

Impact of Psychological Capital on Employee Engagement: An Empirical Study on Northern Indian Banking Sector

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Abstract

With increasing competition in Indian banking sector need for high positive behaviour and employee engagement has become the need for sustaining the employees. The psychological capital is an emerging concept of positive organizational behaviour is a higher order construct having four dimensions of hope, resiliency, self-efficacy and optimism. Employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee. The engaged employees are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going extra mile beyond the employment contractual agreement. There have been several studies that directly correlate high job involvement with job satisfaction and how it makes a difference in the organization. The study aims at studying of psychological capital and employee engagement behaviour among the employees of select banks in north India. A data of 159 employees working at different managerial levels was collected from different banks. The Pearson's correlation and regression analysis were performed. The results showed that psychological capital is positively related to employee engagement at workplace in Indian banking sector.

Key words: Employee engagement, Job Involvement, Indian Banking sector.

Introduction

The business environment around is full of trials and many executives are facing an acute challenge of making the people change the way they feel to rapidly improve their performance whilst maintaining employee engagement. The success of the organizations in a changing economy is tied in large measure to the creative and innovative energy from the most significant asset: employees. When employees are effectively and positively engaged with their organisation, they form an emotional connection with the company. Successful employee engagement helps create a community at the workplace and not just a workforce. Employee engagement is a vast construct that touches almost all parts of human resource management facets we know hitherto. If every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job in the response to such kind of mismanagement. The construct employee engagement is built on the foundation of earlier concepts like job satisfaction, employee commitment and organizational citizenship behaviour. Though it is related to and encompasses these concepts, employee engagement is broader in scope.

The effective and positive connections of the employees at workplace form an emotional connection which creates a community at the workplace and not just a workforce. Employee engagement is one of the vast constructs that touches almost all parts of human resource management facets that exist in the organization. If every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job in the response to such kind of mismanagement. The construct employee engagement is built on the foundation of earlier concepts like job satisfaction, employee commitment and organizational citizenship behaviour. Employee engagement is a property of the relationship between an organization and its employees. An "engaged employee" is defined as one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests. Kahn (1990) provided the first formal definition of personnel engagement as "the harnessing of organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.

Psychological Capital (PsyCap)

Psychological capital is a blend of 4 components that will provide a reasonable relationship to an organization, (Luthan and Youssef (2004)). In other words, it describes the set of resources an individual can make use of in order to enhance

the performance on the job and the achievement. The 4 components are described in the form of HERO. These include

Hope – (Du, Bemardo, and Yeung, 2015) It is a personality trait that has a connection to psychological and physiological well-being. It is a cognitive process that prompts to look for way power and will power that guides to positive emotions.

Efficacy – Self-efficacy is the beliefs of the individuals about their potential and capabilities to generate effects, (Bandura (1997)). People having high self-efficacy are of the opinion that they can control of what comes to them. Higher the expectation of our efficacy, the harder people will work to focus on attaining their goals, resulting in greater chances of success.

Resilience – (Reivich and Shatte, 2002; Fred Luthans, 2002) It is the capability to recover from hardship and grow powerful and stronger from overcoming negative scenarios. In other words, it can be said that it is the capacity to get better from increase in responsibility, change in responsibility, failure, conflict, or stress.

Optimism – It is the likelihood to consider the beneficial or more positive side of scenarios and to anticipate a better result in the coming future. Optimists are of the opinion that they need to work hard if they want something good happening to them.

It has been found out that Psychological Capital has a positive relation to the expected behaviors and attitudes of the employee incorporating work-related happiness and psychological well-being (Mills, 2010; Smith and Palmer, 2010), employee engagement (Hodges, 2010; Hughes, Avey, and Norman, 2008), job satisfaction (Luthans, Avolio et al., 2007), OCB (Avey et al., 2010; Johnson et al. 2009), organizational commitment (Avey, Luthans and Jensen, 2009; Larson and Luthans, 2006). On the contrary, Psychological Capital has a negative relation with employee turnover and stress (Avey, Luthans and Jensen, 2009).

Employee Engagement

According to Schaufeli, 2013, Employee Engagement got a lot of fame because of its amazing connection with job-related attitudes, well-being and health, job intention and behaviors of personalities and employees. As Employee Engagement is particularly recognized and related with organizational productivity, it is quite prominent in Human Resource Management. Employee engagement has 4 major variables incorporating Loyalty, Trust, Inspiration and Engagement.

Because of their reliability, trust and motivation towards their organizations, employees show lower employee turnover and higher productivity as they are always busy with their task and fascinated towards the organizations. So, it is not shocking that these all kinds of associations encourage duty and engagement in the organizations.

Because of the prevalence of psychological atmosphere, employees are engaged and disengaged personally in their workplace (Kahn, 1990). There are 2 categories of employees according to Robinson (2007), Engaged and Non-Engaged. Employees having passion towards their organization and tasks are engaged ones. On the contrary, non-engaged don't show any commitment to give rise to success of their organization. Employee Engagement is passion for work (Truss et al, 2006). According to Baumruk (2004), Employee Engagement is intellectual and emotional commitment to an organization. With the assistance from the best management to the employees of the organization, employee management is the commitment and enthusiasm of employees.

Employee engagement effects the financial level of every organization. The employees will be more satisfied with their jobs and there will be less employee turnover when the organization's productivity increases. The financial level of the organization can be known by the productivity, profitability and most importantly the performance of organization. The important source for employee engagement includes the organization culture, policies and its performance. The employees are more involved and committed to their jobs if the organization has greater level of employee engagement.

Review of Literature

Shine and Bose (2104) found out that employees learn advance capabilities, gather new know-how, enhance their talents, and know their potential when organizations provide employees with possibilities having greater stages of engagement. Jung and Yoon (2015) researched that those employees lend helping hands to their colleagues and were more satisfied with their job who have greater level of Psychological Capital. Findings of a research (Schmidt, Harter, Agrawal and Plowman, 2013) concluded that in terms of the results of organization and employee engagement, immense generalizability persists throughout the organizations. In general, employee engagement had a significant

correlated to the outcomes of organization like safety, productivity, satisfaction of the customer, quality of products, employee retention, and many more.

In today's scenario, employees desire to handle great responsibilities, be in the best of their workplaces for which they are supposed to be graced and experience greater independence because of increasing opportunities globally and immense amount of information flowing through the web. So, by supporting this, Hewitt (2013) concluded that the potential of organizations to contemplate, search and handle talent rely upon having a unique, strong and engaging employment contract.

Blizzard (2004) found out that the employees who go above and beyond their just task expectations and portray an extremely important role in fulfilling the goals and objectives of their company are psychologically committed in contrast to non-engaged employees who were lethargic and disinterested in their jobs. A study by Sihag and Sarikwal (2014) found out that Psychological Capital had a positive impact on Employee Engagement. Moreover, this research also observed that employees having greater level of Psychological Capital in terms of HERO (Hope, Self-Efficacy, Resilience and Optimism) portrayed greater level of work engagement at their workplaces in IT sector.

Another observation was done by Yakin and Erdil (2012) to understand the correlation between professional satisfaction, occupational engagement and self-efficacy. It was found out that self-efficacy and occupational engagement were having a direct connection to professional satisfaction. With the enhanced outcomes for stakeholders and shareholders, it was found that Employee Engagement could support by benefitting the organization (Levene, 2015).

Significance of the study

As Indian banking sector is highly competitive, the employees have to work in stressful conditions which impact their engagement in the job. There is ample work done in the field of employee engagement across various sectors but there was a gap in study i.e., there is negligible work done on the topic of employee engagement and its relationship with PsyCap in banking sector in India. Thus the study has been undertaken to determine the effect of PsyCap on employee engagement amongst employees in the banking sector.

Research Methodology

Sample and Procedure

The sample of this study consisted of 159 employees from different banks in Northern India. Simple random sampling has been used to choose individuals completely by the chance factor wherein each person working in bank of the population gets an equal opportunity to be the part of the sample population.

Measurement

Psychological Capital Questionnaire

The psychological capital questionnaire, PCQ-24, as developed by Luthans et al, (2007) was utilised to measure PsyCap levels in customer service staff. The 24-item instrument uses a 6-point Likert response scale ranging from "1" being strongly disagree to "6" being strongly agree to determine PsyCap levels, measuring the four dimensions. The self-efficacy subscale was adapted from Parker's (1998, cited in Luthans et al. 2007b) work on confidence and formed items 1-6. The self-administered questionnaire is a modified version of PsyCap 24 on 7-point Likert scale is used to measure psychological capital in the present study.

Employee Engagement

The employee engagement was measured using questionnaire developed by Utrecht work engagement scale developed by Schaufeli (2002) having 17 questions. It has 3 factors viz. vigour, dedication and absorption. The 6 point likert scale was used to collect the responses using level of agreement or disagreement with each statement from strongly disagree to strongly agree (0 = never, 1 = a few times, 2 = once in a month, 3 = a few times in a month, 4 = a few times in a week, 6 = everyday).

Analysis of Results

The age category of respondent is 4.7% respondents are from age group 20.-25, 10.7% respondents are from age group 26-30, 23.5% respondents are from age group 31-35, 16.8% respondents are from age group 36-40, 15.4% respondents are from age group 41-45, 21.5% respondents are from age group 46-50 and 7.4% respondents are from age group 51

and above. The gender category of respondents is 97.3% respondents are male and 2.7% respondents are female. The marital category of respondents is 90.6% respondents are male and 9.4% respondents are unmarried. The academic qualification category of respondents is 23.5% respondents are graduate, 72.5% respondents are post graduate and 4.0% respondents are Ph.D. The level of management category of respondents is 43.6% respondents are at junior level, 52.3% respondents are at middle level and 4.0% respondents are at senior level.

The analysis was carried out with the help of IBM Statistics package (SPSS 20). The Cronbach's alpha was used to a measure of internal consistency and the Cronbach's alpha for PsyCap was found to be .913 and for t it was found to be .740 which is above the desired value of 0.7. To check whether data is normal or not, the Normality Test is performed and the p value of Shapiro-Wilk which was .74, which shows that the data is normal.

Correlation Analysis

Correlations

	mnpsycap	mnee
Pearson Correlation	1	.236**
Sig. (2-tailed)		.003
N	159	159
Pearson Correlation	.236**	1
Sig. (2-tailed)	.003	
N	159	159

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

The table 4 shows the pearson correlation table, exploring the relationship between Psycap and employee engagement. The correlation employee Psycap and employee engagement ($r=.236^{**}$), based on ($N=159$) observations with pair wise non missing values. The results shows correlation is significant at the 0.01 level. Thus, the PsyCap is found to have positive relationship with employee engagement.

Regression Analysis of PsyCap and Employee Engagement

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.236 ^a	0.056	0.05	0.42919

The table above shows the multiple linear regression model summary and overall fit statistics for the dependent variable employee engagement. We find that the adjusted R^2 of model 1 is .236 with the $R^2 = .056$. This means that the linear regression explains 5.6% of the variance in the data in model.

ANOVA					
	Sum of Squares	df	Mean Square	F-value	p-value
Regression	740.608	1	740.608	9.579	.002**
Residual	11365.432	147	77.316		
Total	12106.040	148			
The independent variable is PsyCap.					

The F -ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable employee engagement, $F = 9.579$, $p < .01$ (i.e., the regression model is a good fit of the data).

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
Employee Engagement	.170	.055	.247	3.095	.002**
(Constant)	42.658	4.416		9.661	.0001**

Unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. The unstandardized coefficient, B_1 , for PsyCap is equal to .170. The regression equation can be presented in a way

$\text{PsyCap} = 42.658 + .170 \times \text{Employee Engagement}$

t-value and p-value tells that whether a given coefficient significantly from 0. The coefficient of Employee engagement is significantly from 0 as $t = .002$, $p < .01$ at 1% level of significance. Thus, there is a significant relationship between the PsyCap and employee engagement.

Results and Discussions

The study analyzed the relationship and impact of PsyCap and Employee Engagement. The result of the study showed that there is a significant positive relation between PsyCap and Employee Engagement. It has also been found that the banks that focus more on the positive behavior assist their staff members to be more enthusiastic in their tasks and assist them in doing their jobs productively. The result of the study is inline with the findings of Ulfiani et al., 2014. This study makes sure that PsyCap are a positive resource that can improve the Employee Engagement among the employees of banks in North India.

Research Implications

This paper is expected to examine the impact of PsyCap and Employee Engagement. Its results settle to ease in portraying with the idea of Employee Engagement. It is clearly expected that there is an incredible opportunity to furthermore concentrate into this green field called PsyCap and Employee Engagement for future examination. This study, being done on outrageously small scope of number of 8-10 banks, encompasses a restricted extension. Consequently, it is also affirmed that the sample size is doubtlessly not abundant to cover the entire industry and there is a thin room that any future examination in a similar industry could give different outcomes.

The future researchers are suggested to go for the examination on greater sample and region. India is a varied maturing country and furthermore its each state has an alternate environment. In this way, it is proposed to do additional explores on various ventures and different areas (like FMCG, Telecommunication, Education, Manufacturing, IT, and some more.) of various territories furthermore. It very well may be recommended to the potential researchers to incorporate precursors like Job Satisfaction, Salary, Job Tenure, and Organizational Commitment and so on in their investigations.

Conclusions

The current research explored the subject of PsyCap and Employee Engagement. The survey outcomes describe that the most of the employees of banks are satisfied with their jobs. Most of the respondents positively agreed with most of the statements of PsyCap and Employee Engagement. The above study represents the correlation values between the different variables (PsyCap and Employee Engagement). Correlation value measures the strength and direction of linear relationship between two variables. PsyCap have significant positive correlation with Employee Engagement.

Limitations and Research Directions

The current paper relies upon the responses of the sample staff of the various banks in North India. In this way, the results are affected by these responses and are inclined to modification in an enormous or distinct example. The constraints experienced in this examination work must be handled in additional investigates. Future researchers are encouraged to get the ratings for indicator and basis factors from various sources at various stretches to limit the odds of biasness. The evaluations from chiefs or bosses would be best for PsyCap and Employee Engagement. In any case, one expected motivation to utilize self-rated PsyCap and Employee Engagement is that there may be numerous PsyCap and Employee Engagement and work values showed by a representative however manager don't know about them.

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