The present era recognises human resource as the most valuable asset. This necessitates a re-orientation in our thinking and philosophy of managing people. The process of globalisation has changed the role of human resource management and has extended new strategic questions with a global perspective. Strategic HRM can help in this regard to address the dynamic needs of this situation. Through strategic human resource management, organisations have been trying to increase the individual and organisational effectiveness by unleashing the creative and innovative energies of employees. There is also a managerial logic in focusing attention on employee’s skills and intellectual assets to provide a major competitive advantage when technological superiority, even once achieved will quickly erode (Barney, 1991; Pfeffer 1994, 1998). This situation has stimulated a need for employees who can take initiative, embrace risk, kindle innovation and cope with high uncertainty (Spreitzer, 1995a). Empowerment is an effective means of promoting this highly desirable quality. Thus empowerment is a management strategy that has been touted by the practitioners and researchers as one of the answers for the organization to meet the challenges of the current business environment.
Empowerment has been accepted as an important organisational factor in satisfying the psychological needs of the employees in work place and improving organisational and personal effectiveness and thereby achieving organisational goals. Many managers and scholars have identified that the true sustainable competitive advantage of any organization is its employees and that the employees should be actively involved in the activities of the organization for its success (e.g. Lawler, 1992, 1996). This is closely associated with the concept of empowerment which means giving employees the autonomy to make decisions about how they go about their daily activities (Ford and Fottler, 1995). The success of an organisation, be it a manufacturing organisation or a service organization, largely depends on its empowered workforce.

Early use of the construct of empowerment tends to revolve around the issues of power and control. The researchers have given different definitions to empowerment like giving authority to make everyday decision, authority over work processes, command over performance goal and measurement and so on (Sternberg, 1992; Pfeffer, 1994; Beer, 1991). Empowerment is seen as a critical variable that enables the organizations to be more competitive and provides the potential to bring significant improvement in organizational performance through new organizational structures and forms (Mills and Ungson, 2003).

Employee Empowerment is a strategy to enhance organizational performance and to develop a flexible organization that is capable of adapting to a changing external environment. Empowered employees view themselves as more effective in their work and they are evaluated as more effective by their co-workers (Quinn and Spreitzer, 1997). Empowerment enables them to adopt performance enhancing behavior and contribute to the development of the organization’s competitive strength and success. Empowerment has been linked to improvements in the organizational systems and processes (Blanchard, Carlos and Randolph, 1996, 1999). Empowerment programs have been
introduced in a number of organizations in order to improve productivity, increase customer satisfaction and enhance competitive advantage (Hardy and Leiba-O’Sullivan, 1998).

Various empirical studies including that of Liden, Wayne and Sparrowe (2000), Sparrowe (1994), Spreitzer (1995a) and Spreitzer, Kizilos and Nason (1997) support the relationship between employee empowerment and various work-related outcomes. Empowering employees may be one of the strategies that enable organizations to balance employees’ performance and job satisfaction. Empowerment and job satisfaction have been considered as important issues and emphasized as ways to reduce employee turnover, improve workplace environments, and help organizations function effectively in the hospitality industry (Erstad, 1997). Kouzes and Posner (1987) emphasis the positive relationship between empowerment and organizational effectiveness, as indicated by higher profits, growth and expense control, in their study. It also affects employee satisfaction, loyalty and service delivery of employees, especially in service sector (Fulford and Enz, 1995).

Different empowerment programs have failed to get the results expected because the psychological composition of the people who are being empowered had not been taken into consideration. Researchers like Spreitzer, (1995a); Thomas and Velthouse, (1990) have focused more on complex cognitive psychological states which focus on what employees believe and feel rather than specific management practices like empowering structures, policies, and practices which are intended to empower the employees. This is because of the fact that employees are more influenced by their perceptions rather than by an objective reality (Bandura, 1997). Menon (2001) also suggested that a focus on psychological empowerment is preferable as the benefits of empowerment can be attained only if the employees actually experience empowerment i.e. the psychological state of empowerment.
Psychological empowerment has been positively correlated with managerial effectiveness, increased levels of job satisfaction and decreased level of job strain (Spreitzer, Kizilos and Nason, 1997). Nykodym et al. (1994) stated that the role conflict and role ambiguity of those employees who consider themselves as empowered have been reduced as they can control their own environment. Seibert, Silver, and Randolph (2004) have shown that psychological empowerment had a mediating role in individual-level outcomes of performance and job satisfaction. Further literature in psychological empowerment reveals that organizations where employees are psychologically empowered shows increase in productivity (Akbar et al., 2010), higher job satisfaction (Carless, 2004, Patah et al., 2009 and Fuller et al., 1999), high organizational commitment (Chen and Chen, 2008, Joo and Shim, 2010, Bhatnagar, 2005), lower burnout (Cavus and Demir, 2010), reduced employee turnover intent (Collins, 2007) and reduced strain (Martin, 2007).

The above studies show the importance and concern of practitioners and researchers in empowerment especially psychological empowerment and the need to develop conceptual and theoretical knowledge contributing to the perception of empowerment of employees and the expected outcome from employees who are empowered.

1.1 Statement of Problem

World Bank (2003) data indicated that more than half of the working population in both the high income nation and low income nation groups has been engaged in the service sector at the beginning of the 21st century. Today’s economy is getting more service oriented and we live in a service society. At the same time service sector has become highly competitive due to various developments that have taken place in this industry. The customers have a wider range of services to choose. So the traditional management technique and
philosophies used in manufacturing organizations are not enough for the organizations in the service sector. Employees are the core ingredients of service organizations because minimal time separates the production of the service from its delivery.

Chen (1998) pointed out that service operations are characterized by extensive interactions between customers and providers and so customer satisfaction is closely associated with service performance and various service encounters throughout the system. For this reason, it is important for employees to take initiatives, to be independent, to experience satisfaction from their work and feel that they contribute to the operation of their company. Thus they need to feel empowered in their working environment. Employee empowerment enhances the personal power of employees and enables them to delight their customers (Lashley, 1995b).

In this dynamic global business environment, service organizations try to compete by providing high quality customer service by empowering their workforce (Corsun and Enz, 1999). The competitive success can be achieved through employees by giving them more freedom to work (Pfeffer, 1994). In tertiary sector where the direct contact and communication between employees and customers exists, service excellence and customer's satisfaction comprise the most fundamental goal of the organization. The means to achieve the same is to empower the human resource. Empowered workforce is of utmost importance in tertiary sector where the employees and customers interact (Gkorezis and Petrido, 2008).

Banking sector is one of the most important service sectors. Banking has now become a totally competitive industry, virtually worldwide (Wilkinson and Lomax, 1989). New customer service programmes were introduced during the 1980s and early 1990s in the race to be competitive and ultimately, expand
the business. Banks are adding more services to their customers and the Indian banking industry is passing through a phase of customers’ market. Thus the banks have focused on customer centric services by using new technology, tools and techniques to identify customer’s needs and then offering the products to match them. The customers have more choices in choosing their banks. Intense competition has been established among the banks operating in India due to the advancement of technology in banking sector. Banks are focusing on service quality in order to achieve its goals and high performance quality.

In banking sector, employees are less satisfied and less motivated than employees in other lines of work (Kelley, 1990; Bajpai, Naval and Deepak, 2004). The banking industry also suffers from high employee turnover rate (Branham, 2005; Nelson, 2007) and high level of stress (Chen and Lien, 2008). There are no adequate studies linking psychological empowerment and job satisfaction, stress, turnover etc. among employees of banking sector. Lack of psychological empowerment could be a reason for these problems faced by banking sector. Further majority of studies in psychological empowerment are carried out in manufacturing sector and studies in service sector are concentrated on hotel industry and hospitals. Empowerment takes different forms in different contexts (Zimmerman, 1995).

In the light of above discussion, the present research is directed to explore the dimensions of psychological empowerment of employees in banking sector and to find out whether high psychological empowerment can increase job satisfaction and reduce job related stress among employees in banking sector.

1.2 Theoretical frame work and Research Model of the study

The present research is carried out to understand how psychological empowerment, job satisfaction and job related stress are related. Based on a
Introduction

As a result of a thorough review of literature, the researcher had presumed a certain relationship among these variables and the same had been conceptualized in the model represented in Figure 1.1. Some of the important research findings in the literature that had helped the investigator to formulate such a conceptual model (Figure 1.1.) are reported below for the justification of the model proposed.

Job satisfaction is defined as the feelings a person has about her or his job (Balzer, et al., 1997; Spector, 1997). The employees who perceive their jobs to be significant feel higher levels of work satisfaction than employees who see their jobs as having little value. The work satisfaction results from the perception that one’s work fulfills or allows the fulfillment of one’s desired work values (Locke, E.A., 1976). The employees who feel confident that they will succeed are happier with their work than employees who fear that they might fail (Martinko and Gardner, 1982). Research studies have shown the link between psychological empowerment and job satisfaction (Spreitzer, 1995a; Spreitzer, Kizilos and Nason, 1997). According to Thomas and Tymon (1994) the task assessments i.e., the facets of empowerment, generate intrinsic rewards associated with the job, and so they should be positively related to job satisfaction.

At the team level, Kirkman and Rosen (1999) found support for the notion that empowerment is positively related to job satisfaction. Researchers found that there is a link between the four dimensions of psychological empowerment and job satisfaction. (e.g. Spreitzer et al., 1997; Thomas and Tymon, 1994). Spreitzer et al. (1997) concluded that meaning was the strongest predictor of general job satisfaction, while impact was unrelated to job satisfaction whereas Thomas and Tymon (1994) reported that meaning, self-determination and impact were significant predictors of general job satisfaction and that competence was unrelated to general job satisfaction. Theory on the impact dimension states that individuals should get a sense of job
satisfaction when they feel that they have been directly involved in outcomes that affect the organization (Ashforth, 1989).

Researchers who have examined the antecedents of job related stress shows autonomy as an important mechanism for reducing stress. Thomas and Tymon (1994) found that competence is related to lower levels of strain in a sample of managers. They also found that impact was strongly related to reduced stress, but not related to work performance. Laschinger, Finegan and Shamian (2001) identified that high levels of psychological empowerment i.e. a greater sense of meaning in their work, greater confidence, more autonomy and a greater belief that they can have an impact on their work and their work settings strongly influenced job strain. Li, Chen and Kuo (2008) also argued that psychological empowerment was found to be significantly associated with work stress.

Many studies showed an inverse relationship between job stress and satisfaction. Flanagan (2006) found that job stress was a significant predictor of job satisfaction. Similarly according to Aghdasi, Kiamanesh and Ebrahim, (2011) occupational stress had a direct negative effect on job satisfaction. Some studies show a reverse relationship between job satisfaction and job related stress. Rahman and Sen (1987) in a study of two groups of workers who were highly satisfied and less satisfied indicated that the low satisfied workers experience more stress and described their job more unfavourably than the highly satisfied workers. Heslop, Smith, Metcalfe, Macleod and Hart (2002) suggested that there was an association between job satisfaction and perceived stress. Similarly Rahman and Sen (1987) also investigated the effect of job satisfaction on stress, performance and health in self-paced repetitive work and found that low satisfaction leads to high stress. Spector et al. (2004) studied that long working hours in the organization increase the stress among the employees. Thus these studies show that there is a relation between job satisfaction and job related stress.
These arguments give theoretical and empirical support for the relationship between Psychological Empowerment and Job Satisfaction; Psychological Empowerment and Job Related Stress; and Job Satisfaction and Job Related Stress. The proposed model (Figure 1.1.) shows the hypothesized relationship, both direct and mediating, between the three variables: Psychological Empowerment, Job Satisfaction and Job Related Stress. In other words, an attempt is made in the present study to find out whether there is any positive relationship between the overall construct of Psychological Empowerment and Job Satisfaction; whether there is a negative relationship between Psychological Empowerment and Job Related Stress; and whether there is a negative relationship between Job Satisfaction and Job Related Stress. This study also attempts to find out the mediating effect of Job Satisfaction in the relationship between Psychological Empowerment and Job Related Stress.

It is clear from the figure 1.1 that there are three direct relationships and one mediating relationship presumed in the conceptual model. In the relationship between Psychological Empowerment and Job Satisfaction, Psychological Empowerment is the independent variable and Job Satisfaction is the dependent variable. In the relationship between Psychological Empowerment and Job Related Stress, Psychological Empowerment is the independent variable and Job Related Stress is the dependent variable. In the relationship between Job Satisfaction and Job Related Stress, Job Satisfaction is the independent variable, and Job Related Stress is the dependent variable. At the same time, when we take all the three variables together, Psychological Empowerment is the independent variable, Job Related Stress is the dependent variable and Job Satisfaction becomes the mediator in the model (figure-1.1).
1.3 Rationale of the Study

This study focuses on psychological empowerment of employees in banking sector because of the reasons stated below:

Firstly, very little research has been conducted in understanding empowerment as a psychological construct. Majority of the studies have been conducted on the various empowerment practices in the organizations.

Secondly, there is no empirical evidence that the empowerment practice will create a subjective feeling of empowerment within the individual. Employee empowerment will be effective only if the employees actually experience the empowerment. Even if the organizations have the empowerment practices like providing power and open communication it is not necessary that the employee is empowered. Empowerment describes only the condition of work environment. It does not describe employees’ response to these conditions. These responses form the basis for psychological empowerment (Sprietzer, 1995a).
Thirdly, majority of the studies in psychological empowerment are carried out in manufacturing sector. Studies in hospitality sector are concentrated on hotel industry and hospitals. Zimmerman (1995) states that empowerment takes different forms in different contexts. There is no much study investigating the effect of psychological empowerment in banking sector.

These deficiencies in the research related to the construct of psychological empowerment shows the requirement for more empirical research and it would be more appropriate if conducted in banking sector.

1.4 Research Objectives

This study is an attempt to analyze Psychological Empowerment in relation to Job Satisfaction and Job Related Stress among the employees of various Private sector banks, Public sector banks and new generation banks in Kerala. The objectives of the study are:

1) To assess the dimensions of psychological empowerment among the bank employees.
2) To determine the relationship of overall psychological empowerment and its dimensions with job satisfaction.
3) To study the relationship between job satisfaction and job related stress.
4) To determine the mediating role of job satisfaction while considering the relationship between psychological empowerment and job related stress.
5) To find out whether existence of psychological empowerment have any association with the demographic background of employees such as age, gender and education and level of employees.
1.5 **Significance of the Study**

Little empirical work has been done on empowerment, although it has been discussed by several management scholars (Conger and Kanungo, 1988). Empowerment literature also reveals a lack of interest in the employee’s perspective of empowerment. Although a few previous studies have examined empowerment from the employee’s perspective (Spreitzer, 1995, 1997; Corsun and Enz, 1999) majority of the empirical work has been focused on management perspectives (Brymer, 1991; Bowen and Lawler, 1995; Lashley, 1999; Psinos and Smithson, 2002). This study will be of importance from academic point of view, as the results of this study may enrich the literature of empowerment with respect to employees’ perspective.

Significance of service sector has been increasing and the sector has become highly competitive in terms of both investment and in terms of services provided. In India banking sector has undergone drastic changes due to liberalization and globalization. Research reveals that bank employees are facing high degree of dissatisfaction and stress (French and Caplan, 1972, Beehr and Newman, 1978). If this study proves that psychological empowerment can increase the job satisfaction thus reducing the job related stress, findings can be applied in the banking sector by taking measures to empower the employees and thus increasing the satisfaction and reducing the stress level of employees in the banks, which ultimately lead to organizational effectiveness.

1.6 **Scheme of the study**

The thesis is organized under seven chapters. Chapter I provide the framework of the research. This includes statement of the problem, research objectives, definition of the terms and significance of the study. Chapter II
describes the conceptual framework of the study. Chapter III compiles previous research on psychological empowerment, job satisfaction and job-related stress and psychological empowerment research related to service sector especially banking sector. Chapter IV states the hypotheses and methodology of the study. Tools used to measure the variables are also discussed in this chapter. Chapter V presents analysis of data using appropriate tools. Chapter VI provides the major findings and discussions of the study. Finally, in Chapter VII a summary, implication of the major findings of this study and conclusion are presented. The implications for future research are also discussed.