF THE STUDY

To assess the impact of commitment that develops business creditworthiness of small retailers and dwells in business reputation.

## RESEARCH DESIGN AND METHODOLOGY

The following research methodology was chosen for the study:

### Sampling and data collection

225 retailers operating in district Udhampur in J&K State were approached for collecting primary response from the respondents. Only those retailers were contacted who were selling the goods/products of small scale firms operating in district Udhampur of J&K State. 203 retailers responded out of 225 representing highly effective response rate of 90.22%. The number of retailers identified was cement (29), pesticide (4), steel (14), battery/lead/alloy (30), menthol (2), conduit pipes (9), gates/grills/varnish (15), maize/atta/dal mills (53) and miscellaneous (47).

### Sampling technique applied

For collecting primary data Snowball/referral sampling was used as only those Retailers were contacted who were using/selling the products manufactured by the above stated units. Some of the major Retailers contacted were Nath ram & sons, Duni chand, Mahakaii traders, durga bhagwati traders, gupta hardware, Surbhi enterprises, Army general store, som nath and sons etc.

### The Survey Instrument

A self developed questionnaire was prepared for collecting the effective response. The questionnaire was prepared after consulting academicians, industrialists, businessmen, scholars, experts etc. The questionnaire consisted of general information and 11 statements of commitment. Statements in the questionnaire were in descriptive form, ranking,

dichotomous, open ended and five -point Likert scale, where 1 stands for strongly disagree and 5 for strongly agree.

### Collection of data

Primary data collection was the main focus of the study and it had been collected by making maximum of three to four visits to respondents. Anyhow, secondary information becomes part and parcel of primary information as it assists a lot. The secondary information was collected from various sources namely books, empirical papers, assessing eminent journals like International journal of supply chain management, Journal of supply chain management, International Journal of logistics management, Journal of academy of marketing science. Various multivariate tools such as Mean, standard deviation, regression etc. were used to test hypotheses and for drawing meaningful inferences.

### Reliability and validity of the instrument

**Reliability:** The alpha reliability coefficients for F1 (0.801) and F2 (0.741) is higher than the criteria of 0.77 obtained by Gordon and Narayanan (1984) indicating high consistency and were also seen at a minimum acceptable level of 0.50 as recommended by Kakati and Dhar (2002) thereby obtaining satisfactory internal consistency (Table 1).

**Validity:** The factor obtained alpha reliability higher to 0.50 and satisfactory KMO value at 0.752, indicating significant construct validity of the construct (Hair et al., 1995).

## DATA ANALYSIS AND IT'S INTERPRETATION

With the assistance of SPSS, Factor analysis was performed on the obtained primary response from retailers for arriving at possible significant results. In order to deduct unreliable statements, factor analysis portrayed anti image results, statements

having values less than .50 and overlapping statements which were not taken into consideration and were reduced. Three rounds were performed in order to attain suitable KMO value of .752. The BTS (Bartlett's Test of Sphericity) came out to be 3865.823 and (p-value = 0.000), indicating sufficient common variance and correlation matrix (Dess et al., 1997 and Field, 2004). The Principal Component Analysis (PSA) with Varimax Rotation came out with 7 statements out of 11 statements initially developed and presented in the construct/domain of commitment. The significance of the construct was revealed with the assistance of KMO value and Bartlett Test of Sphericity which were acceptable and significant values. The factor loadings also emerged consistent with conservative criteria, thereby ensuring two factors solution using Kaiser Criteria (i.e. eigen value  $\geq 1$ ) with 59.89% of the total variance explained. The communality for 7 items ranged from 0.627 to 0.891, indicating high degree of linear association between the variables. The factor loadings ranged from 0.600 to 0.864 and the cumulative variance explained by each factor is 31.43% and 28.45% respectively. The factors so

emerged are demonstrated in the Table 1. A brief description of factor and its statements emerged are as under:

Factor 1 (Develops coordination & cooperation): This factor emerged with four qualitative statements which were quoted as "Commitment formulates coordination", "Commitment leads to fulfillment of promises", "Commitment enhances creditworthiness of businessmen" and "Commitment develops distinct identity of business". The mean values for all the statements lied within 3.19 - 4.21 representing significant response. The factor loadings ranges between .607 - .864. The factor loading for each statement is: Commitment formulates coordination (.864), Commitment leads to fulfillment of promises (.607), Commitment enhances creditworthiness of businessmen (.809) and Commitment develops distinct identity of business (.839). The statement "emerged with highest factor loadings and the statement "Commitment leads to fulfillment of promises emerged to be the weakest among all with low factor loading. The communalities varied from

Table 1: Results Showing Factor Loadings and Variance Explained After Scale Purification  
(Rotated Component Method) for Commitment (Retailers' Perceptions)

Factor-wise Dimensions	Mean	S.D	F.L	Eigen value	Variance Explained %	Cumulative Variance %	Comm-unity	$\alpha$
<b>F1 Develops coordination &amp; cooperation</b>	<b>3.78</b>	<b>.541</b>		<b>14.325</b>	<b>31.436</b>	<b>31.436</b>		<b>.801</b>
1. Formulates coordination	4.21	.471	.864				.891	
2. Fulfillment of promises	3.19	.686	.607				.643	
3. Commitment enhances creditworthiness	3.71	.575	.809				.817	
4. Develops distinct identity of business	4.01	.432	.839				.855	
<b>F2 Business asset</b>	<b>3.51</b>	<b>.572</b>		<b>3.276</b>	<b>28.456</b>	<b>59.892</b>		<b>.741</b>
1. Core asset of the business	3.15	.657	.600				.627	
2. Ensures satisfied customers	4.10	.450	.847				.854	
3. Strong pooling power	3.28	.611	.700				.742	

Footnotes: KMO Value =.752; Bartlett's Test of Sphericity = 3865.823, df = 177, Sig. =.000; Extraction Method Principal Component Analysis; Varimax with Kaiser Normalisation; Rotation converged in 3 iterations; 'F.L' stands for Factor Loadings, 'S.D' for Standard Deviation and ' $\alpha$ ' for Alpha.



.643 - .891 indicating significant values and high degree of linear association among the variables. The communalities for each statement is: Commitment formulates coordination (.891), Commitment leads to fulfillment of promises (.643), Commitment enhances creditworthiness of businessmen (.817) and Commitment develops distinct identity of business (.855). For commonality again, the statement "Commitment formulates coordination" enriched with highest communality and the statement "Commitment leads to fulfillment of promises" emerged to be the weakest. Overall, It could be proclaimed that commitment really acts as a tool for judging the reliability on other person and for determining the relationship viability.

Factor 2 (Business asset): Factor 2 emanated three variables namely "Commitment acts as core asset of

the business", "Commitment Ensures satisfied customers" and "Commitment had strong pooling power". The factor lied within the mean values 3.15 4.10, factor loadings .600 - .847 and communalities between .627 - .854. This factor clearly portrays that commitment really acts as an expensive asset of the business than any other asset of the business.

### Confirmatory Factor Analysis

After EFA, CFA on Commitment construct has been applied by keeping two factors i. e. Develops Coordination and Asset of the Business as latent variables. All variables in this construct have factor loadings greater than 0.5 along (Table 2). The model was found to be as fit (CMIN/DF = 2.677, GFI = .913, AGFI = .932, CFI = .960, TLI = .940, NFI = 0.937 and RMSEA = .06).

Table 2: Results of CFA Fit Indices

CONSTRUCT	CMIN/DF	GFI	AGFI	CFI	NFI	TLI	RMSEA
Information	2.677	0.913	0.932	0.960	0.937	0.940	0.060

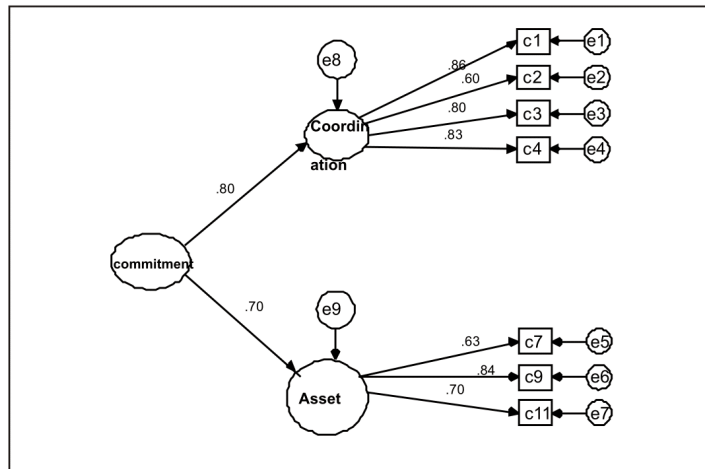


Fig: Measurement Model of Commitment Construct

### Regression Analysis

Table 3 outlays the outcome from regression analysis for acknowledging the impact of commitment (dependent variable) on develops coordination (predictor). The linear regression model summary revealed the values of R, R<sup>2</sup>, Adjusted R<sup>2</sup>, Standard error of estimate, ANOVA, Beta, t value and significance level. The model summary explained:

R = .711 i.e. 71% association between commitment and develops coordination.

R<sup>2</sup> = .610 i.e. 61% of variation in commitment can be explained from develops coordination.

Adjusted R<sup>2</sup> = .634 i.e. if another independent variable is added, the value of R<sup>2</sup> will increase.

β = .374 i.e. significant relationship of independent variable (develops coordination) with dependent variable (commitment).

F = 38.439 i.e. significant at 5% confidence level.

t = 9.714 i.e. acceptable & significant value.

Significance level = .001 i.e. p < .05.

Hypothesis = accepted i.e. "Commitment develops coordination among business partners/parties"

In Table 4 the p value (.000) reports the significant

value and thus supports the formulated hypothesis that "Commitment enhances creditworthiness of businessmen". In the table the dependent variable is commitment and the predictor is "Enhances creditworthiness". The output from regression analysis divulges the value of R as .724 which ensures strong correlation (72%) between commitment and enhances creditworthiness. T value of 11.525 approved its significance and acceptance as it determines the acceptance region of hypothesis. The value of R-Square came out to be .617 ensuring that 61% of difference in commitment can be explained from the independent variable (enhances creditworthiness). Adjusted R square value .640 implied that if anytime another independent variable is added to existing variable, the value of R-square will enhance. The beta value .293 is acceptable and significant that reveals significant relationship of independent variable with dependent variable. F-value 40.117 is significant at 5% confidence level. Thus, the hypothesis is accepted as represented by its significance level p < .05.

The regression model summary of Table 5 reveals that the hypothesis "Commitment is considered as core asset of the business" is accepted as depicted by its p value (p < .05) i.e. .021. The R value .692

Table 3: Regression Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.711	.610	.634	.3421	38.439	.000	.374	9.714	.001

a. Predictor: (Constant), Develops coordination

b. Dependent Variable: Commitment

Table 4: Regression Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.724	.617	.640	.3922	40.117	.000	.293	11.525	.000

a. Predictor: (Constant), Enhances creditworthiness

b. Dependent Variable: Commitment



establishes 69% of correlation between commitment and considered as core asset of the business. The value of R square .581 reveals that 58% of variation in dependent variable i.e. commitment can be explained from the independent variable. Adjusted R square value .600 connotes that if another independent variable is added to the existing variable the value of R square will improve. Beta value and ANOVA value are significant and acceptable. Thus the table explains the acceptability of the formulated hypothesis.

## CONCLUSION

Commitment is seen as vital asset that assists in promoting the image of the business. In this cut throat contemporary world there are number of loopholes which can ruin the business and failure to perform the commitment is one amongst them. Commitment and straightforwardness on the part of businessmen is demand of the hour and those who have maintained it are surely enjoying laurels. The study puts in new research insights and added flavor to the existing literature. The present research has examined commitment as a major factor in organisational planning to improve business capabilities of small Retailers of district Udhampur. The results of CFA confirmed all the statements so obtained from EFA fostering validity and reliability of the construct. The framed hypotheses were proved with the help of regression. The results of hierarchical linear regression revealed that commitment develops coordination among business partners/parties, commitment enhances creditworthiness of businessmen and commitment is considered as core asset of the business. A wide

openness should be there among businessmen to come up for commitments and fulfilling the committed words. Further transformational leadership must be developed to build commitment to both the internal users of purchased items and suppliers of the items. As the retailers possess repositories of information as they are the last link in the supply chain and are very close to customers, so, it even becomes their obligation to perform the committed statements ethically so as to make mature deals both upward and downward.

Further, the results of the study are limited to small retailers operating in district Udhampur, the results so obtained could not be generalised for other retailers operating in other parts of the world having dissimilar business environment.

Future researches can be taken from the wholesalers' perspective and other related dimensions could also be covered.

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Table 5: Regression Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of Estimate	F value ANOVA	Sig. level	β	t	Sig. level
1.	.692	.581	.600	.4821	34.521	.000	.425	6.457	.021

a. Predictor: (Constant), Core asset of the business  
b. Dependent Variable: Commitment