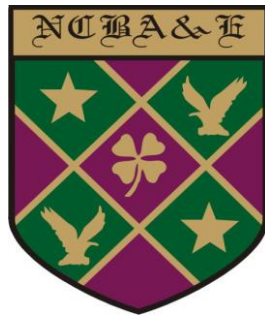


*National College of Business
Administration and Economics
Lahore*



**THE MEDIATING EFFECTS OF PSYCHOLOGICAL
EMPOWERMENT ON TRANSFORMATIONAL
LEADERSHIP AND SERVICE INNOVATION
BEHAVIOR**

BY

HAROON RASHID

**MASTER OF PHILOSOPHY
IN
BUSINESS ADMINISTRATION**

SEPTEMBER, 2021

**NATIONAL COLLEGE OF BUSINESS
ADMINISTRATION AND
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**A dissertation submitted to
School of Business Administration**

**In Partial Fulfillment of the
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*In the name of ALLAH,
The Most Beneficial,
The Most Merciful,*

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Dissertation Committee:

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DECLARATION

It is to declare that this research work has not been submitted for obtaining similar degree from any other university/college.

HAROON RASHID
September, 2021

Dedicated

Dr. Ghulam Hussain

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All praises and because of Almighty Allah who has given us the wisdom and knowledge to spot the proper path and reach the reality. With profound gratitude, I wish to thank some marvelous people that have encouraged and helped me through their being presence.

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RESEARCH COMPLETION CERTIFICATE

Certified that the research work contained in this thesis entitled **“The Mediating Effects of Psychological Empowerment on Transformational Leadership and Service Innovation Behavior”** has been carried out and completed by **Haroon Rashid** under my supervision during his **M.Phil. Business Administration** Programme.

(Dr. Umar Safdar Kiyani)
Supervisor

SUMMARY

This study determined the direct and indirect effects of transformational leadership on service innovation behavior via psychological empowerment among the banking employees. A self-administered survey method was used to collect data from banks' employees who were working in branches. A net sample of 314 usable responses were retrieved and analysis was carried out. First, confirmatory factor analysis was conducted on study's variables and results showed adequate support to the factor structure of the latent constructs. Second, hypotheses were tested. **Relevant statistical techniques such as descriptive statistics, confirmatory factor analysis, correlation analysis, and Process macro for SPSS.** The results showed that transformational leadership facets significantly and positively affected the service innovation behavior. Similarly, all the dimensions of psychological empowerment showed significant and positive effects on service innovation behavior with exception of impact. The indirect effects results showed that transformational leadership facets via psychological empowerment dimensions with exception of 'impact', showed significant and positive indirect effects. The follow-up analysis concerning the typology of mediating effect revealed partial mediating effects. At end, the outcomes of the study's findings in terms of theoretical implications and practical implications are provided.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The influx of foreign banks in Pakistani market and digitalization have created cut-throat competition in the banking sector of Pakistan. The choice of service providers has increased that placed enormous pressure on the banks to improve their existing services, offer innovative services and customized services to retain existing customers and attract new customers. In such system, the top managers mostly spend their time setting new directions for the firms, finding out new ways of doing businesses, managing, and coordinating with the external environments to ensure the sustained value (Hammer and Champy, 2001). Employees on other hand, are responsible for their own areas and have to decide their work activities to ensure efficient and effective service delivery (Williams, 1988). Therefore, such work arrangements require to empower employees that in turn enables them to focus on improving job performance (Brown and Watts, 1992). Empowering employees is a process to teach them self-management techniques that enhance employees' commitment, self-respect, and motivation to perform tasks (Jung, Wu and Chow, 2008).

In such work settings, the role of leadership is significant from many aspects like finding new ways of doing businesses, passing on the new developments to middle-level managers, and monitoring that business plans are implemented in a true sense. Though, a variety of leadership styles had been presented with passage of time that serves the purposes such as envisioning and capitalizing opportunities, making effective business plans, and getting along teams to work on their plans, empowering employees, and exhorting them to perform their tasks in innovative manner without criticizing. A scrutiny of available leadership styles reveals that transformational leadership seems to be better over leadership styles to serve these purposes. Therefore, this study incorporates the transformational leadership style and to study its effects on employees' service innovation behavior via psychological empowerment.

In line with the broad objective of the study, the remainder of this chapter comprises seven sections. The first section offers the statement of problem. The second and third sections present the research questions and objectives, respectively. The fourth section offers significance of study in terms of contributions to its theory and practice. The fifth section offers the scope of the

study. The final section offers the definitions of the basic terms. This chapter ends with its summary and overall structure of the thesis.

1.2 STATEMENT OF THE PROBLEM

Transformational leadership is highly studied leadership styles from a variety of perspectives at different levels such as individual, team and overall organizational levels (Amankwaa et al., 2019; Banks et al., 2016; Bone and Judge, 2004; Harms and Créde, 2010; Hoch et al., 2016; Lowe et al., 2015). Despite the large body of studies on transformational leadership, the potential benefits and its applicability in different settings are yet to be explored (Afsar et al., 2014, 2019; Amankwaa et al., 2019). One of such missing links warrants the in-depth exploration of its facets' effects on psychological empowerment dimensions and behavioral outcomes of the employees (Afsar et al., 2014, 2017, 2019; Amankwaa et al., 2019; Bendall et al., 2018; Hansen and Pihl-Thingvad, 2019). The literature supported that transformational leadership had positive effects on innovation in terms of product innovation, innovative work behavior and so on. However, earlier studies made mainly taken samples from manufacturing sectors owing to visibility of innovation in production process and products. The innovation especially from the services sector remained under explored (Afsar et al., 2019). The paradigm shift from production economy to service economy demands to explore the link between transformational leadership and service innovative behavior (Amankwaa et al., 2019). In line with previous assertions that link between transformational leadership and behavioral outcomes is not simple rather it involves complex mediating mechanisms (Amankwaa et al., 2019; Banks et al., 2016; Hoch et al., 2016; Lowe et al., 2015). The psychological empowerment is one mediating mechanism that help to explain this process (Afsar et al., 2017). The transformational leadership and psychological empowerment are multi-faceted constructs that require to explore and segregate the effects of transformational leadership facets and psychological empowerment dimensions (Afsar et al., 2017; Amankwaa et al., 2019). Additionally, the banking scenario discussed above requires the thorough investigation of transformational leadership facets on employees' psychological empowerment that enable them demonstrate service innovation behavior. Consequently, this study aims to determine the direct and indirect effects of transformational leadership facets on service innovation behavior via psychological empowerment dimensions.

Based on the broad study's purpose, the specific research questions that present study will seek to answer are proving in the following section.

1.3 RESEARCH QUESTIONS

In line with statement of the problem, this study will attempt to answer following research questions.

1. What are effects of transformational leadership facets on employees' service innovation behavior?
2. What are effects of transformational leadership facets on psychological empowerment dimensions?
3. What are effects of psychological empowerment dimensions on employees' service innovation behavior?
4. What are the indirect effects of transformational leadership facets on employees' service innovation behavior via psychological empowerment dimensions?

1.4 RESEARCH OBJECTIVES

In relation to the above research questions, the following research objectives are designed.

1. To determine the effects of transformational leadership facets on employees' service innovation behavior.
2. To determine the effects of transformational leadership facets on psychological empowerment dimensions.
3. To determine the effects of psychological empowerment dimensions on employees' service innovation behavior.
4. To determine the indirect effects of transformational leadership facets on employees' service innovation behavior via psychological empowerment dimensions.

1.5 SIGNIFICANCE OF THE STUDY

This study certainly contributes to the existing body of knowledge and practice. Some expected contributions are as follows. First, this study tests the central hypothesis of transformational leadership theory concerning its universal applicability (Bass, 1985). The exiting study tests transformational leadership in banking sector of Pakistan especially when every business is going through

crisis phase due to COVID-19. Though, the proponents of transformational leadership claim that it is equally good in crisis situations. Therefore, this study will test the general claim and overall efficacy of transformational leadership in crisis whether it delivers the same results or not. Second, this study aims to use the Transformational Leadership Inventory (TLI) scale (Podsakoff et al., 1996) instead of Multi-Factor Leadership Questionnaire MLQ (Bass and Avolio, 1990). Though, the later scale had been widely used but it received a lot of criticism regarding its factor structures. Several authors recommended that if the researchers' objectives are to determine the dimensional effects of transformational leadership on criteria under investigation, then MLQ does not serve the purpose due to high inter-correlation between its dimensions. Therefore, the competing measurement scales had been developed and, in many instances, they have shown good psychometric properties as compared to MLQ. Therefore, this study will operationalize transformational leadership considering TLI scale that offers additional insights to transformational leadership theory. Third, though transformational leadership had been widely linked to employees' psychological empowerment. However, the evidence concerning the effects of transformational leadership on psychological empowerment dimensions is meager. Additionally, novel views on transformational leadership and its link to psychological dimensions remain unexplored. This study will offer in-depth insights to deepen the understanding of one-to-one relationships of transformational leadership facets and psychological empowerment dimensions. Fourth, this study links transformational leadership facets with employees' service innovation behavior through psychological empowerment dimensions. These links will help to understand the underlying psychological mechanisms for getting the desired outcomes.

For practitioners, this study will present a valuable guide to enhance self-management skills of workforce to deliver innovative services to the customers. The results would suggest offering specific leadership training programs to the banks' managers to improve their transformational leadership ability. The employee's empowerment and their performance improvement could be ensured by improving the transformational leadership ability of their supervisors.

1.6 SCOPE OF THE STUDY

Owing to the limited resources at the disposal of the researchers, this study will be conducted in the Lahore city only. The employees working at branches will be the target population of the study. Data will be collected through self-administered surveys. To avoid frequent face-to-face contacts with participants, data on all study's variables will be collected at once. To address

the concern of common method bias, some pre and post remedial strategies will be employed. The study will revolve around three main constructs such as transformational leadership, psychological empowerment, and service innovation behavior. A survey will comprise of four main sections. First, section will enquire the demographic information of the respondents. Second section will contain the measurements of transformational leadership facets. Third section will comprise the measurement of psychological empowerment. Fourth section will entail the scale of service innovation behavior.

1.7 DEFINITION OF THE BASIC TERMS

1.7.1 Transformational leadership

Transformational leadership is defined the leader's ability to formulate a compelling vision and convincing his/her followers to follow the vision, fostering teamwork and creativity, and taking care of individual and as well collective well-being (Podsakoff et al., 1996). Transformational leaders in this study refer to the branch managers who supervise the branch employees and are also responsible for the overall branch performance.

1.7.2 Psychological Empowerment

Psychological empowerment refers to delegation and decentralization (Kanter, 1993), participative decision-making (Li et al., 2013). It mainly incorporates the implicit components that gives an employee feeling of empowered concerning his/her discharge of duties. The psychological empowerment for this study refers to employees' feelings of empowerment who work in the capacity of subordinates at the branch to take decisions by their own in discharge of their duties.

1.7.3 Service innovation Behavior

Service innovation behavior shows the introduction and application of methods and processes to one' work (Hu et al., 2009). For this study, service innovation behavior refers to employee's ability to introduce and apply new method and process while dealing with clients.

Summary of the Chapter and Structure of the Thesis

This chapter offered the background of the study and statement of the problem. Based on the statement of the problem, specific research questions and objectives were formulated and presented in separate sections. Then significance of the study in terms of its contribution to theory and practice was discussed. After significance of the study, scope of the present study was explained. At the end, definitions of the basic terms are provided. The remainder of this thesis comprises four chapter.

- **Chapter 2** presents the classical and contemporary literature. In the light of literature, research hypotheses are formulated for empirical testing.
- **Chapter 3** discusses the research methodology that will be applied for hypotheses testing. The decisions regarding the choice of underlying philosophy, approach, method, and scales are briefly discussed.
- **Chapter 4** presents the study's results. It offers respondents' demographics, data normality results, validity, and reliability results, post hoc testing for detecting common method bias if any, correlation, and results of test of hypotheses.
- **Chapter 5** offers the discussion of the study's results. The outcomes of study's results in terms of theoretical and practical implications are offered. This chapter also offers some limitations of the study and future research avenues.

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 INTRODUCTION

This chapter offers literature review. This chapter comprises eight sections. The first section offers classical and classical perspectives on leadership in general. The second section explains transformational leadership. The third section explains the service innovation behavior. The fourth section establishes the relationship between transformational leadership facets and service innovation behavior. The fifth section explicates the psychological empowerment. The sixth section establishes the relationship between transformational leadership facets and psychological empowerment dimensions. The seventh section establishes the relationship between psychological empowerment and service innovation behavior. The final section discusses the mediating effects psychological empowerment dimensions on transformational leadership facets and service innovation behavior.

2.2 LEADERSHIP

Before discussing transformational leadership, a brief history of development in leadership is offered and how these developments provided base to construct the transformational leadership.

Leadership is regarded the most studied concept in different disciplines such as psychology, sociology, political science, and organizational sciences. According to Stogdill (1984) there as many definitions of the leadership as many researchers have attempted to define it. Despite the numerous definitions, the scholars have consensus that leadership encompasses influence process from leader to followers and sometimes, leader also receives influences. Earlier, leadership was defined by psychologists and political scientists (Stogdill, 1948). The concept was adopted in organizational sciences in beginning of the 20th century. Therefore, earlier work of leadership conception in organizational settings was largely based on *great man theory and trait approach*. The Stogdill's work on trait approach is regarded highly influential (Yukl, 2011). However, the trait approach could not remain much live due to its main assumption that "*leaders are born*". The researchers criticized that if leaders

are born then training and development activities are futile exercises in organizations (Stogdill, 1974; Yukl, 2011).

The flexibility requirements for organizational functioning grasped the attention of the researchers to define leadership as an adaptive process that can be acquired through training and development. This assertion attracted the researchers to apply *behaviorism* to study leadership process. At that time, two large scale programs were initiated in Ohio State (Fleishman, 1953) and Michigan State Universities (Kahn and Katz, 1953; Likert, 1961). Two leadership styles such as task-orientation and human-orientation were outcomes of these studies. Though, these studies were grounded breaking studies taking leadership to new regime, but these studies had not fully explained the effective leadership process due to their inability to consider the complex organizational environment (Stogdill, 1974; Yukl, 2011).

As the organizations are complex systems and have multiple layers that requires the through understanding of their work settings before applying the leadership style. This conception persuaded the researchers to apply *contingency perspective* in defining and explaining the effective leadership process. Fiedler's (1964, 1967) contingency model and Hersey and Blanchard (1969, 1974) model were the main developments in the contingency leadership field. These leadership model received little empirical support in field studies, but they are regarded mainly as training models (Yukl, 2011). The other developments in contingency leadership were the presentation of path-goal leadership (House, 1971) and substitutes for leadership (Kerr and Jermier, 1978) theories. The former theory identified employee and task-level contingencies, the later theory identified a detailed list of contingencies under three broad categories such individual, task and organizational characteristics. These both theories received support from empirical evidence and provided a base to understand the complex organizational work settings. Though, the contingency leadership approach provided valuable insights to understand dynamic organizations, however, all these theories incorporated leadership styles like task-orientation and human-orientation. Despite their success, leadership styles proposed by these studies were not fully explaining the leadership patterns demonstrated by leaders in organizations. The quest of search for comprehensive patterns of leadership styles led to the development of transformational leadership.

2.3 TRANSFORMATIONAL LEADERSHIP

Bass (1985) in attempt to identify and define a range of leadership behaviors that may fully represent the variety of patterns demonstrated by the organizational leader, presented transformational leadership. This theory is also

called full range of leadership theory. Bass refined the Burn's (1978) conception and presented three leadership styles such as transformational, transactional, and laissez-fair. In presenting leadership typology, Bass questioned the Burn's assumption. Burns (1978) proposed that leaders could be either transformational or transactional but not both. Bass (1985) postulated the transformational and transactional leadership styles are mutually exclusive and built upon each other. A leader sometimes become more transformational and sometimes more transactional. Sometimes, leaders also become laisses-fair due to one or other reasons. Therefore, Bass' typology encompasses highly active to highly passive and even avoidance of leadership responsibility.

In the subsequent subsection, transformational, transactional, and laisses-fair leadership styles are detailed.

2.3.1 Transformational Leadership

Transformational leadership is from transformation and refers to the leadership ability to focus on continuous improvement. The transformational leaders lead by setting good examples such as formulating a compelling vision, encouraging followers to question the existing processes and procedures to come up with innovative solutions, paying attention to the followers' development (Bass, 1995). Transformational leaders mainly use psychological mechanisms to influence their followers to getting them on the mission accomplishment. These psychological mechanisms are known as four "Is" or facets of transformational leadership. These are discussed below.

2.3.1.1 Idealized Influence

Idealized Influence represents the leading by examples. It shows a leader's ability to influencing followers in such a way serving as a role model for them, fostering the sense of pride among followers, and showing high degree of ethical and moral standards (Bass *et al.*, 1987). Such leaders win the followers' trust by demonstrating high performance standards, exceeding the expectations of their followers and are famous for doing right things (Bass, 1997). These leaders share risks with their followers, vanquish obstacles in accomplishment of goal and get the group acceptance on common goals. Their personal integrity and competence are the base of their legitimacy. These leaders gain much respect from their followers and are truly admired by them. Their followers feel pride while emulating them.

2.3.1.2 Intellectual Stimulation

Intellectually stimulated behaviors of transformational leader encourage the subordinates' participation and promote creative behaviors among them. These leaders stimulate critical thinking among followers by encouraging them to question the existing procedures and search for new ways of doing tasks (Bass, 1997). They encourage their followers to test and apply new ways at workplace (Avolio and Bass, 1988). In doing so, the mistakes for testing and applying new methods are not publicized and followers are not punished. Rather these leaders closely work with followers to refine the ways of doing tasks that could be beneficial for employees and as well for organizations. Transformational leaders ultimate focus to deviate from the status-quo. Intellectual stimulation promotes creative thinking at workplace that leads to innovation (1985).

2.3.1.3 Inspirational Motivation

Inspirational motivation refers to such behaviors of transformational leaders that motivate and inspire subordinates through provision of meaningfulness and challenge to the followers' work. It is the capability on leaders' part to articulate a convincing and attractive vision and communicating the same to the followers (Bass, 1997). This vision considers the higher degree of followers' needs and ultimately leads them towards fulfillment of needs. Further, these leaders create a strong hope among followers about the possibility of reaching to the desired destinations and ultimately, they strive to create faith among followers that their efforts will be fruitful (Podsakoff *et al.*, 1990).

2.3.1.4 Individualized Consideration

Individualized consideration focuses on one-to-one relationship between leader and follower. Transformational leaders play the role of coach or mentor and specially pay attention to each **subordinate's** needs for achievement and growth (Bass, 1995, 1997). After individuals' needs recognition, they try their level best to fulfill their followers' needs. At one side, they are effective listeners to subordinates' concerns and on the other hand, they have excellent communication skills, disseminate timely information to others and continuously provide feedback (Avolio, Bass and Jung, 1996). Further, these leaders openly accept the individuals' differences and consider their followers as unique individuals (Bass, 1997).

2.3.2 Transactional Leadership

The connotation of transactional leadership is based on transactions (Bass, 1985). It refers to an exchange process between leaders and followers to fulfill their self-interests (Bass et al., 1997). Transactional leaders define the performance standards and link rewards with performance. If the subordinates achieve the performance standards, they are rewarded. In defining the performance standards and linking rewards with performance standards, the leaders and followers arrive at mutual consensus. Bass presented two facets of transactional leadership those include contingent reward, management by exception (active and passive forms). These facets are discussed below.

2.3.2.1 Contingent Reward

Contingent reward represents true nature of exchange relationship. Transactional leaders get their followers agreed on what needs to be done and commit the rewards, and this process is complete when they deliver the performance related rewards among their followers (Avolio, Bass and Jung, 1999). These rewards are aligned with individuals' needs, identified by the leader, and are connected to what a leader wants to accomplish.

2.3.2.2 Management by Exception

Management by Exception (MbE) refers to such leader's behaviors where leader only intervenes in subordinates' task if deviations from standards are found in their work. The strong motivator in such case is, while rectifying the errors, a leader does not criticize the poor work. The more active form of transactional leadership refers when a leader takes the preventive measures in advance to minimize the occurrence of errors or may be the passive form (management by exception passive - MbEp); when the managers let the errors to occur first, then corrects mistakes (Bass and Avolio, 1994).

2.3.3 Laissez-Fair

In laissez-faire leadership, no transactions are taken place among leader and followers. Usually, a leader delays in making decisions, passes neither instructions nor delivers the performance related feedback to his/her followers. Such leader does not pay attention in understanding the followers' needs and

nor exerts any kind of effort to motivate his/her followers. This is considered the most ineffective leadership behaviors (Bass and Avolio, 1994).

2.3.4 Criticism of Bass' Transformational Leadership Conception

Though, Bass' (1985) work is regarded as most influential in leadership field and it has made significant contributions in defining and explaining the effective leadership process through a variety of perspectives. Nevertheless, there are some competing views of Bass' transformational leadership theory. Some authors assert that especially the facets of transformational leadership style presented by Bass are theoretical in nature than their practical applicability at workplace (Podsakoff et al., 1996). The transactional leadership seems incomplete without contingent punishments. Additionally, laissez-fair leadership style is not desirable in organizations.

Bass and his associates Multi-factor Leadership Questionnaire (MLQ) to measure transactional leadership. This scale had been subject to many revisions to improve its psychometrics properties. The most refined form of this scale is known as MLQ-5X. This scale also received criticisms. Many authors (Gardner *et al.*, 2010; Yukl, 2011) reported that this scale also have psychometrics issues. Especially, they reported that there are high correlations between the facets of transformational leadership and those hinder to segregate facets effects on outcomes of interests. In an attempt to refine the transformational leadership facets and its measurement scale, Podsakoff et al. (1996) presented a competing view of Bass' framework.

2.3.5 Podsakoff's Views on Transformational Leadership

Podsakoff et al. (1996) presented six facets of transformational leadership. These are articulating a vision, providing an appropriate model to follow, fostering the acceptance of group goal, high performance expectations, individualized support, and intellectual stimulation. His conception of articulating a vision is similar with inspirational motivation of Bass' conception. Similarly, providing an appropriate model to follow is like idealized influence such as leading by examples. Fostering acceptance of group goals and high-performance expectations are the two new facets those are added by Podsakoff. The Bass' conception of transformational leadership had implicit assumptions that transformational leaders set high-performance expectations and foster team group goals. The MLQ also does not explicitly capture these characteristics of transformational leadership. The last two facets such as individualized support and intellectual stimulation are like individualized consideration and intellectual

stimulation of Bass' conceptions. Podsakoff et al. (1996) presented Transformational Leadership Inventory (TLI) to measure transformational leadership facets. This scale had been widely used. This scale produced the promising results in Pakistani work settings as well (e.g., Hussain et al., 2016a, 2016b, 2018). Therefore, in accordance with researchers' recommendations, this study adopted the transformational leadership concept presented by Podsakoff et al. (1996) and will use TLI to measure transformational leadership.

2.4 SERVICE INNOVATION BEHAVIOR

Service innovation behavior refers to introducing new methods and process in providing services to the customers (Carlborg et al., 2014). A service innovation depends on the presence of customers that is largely determined by them (Vargo and Lusch, 2008). The concept service innovation gained popularity with rise in emphasize on service economy (Hu et al., 2009). Prior to service economy, production economy was dominant. Traditionally, innovation was conceptualized as introducing innovative products, introducing innovative production method, undertaking research and development activities and many others. Researchers asserted that innovation in production requires invest but innovation in service is a process sequences, operations and formula that could be developed with little or sometimes without money (Gallouj and Windrum, 2009; Kao et al., 2015). But due to paradigm shift from production to service economy, service innovation took place in theory and practice (Gustafsson and Johnson, 2003; Kao et al., 2015). Scott and Brue (1994) seminal work on service innovative provided basis to refine this conception. They mainly defined service innovation behavior with respect to hospitality industry and they constructed a scale of service innovation behavior by interviewing the managers. Service innovation behavior as an outcome had been widely studied predominantly in hospitality industry (Hu et al., 2009; Kao et al. 2015). This phenomenon is also relevant to the other services sector such as banking sector and requires the concentrated efforts to explore its determinants (Kao et al., 2015). A scrutiny of literature revealed that yet evidence concerning the service innovation behavior in the banking sector of Pakistan are almost nonexistent. In a highly competitive environment, this is promising area that requires thorough understanding. Consequently, this study attempts to determine the direct and indirect effects of transformational leadership facets on service innovation behavior of banking employees via their psychological empowerment.

2.5 RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP FACETS AND SERVICE INNOVATION BEHAVIOR

Despite the variety of definitions, there is a consensus among leadership scholars that leaders influence attitudes and behaviors of their followers. Therefore, the focus of leadership studies remains to understand and explain the effects of leadership style on employees' outcomes. Several studies had shown that link between leadership styles and employees' behavioral outcomes. In a similar fashion, a large body of research had shown that transformational leadership as a composite concept and its facets (individually) produce positive effects on variety of outcomes that capture positive behavioral aspects and are desirable, and on other hand, they produce negative effects on negative behavioral tendencies of the followers that are undesirable. In general, the connotations of transformational leadership as based anti-status-quo thesis that makes him to search for new ways and take his team onto his mission. Therefore, the creativity and innovation are central focus of transformational leadership style. The different roles performed by transformational leadership are directed towards the accomplishment of his focus on interest to foster creativity and innovation at workplace.

Taking the lead from the literature, this study proposes that there is positive relationship between transformational leadership facets and service innovation behavior. For example, the articulating a vision of transformational leadership provides new direction to the followers that links followers' interest with collective interests (Schriesheim *et al.*, 2006; House and Podsakoff, 1994; Bono and Judge, 2004; Charbonneau, Barling and Kelloway, 2001). By linking individual interest with overall organizational mission motivates the employees to develop and practice innovation behaviors in discharge of their duties. Similarly, by providing the appropriate model to follow, leader performs the tasks in innovative manners and most of the times, transformational leader closely works with followers to invent and test the new methods and process. Fostering the acceptance of group goal link individual identity with team identity, and collective and as well unique contributions are recognized. The intellectual stimulation indeed promotes the creative thinking process that is a mechanism to continuously think of innovative service delivery methods. The individualized support of transformational leadership concentrates on the developmental needs of the followers. They consider everyone as unique individual and help them to make performance development plans and provide them essential resources to execute their plans. Therefore, it is hypothesized that;

- H1_a:** Articulating a vision of transformational leadership is positively related service innovation behavior of banking employees.
- H1_b:** Providing an appropriate model to follow of transformational leadership is positively related service innovation behavior of banking employees.
- H1_c:** Fostering the acceptance of group goal on transformational leadership is positively related service innovation behavior of banking employees.
- H1_d:** Individualized consideration on transformational leadership is positively related service innovation behavior of banking employees.
- H1_e:** Intellectual stimulation of transformational leadership is positively related service innovation behavior of banking employees.

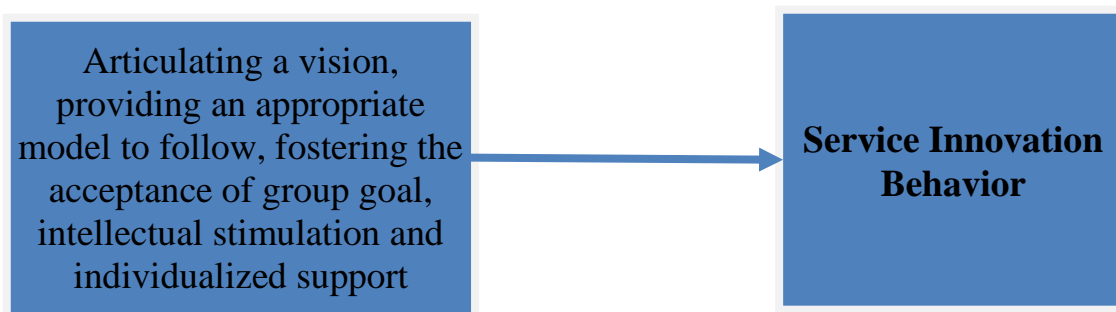


Figure 1: The Direct Effects of Transformational Leadership Facets on Service Innovation Behavior

2.6 PSYCHOLOGICAL EMPOWERMENT

Psychological, empowerment had gained popularity in management theory and research a long ago. It encompasses delegation and decentralization (Kanter, 1993), participative decision-making (Li et al., 2013), worker participation (Lashley, 1999), and the discussing of information (Randolph, 2000). Wagner et al. (2010) asserted that the idea of power is accepted under the guise of the activity away from ‘control’ towards a practical and ideal ‘commitment’ design of control. Lee and Yu (2004) recommend that the typical function in the ideas of power is that it is handled as a set of control methods and administrator behaviors. However, splitting away from this strategy, some scientists have concentrated on the emotional condition of employees because of these methods and behaviors (Huang et al., 2006).

Psychological empowerment varies from the architectural idea of empowerment in that it concentrates on implicit inspiration rather than on the managing methods used to improve individuals' stages of power (Menon, 1999). Modern analysis on psychological empowerment concentrated on describing the power procedure and the emotional underpinnings of the build with regards to self-efficacy and independence. (**Thomas and Velthouse,1990**) further claim that psychological empowerment is complex and cannot be taken by only one idea. Following this perspective, scholars (Avey et al., 2008; Dewettinck et al., 2003; Dimitriades and Kufidu, 2005; Huang et al., 2006; Menon and Kotze, 2007; Spreitzer, 1995) consider psychological empowerment as a way of implicit inspiration to execute tasks. They have operationalized psychological empowerment as multi-dimensional constructs that encompass meaningfulness, proficiency, self-determination, and effect. Johnson and Velthouse (1990) suggested that dimensions of psychological empowerment signify a comprehensive task-specific assessment and presentation that decides implicit procedure inspiration, hence, emotional power.

Spreitzer (1995) refined earlier work of scholars (Conger and Kanungo, 1988; Johnson and Velthouse, 1990) on psychological empowerment and presented the four dimensions of psychological empowerment. Those include meaning, competence, self-determination, and impact.

- **Meaning** represents the value of a procedure goal or purpose, assessed about your own ideas and standards or requirements. It shows implicit attention in a procedure and involves a fit between the requirement of the work role and one's values, beliefs, and principles (Hackman and Oldham, 1980).
- **Competence** is like self-efficacy (Bandura, 1977) and shows individual's belief about his/her ability to perform tasks. The employees evaluate their abilities to undertake the given task. If they have high efficacy about any activity or tasks, they are likely to engage in and vice versa (Johnson and Tymon, 1994).
- **Self-determination** where the competence reflects the mastery to undertake the tasks. Self-determination refers to the choices regarding the initiation of tasks and regulation actions (Deci et al., 1989). Self-determination mainly encompasses the autonomy regarding the work behaviors and processes, method pace and efforts (Spreitzer, 1995).
- **Impact** refers to the degree to which an individual can influence the outcomes concerning the strategic, administrative, and operational nature (Ashforth and Mael, 1989). This is regarded a different construct from the locus of control.

2.7 RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND PSYCHOLOGICAL EMPOWERMENT

The assertions on transformational leadership posit that transformational leader leaves optimistic effects on followers while leading them toward goal accomplishment and settling on fitting choices. Transformational leaders mainly use psychological mechanisms to influence their followers. These leaders demonstrate behaviors that influence the psychology of the followers. The main purpose of the transformational leaders is to instill the feeling of empowerment among his/her followers so that should take responsibility of their areas.

Transformational leader motivates the individuals to surpass their typical execution level (Avolio et al., 1999). They engage followers to adjust their methods of working. They achieve good and bring behavioral change in workforce (Pearce et al., 2003; Sims and Manz, 1996). Engaging workers is not tied in with advising them that they are engaged or giving extravagant authoritative proclamations declaring strengthening. Transformational leaders urge followers to settle on autonomous choices with respect to the different difficulties they face and to make their work more by and by important (Zhang and Bartol, 2010). Engaged employees don't stop for a second to react to organizations 's necessities (Boudrias et al., 2009). Considering the above explanation, determining the relationship between transformational leadership and psychological empowerment is worth to explore.

The notion "worker empowerment" refers to employees and managers sharing equivalent obligation regarding results (Spreitzer, 1995). Transformational leadership permits the exertion and the objectives to show up more significant, which maps straightforwardly onto the significance aspect of psychological empowerment. In addition, expanded confidence in a superior future energizes to have a high feeling of 'significance' related with the undertaking. Such seriousness comes from a high feeling of consistency between their self-ideas and their activities (Shamir et al., 1993, p. 587). Transformational leaders increase the confidence of their **followers**, and they feel elevated and empowered (Shamir et al., 1993). Transformational leader makes an individual responsibility towards an otherworldly objective or vision. As a result, Transformational Leadership encompasses such practices that involved idealized influence, inspiring encouragement, and creative thinking that ultimately urges followers to take responsibility of their areas (Bass, 1985).

A transformational leader sets good example to elevate expectations and accomplishing the vision. Through moving inspiration, leader offers a convincing vision of things to come and rouse adherents to focus on a shared

vision. They use scholarly incitement to urge followers to develop creative solutions of the problems. The followers take a responsibility for improving their task performance. By demonstrating such behaviors, transformational leader encourages their followers to participate in unprecedented endeavors in accomplishment of exceptional objectives (Avolio and Bass, 1988; Bass; 1985; Podsakoff et al., 1990).

Workers participate endeavors for accomplishing the organization's mission increases the followers' awareness of their self-aware worth through transformational leader's efforts. Subsequently, transformational leaders modify workers' discernments in manners that cultivate increased inspiration, whereby workers understand a practical direction to act well out of interest. Idea of empowerment has been considered by experts in all organizations during the new years on the grounds that of competition, efficient service delivery, quick ecological changes. The scholars have consistently focused on employees' empowerment (Gudarzi and Gaminian, 2003).

Empowerment of workers represents self-management skills that is in practice to increase efficiency through upgrade of workers' responsibility concerning the organization's mission accomplishment. (**Thomas and Velthouse, 1990**) consider mental freedom as a component of interior inspiration that signifies dynamic job of employees in the firm. According to (**Spreitzer, 1995**), firms receive an all-inclusive methodology about strengthening and use it in each circumstance. Strengthening incorporates four elements and those are meaning, competence, self-determination, and impact.

A large body of literature support the positive link between transformational leadership and psychological empowerment (Afsar et al., 2014, 2016; Amankwaa et al., 2019; Li-Chaoping and Tian-Bao, 2006). The transformational leader connotations show that these leaders help employees developing their own visions, work independently with a feeling of ownership, encourage them develop and test new method of doing works, and pay attention to each individual developmental needs, appreciate **followers'** performance time to time that helps to feel employees psychologically empowered (Avolio et al., 2004). On basis of discussion, it is expected that transformational leadership facets have significant and positive effects on psychological empowerment dimensions. Following specific hypotheses are formulated for empirical testing.

- H2_a:** Articulating a vision of transformational leadership has significant and positive effect on employees' psychological empowerment dimensions in term of meaning, competence, self-determination, and impact.
- H2_b:** Providing an appropriate model to follow of transformational leadership has significant and positive effect on employees' psychological empowerment dimensions in term of meaning, competence, self-determination, and impact.
- H2_c:** Fostering the acceptance of group goal of transformational leadership has significant and positive effect on employees' psychological empowerment dimensions in term of meaning, competence, self-determination, and impact.
- H2_a:** Intellectual stimulation of transformational leadership has significant and positive effect on employees' psychological empowerment dimensions in term of meaning, competence, self-determination, and impact.
- H2_e:** Individualized support of transformational leadership has significant and positive effect on employees' psychological empowerment dimensions in term of meaning, competence, self-determination, and impact.

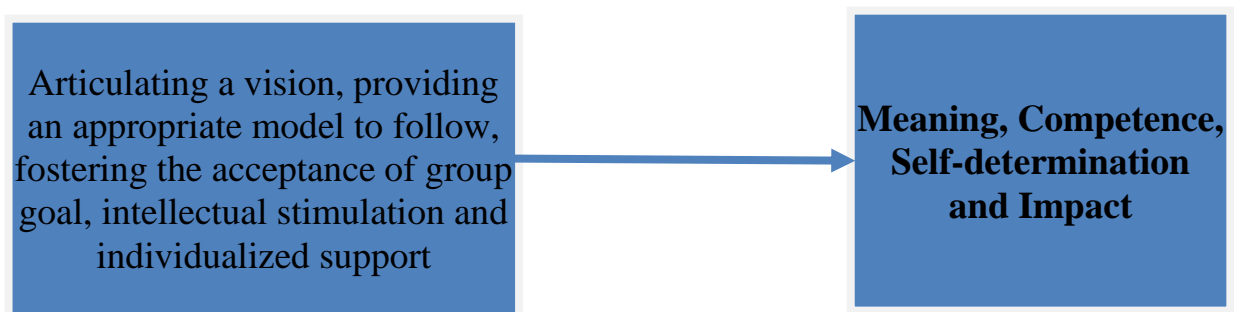


Figure 2: The direct Effects of Transformational Leadership Facets on Psychological Dimensions

2.8 THE RELATIONSHIP BETWEEN PSYCHOLOGICAL EMPOWERMENT AND SERVICE INNOVATION BEHAVIOR

The psychological empowerment is deeply rooted upon the premise of autonomy and power offered to the job incumbent to promote his/her interest in the job and encouraging employee to take responsibility of his/her task (Ramamoorthy et al., 2005). The core concept of psychological empowerment

and its consequences at workplace can be explained by Job Characteristics Theory (Oldham and Hackman, 1975). Autonomy is listed among the five core job characteristics that build positive psychological states leading to worker engagement in the work. The literature supports that the workplace culture that promotes psychological empowerment among employees, results in increased employees' commitment and engagement (Afsar et al., 2014; May et al., 2004). Feelings of empowered among employees leads them proactively shape their work environment (Bakker et al., 2011). The scholars asseverate that psychological empowerment is characterized with active role orientation that enhances employees' autonomy and motivation (Spreitzer, 1995). Employees take responsibility of their work and therefore, they are likely to search for innovative methods and processes that could improve their performance (Jung et al., 2003; Pieterse et al., 2010).

The psychological empowerment is a motivational state that increases employees work-related outcomes (Afsar et al., 2016; Parker et al., 2006). Especially, its dimensions such as meaning enable the task performers to align his tasks activities and values. Through meaning, employees try to create a fit between their task activities and their principles and beliefs. This fit motivates employees to search for new methods and process for delivering the services. The second dimension is competence that is like self-efficacy (Spreitzer, 1995). Empowering employees means management trust their capabilities of doing the tasks that increases their self-efficacy to undertake tasks and perform it in innovative ways. Therefore, feeling of competence among employees enable them to search for the innovative ways in serving the customers. The third dimension is self-determination that refers to the choice of activities (Spreitzer, 1995). The choice of activities to carry out tasks provides autonomy to employees to decide the choice of methods (Deci et al., 1989). The feelings of autonomy in employees encourages them take responsibility of their areas. The fourth dimension is impact that refers to the extent an employee can change outcomes (Spreitzer, 1995). The service delivery is the responsibility of the employees that takes place between the interaction of employees and customers. The ultimate satisfaction a customer can feel depend on who was he served. When an employee perceives that by using the innovative service behavior, he/she can make a difference in the customers' satisfaction, he/she will try to demonstrate the service innovative behavior. Thus, based on the above discussion, following hypotheses are formulated for empirical testing.

H3_a: Meaning has significant and positive effect on service innovation behavior.

H3_b: Competence has significant and positive effect on service innovation behavior.

H3_c: Self-determination has significant and positive effect on service innovation behavior.

H3_a: Impact has significant and positive effect on service innovation behavior.

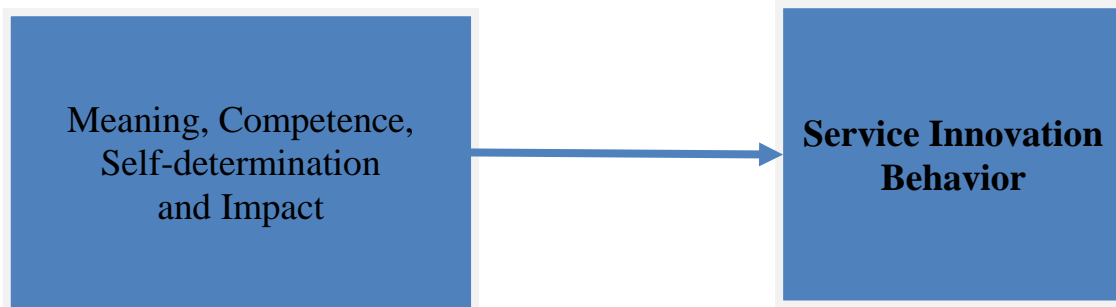


Figure 3: The Direct Effects of Psychological Dimensions on Service Innovation Behavior

2.9 MEDIATING EFFECTS OF PSYCHOLOGICAL EMPOWERMENT DIMENSIONS ON TRANSFORMATIONAL LEADERSHIP FACETS AND SERVICE INNOVATION BEHAVIOR

The transformational leadership definitions implies that transformational leader influences the psychological states of the employees and based on their psychological states, employees demonstrate certain behaviors (Bass, 199). Transformational leadership encompasses such mechanisms that enhances the psychological empowerment of the employees that in turn produces desirable work outcomes (Afsar et al., 2014; Dust et al., 2014; Stanescu and Florina Pinzaru, 2020). The transformational leader encourages participative decision making, ideas creation and implementation that invigorate the feeling empowerment among employees to perform tasks with greater confidence and autonomy. The transformational leader creates such a work environment that encourages employees to take responsibility and enhances their belief about their capabilities to undertake innovative methods and processes (Afsar et al., 2014; Stanescu and Florina Pinzaru, 2020). Employees lead by transformational leader are equipped with essential skills to carry out tasks, they have sense of mastery and efficacy about their tasks. Such feelings among employees urges them to reciprocate with greater involvement in work, undertaking work activities beyond their job descriptions and putting their best to exceed the established standards of performance (Afsar et al., 2014; Zhang and Bartol, 2010). Based on the above discussion, it is expected that psychological

empowerment works as an intermediary mechanism between transformational leadership and service innovation behavior. More specifically, it is expected that dimensions of psychological empowerment significantly mediate on transformational leadership facets and service innovation behavior. To deepen the understanding and segregate the effects, following hypotheses are formulated for empirical testing.

- H4_a:** Articulating a vision of transformational leadership significantly enhances the dimensions of psychological empowerment in terms of meaning, competence, self-determination, and impact that in turn lead to service innovation behavior.
- H4_b:** Providing an appropriate model of transformational leadership significantly enhances the dimensions of psychological empowerment in terms of meaning, competence, self-determination, and impact that in turn lead to service innovation behavior.
- H4_c:** Fostering the acceptance of group goal of transformational leadership significantly enhances the dimensions of psychological empowerment in terms of meaning, competence, self-determination, and impact that in turn lead to service innovation behavior.
- H4_d:** Intellectual stimulation of transformational leadership significantly enhances the dimensions of psychological empowerment in terms of meaning, competence, self-determination, and impact that in turn lead to service innovation behavior.
- H4_e:** Individualized support of transformational leadership significantly enhances the dimensions of psychological empowerment in terms of meaning, competence, self-determination, and impact that in turn lead to service innovation behavior.

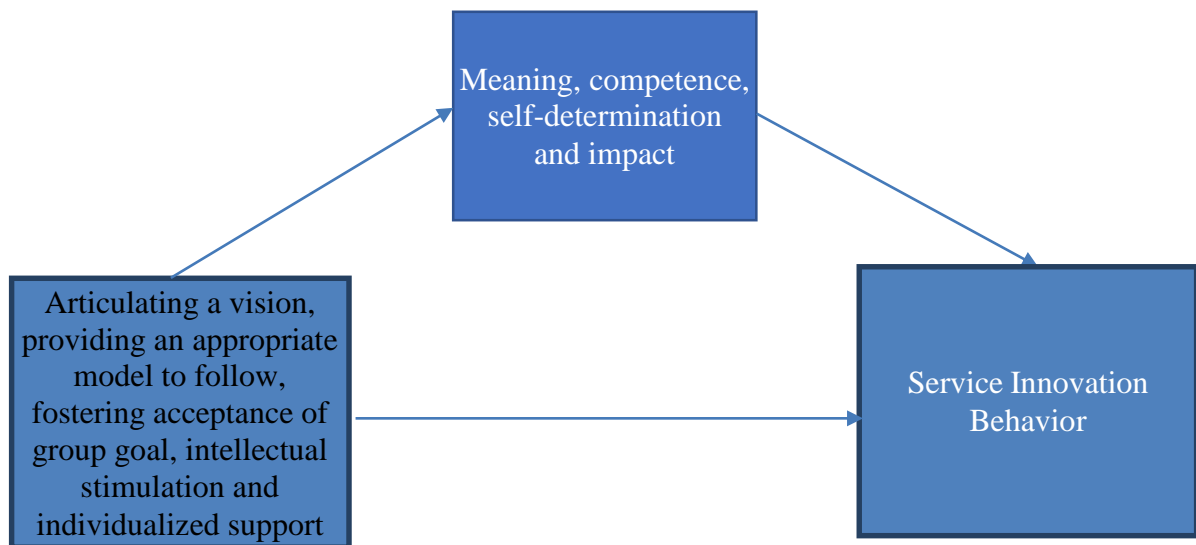


Figure 4: Mediating Effects of Psychological Empowerment Dimensions on Transformational Leadership and Service Innovation Behavior

2.10 SUMMARY

This chapter was devoted to review of relevant literature on study's variables. In doing so, this chapter comprised nine sections. In the first section, leadership was discussed considering the historical perspectives. In the second section, the reasons for presenting the transformational leadership were offered. Then the competing views on transformational leadership were also discussed. In the third section, service innovation behavior was explained. In the fourth section, the relationships between transformational leadership facets and service innovation behavior were established. In the fifth section, psychological empowerment was discussed. In the sixth section, the relationships between transformational leadership facets and psychological empowerment dimensions were established. In the seventh section, the relationships between psychological dimensions and service innovative behavior were hypothesized. In the final section, the mediating role of psychological dimensions on transformational leadership facets and service innovation behavior were established. To empirically test the proposed set of hypotheses, the next chapter explains the research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the research methodology employed to test the study's hypotheses. It comprises of further six sections. In the first section, philosophical assumptions of the present study are offered. In the second section, research design and method are discussed. In the third section, target population and sampling strategy is discussed. In the fourth section, data collection method and process are explained. In the fifth section, measures of the study's variables are discussed. In the final section, proposed data analysis techniques are offered.

3.2 PHILOSOPHICAL ASSUMPTION ON METHODOLOGY AND METHODS

This study is based on the positivism research philosophy. This philosophy was introduced in the 2nd half of 19th century that is marked a significant movement in the domain of social science research. This philosophy uses the principles of natural sciences onto that of social science to generate new knowledge. The motive behind this approach is search for empirical generalization through social phenomena (Saunders et al., 2009). The researchers constructing their research on the premise of positivism research philosophy view the world through objective lens that relate positive facts with the real world. They assume that information comprises of numeric objects that are independent to the human discernment (Saunders et al., 2009).

There has been divergent confusion between the concept of methodology and methods. Research methodology has a broader perspective that utilizes approaches to conduct a scientific inquiry however, methods on the other hands are the techniques that are used to collect data (Saunders et al., 2009).

3.3 RESEARCH DESIGN

Research design refers to a strategy that a researcher uses to integrate the different components of the study in a logical manner (Saunders et al., 2009). In other words, it helps in describing different methods for investigating information. The research design plays vital role in in the research process. Through research design, a researcher selects best techniques use for the

research. It is helpful in the selection of best and relevant materials, collect information from different sources and consider the overall cost that will require in research. Though, there are different research design such cross-sectional, time-lagged and longitudinal research designs. The current study uses the cross-sectional research design. This design facilitates the researcher to collect the data from large number of respondents at one point of time (Saunders et al., 2009). This design is easy to execute and least expensive to collect the large data.

3.3.1 Research Approach and Quantitative Method

After the selection of design, the next task is to select the research approach and method. The selection of research approach and method are mainly selected upon research philosophy and design. In addition, the choice of selecting an approach and method also depends upon the objective of the study. Since this study mainly intends to determine the mediating effects of psychological empowerment dimensions on transformational leadership facets and service innovation behavior. This study mainly tests an existing theory therefore, the deductive research approach is most suitable (Saunders et al., 2009). Further, this study will employ the quantitative research method. As already discussed, that positivist uses the principles of natural science onto the social science to conduct a scientific inquiry. Therefore, the numeric data is required to test the proposed theory and that can be collected through the quantitative research method.

3.4 TARGET POPULATION

Population refers to entire set of objects about the researcher wants to draw inference (Sekaran and Bougie, 2016). Target population for the present study comprises the banking professionals employed by the public and private sector banks. Mainly there are three cadres in the banks such as laborer and clerical staff, officers' grades and executive grades. **For present study**, the officers grade employees (OG-III, OG-II and OG-I) are chosen due to the following reasons. First, the banking sector in Pakistan went under transformation and now at entry-level, educated candidates are employed. Second, they are mainly involved in the core business operations of the sector and face tight schedules and competing demands from the customers and management. Most of the times, they have to take immediate decisions to maintain the equilibrium between the bank and customers' interests. Therefore, to a certain extent, they should be empowered. Third, they have close contact with the branch managers and most of the times, they are directly supervised by the branch managers. Fourth, they are educated professionals who have good

command over English language. Therefore, they were considered the most suitable respondents for the present study.

3.4.1 Sample

Sample refers to the subset of the population (Sekaran and Bougie, 2016). This is a crucial stage in the research process, especially when SEM is used for analysis purposes. The sample selection is mainly based on size of population and other requirements such as analytical strategy. Similar is the case in the present study, the researcher considers the both simultaneously. The researcher intends to use Structural Equation Modelling (SEM) for testing the measurement theory. The question of sample size adequacy is a highly debatable topic in the research arena and is of major concern when using SEM because it has been acknowledged that sample size plays a crucial role obtaining consistent, significant estimation and interpretation of result (Hair *et al.*, 2010). Even though there has been a long debate on this issue, still no one has given any clear guidelines or rules to be followed in the appropriateness of sample size **about SEM**.

However, researchers have been following various rules in selecting the appropriate sample size. For example, it is usually recommended to select ten times more than the number of variables in the study, but when there are tight checks and controls and the research is simple experimental research, a sample size of 10 to 20 is even acceptable. Besides that, Sekaran (2003) indicates a sample size of 30 to 500 would be acceptable, if it is aligned with the sampling design, objectives, and research questions of the study. Nevertheless, one rule of thumb has been suggested by Hair *et al.* (2010), that 5 observations per parameter should be the minimum consideration because if it is less than this ratio, statistical stability of the analysis and results may not be clear.

In addition, Hair *et al.* (2010, p. 637) also mentioned that in a given research sample size should not be less than 200 and not more than 400. It is because when using SEM, if the sample size decreases per variable or parameter, there are chances that it will not run and will give an error. On the other hand, if the sample size exceeds 500, there are chances that SEM will show poor fit as in larger sample sizes almost any difference is detected (Hair *et al.*, 1998).

Based on the above discussion, suggestions, and recommendation of scholars, it was considered suitable to have a reasonable sample between 300 and 400 respondents for the present study. However, the exact number of population was unknown, therefore, a purposive sampling technique was employed to get the representative sample.

3.5 DATA COLLECTION METHOD

In order to collect data from the representative sample, a questionnaire was constructed. The questionnaire comprises four parts. In the first part, the demographic information of the respondents such as their gender education, experience and age were inquired. In the second part, the measurement scale of transformational leadership facets was presented to the respondents. They were asked to rate their immediate leader who directly supervises their day-to-day activities. In the third part, the measurement of psychological empowerment was presented and the respondents were asked to rate themselves on those statements. In the fourth section, the measurement scale of affective service innovation behavior scale was presented.

These four sections were deliberately created to control for the common method variance (CMV). This is one the suggested mechanism to create a psychological separation between the items of different constructs (Podsakoff et al., 2003). This technique is mainly used to give a clue to the respondents that in separate sections, the measurement scales of the different variables are presented. So, when a respondent moves to the next section, he/she should be alerted that measurement scale presented in the current section is different from the previous section or the upcoming section.

A cover letter was also developed a brief introduction of the study was presented to the respondents. They were also assured of the anonymity of the responses. Further, the participation in the survey was completely discretionary and the respondents were also briefed that they were also having right to answer or not answer any of the item in the survey. This is also another mechanism to control for the CMV.

3.5.1 Survey Administration and Follow-up Process

The researcher selected a self-administered method to distribute the survey to the respondents. Though there are different methods such as online survey and postal surveys are available. However, in Pakistani context the respondents are hesitant to answer due to security reasons. Additionally, the banking sector maintains strict protocol concerning the data security and employees are regularly cautioned not to answer the forwarded links. Therefore, on the above grounds, the researcher selected a self-administered method so that trust deficit should be reduced. After getting the permission from the branch managers, the researcher introduced himself and a presented a survey to the respondents.

In total, 1000 questionnaires were distributed to officers' grade employees working in branches of different banks' branches located in Lahore. The decision to distribute 1000 surveys was based on the previous response rate reported by the earlier researchers. Through survey of literature, it was revealed that response rate remained 30% to 40% in Pakistani context. Therefore, 1000 were deemed appropriate to get the sample between 300 and 400.

Some respondents filled the questionnaire on the spot while others required a week to respond. Therefore, after a week, the respondents were **revisited**, and the filled questionnaire were collected. Those who had not filled at the second visit, they were requested to fill, and a final visit was paid to the respondents after a week and filled questionnaire were collected. In total, 379 filled questionnaires were retrieved. However, some were inappropriately filled and were having higher percentage of unanswered items therefore, all such responses were discarded and a net sample of 314 was considered valid for analysis purpose.

3.6 INSTRUMENTATION

This section offers the measurement scale of the latent constructs such as transformational leadership, psychological empowerment and service innovation behavior. Additionally, measures of respondents' demographics such as gender, education, age and experience are also discussed.

3.6.1 Transformational Leadership

Transformational leadership style was measured with the Transformational Leadership Inventory developed by Podsakoff *et al.* (1990). Traditionally, transformational leadership had been measured with MLQ (Avolio, Bass and Jung, 1999). This famous scale has psychometric shortcomings, have high inter-correlations and lack the discriminant validity (Gardner *et al.*, 2010; Rafferty and Griffin, 2004; Schreisheim *et al.*, 2006, p.25). Therefore, this study has utilized the TLI (Podsakoff *et al.*, 1990) alternate to MLQ. Recent evidence (Podsakoff, Mackenzie, and Bommer, 1996; Schreisheim *et al.*, 2006) reveal that this scale has good factor structure, inter-item consistency and validity. This transformational leadership scale consists of six dimensions. However, this study has used five dimensions and these are considered adequate to represent the transformational leadership.

This study adapted 18 items from TLI scale based on their loadings (λ) reported by Podsakoff, Mackenzie and Bommer (1996, p. 267, 268). Of the 18 items, 5 items for articulating a vision, 4 for fostering the acceptance of group

goals, 3 each for individualized support, intellectual stimulations and providing an appropriate model were used.

3.6.2 Psychological Empowerment

Psychological empowerment was measured with sixteen items scale developed by Spreitzer (1995). There are four dimensions of the psychological empowerment those include meaning, competence, self-determination and impact. Each dimension was measured with four items.

3.6.3 Service Innovation Behavior

Service innovation behavior measures the employee's efforts to come up with innovative solutions (Hu et al., 2009). A six-item self-rated scale developed by Hu et al. (2009) was employed to measure employees service innovative behavior.

All the items of transformational leadership facets, psychological empowerment dimensions and service innovation behavior were rated on five point-Likert scale. The categories include "1-strongly disagree", "2-disagree", "3-uncertain", "4-agree" and "5-strongly agree".

3.6.4 Demographics Variables

This subsection discusses the demographics variables included in the study.

3.6.4.1 Gender

Gender categories (male and female) were provided in the questionnaire. The respondents were asked to select his/her own gender category. The coding scheme for gender categories comprises "1 for male" and "2 for female".

3.6.4.2 Education

Education level of the respondents was measured in term of total number of years spent in attending the educational institutions and certificate/degree, they were holding. Four Educational categories; B.A, BS/Master, PhD and MS/M.Phil. and professional diploma in banking were given and respondents were required to

choose their level of education according to given categories or mention the certificate they had, if they choose the last option.

3.6.4.3 Experience

Respondents' tenure with current bank was measured in term of number of years served. Respondents were provided class boundaries and they were required to select their experience group.

3.6.3.4 Age

Age of the respondents was measured in number of years. The respondents were given the class boundaries (21-25; 26-30; 31-35; 36-40; 41-45; 46-50; 51-55; 56-60) and they were required to select their respective age group.

3.7 DATA ANALYSIS

This section briefly discusses the statistical techniques employed for data analysis purpose. Relevant statistical techniques such as descriptive statistics, confirmatory factor analysis, correlation analysis, and Process macro for SPSS. These techniques are briefly described separately.

3.7.1 Descriptive Statistics Techniques

Subsequent to gathering the data, descriptive statistics were applied, first, in order to ensure the accuracy of data entry and determine the characteristics of data. For this purpose, frequencies tables were obtained in SPSS to identify if any error in data entry and to rectify the errors.

Second, frequencies tables of the demographics were obtained in SPSS in order to understand the characteristics of the acquired data and sample. The demographic portion of the questionnaire was mainly designed to get a clear picture of the respondents. Further, **mean**, and standard deviations of the age and work experience were also calculated to determine the average age and working experience of the respondents.

3.7.2 Data Normality Test

Testing data normality is the prerequisite for most of the inferential statistical techniques. The choice of statistical test employed to analyze data depends upon the type of data distribution. Hair et al. (2010) asserted that skewness and kurtosis are adequate tests to test normality in data of greater than 200 responses. Thus, skewness and kurtosis scores were calculated in order to assess normality in data.

3.7.3 Confirmatory Factor Analysis

Factor analysis is important for preparing the data for confirming the hypothesized factor structure of the latent constructs and applying inferential tests to test the casual relationships. The results of the factor analysis will be used to test the convergent and discriminant validity of the latent constructs.

In addition to the different type of validity, the results of confirmatory factor analysis are also used to test the reliability. Reliability is the consistency of a measure over time (Sekaran and Bougie, 2016). Cronbach alpha is the most commonly used technique for testing the reliability of the scales (Sekaran, 2003). This study computed the coefficients of Cronbach alpha for the purpose of testing reliability. The value of Cronbach alpha lies between 0 and + 1 and the value greater than .70 indicates that a measure a good reliability (Nunnally and Berstein, 1994).

3.7.4 Common Method Variance

Common method variance refers to systematic error due to measurement method and being shared among the variables observed (Podsakoff *et al.*, 2003). There are chances of occurrence of this error especial when data are collected through single source using conceptually distinct measures (Williams, Cote and Buckley, 1989). Rater uses the common set of rules and then rates the measures. This error can attenuate the Type I or Type II error in the data and may lead to falsified conclusions (Podsakoff *et al.*, 2003). Harman single factor method will be employed to test if the CMV is a significant threat to the study's results.

3.7.5 Correlation Analysis

To test the degree and direction of the latent constructs, the correlation coefficients will be obtained by employing the Pearson test.

3.7.6 Test of Hypotheses

This study tested two sets of hypotheses i.e. (a) direct effects and (b) mediating effects. Baron and Kenny (1986) suggested the procedure to test the mediating effects that is also known as classical approach. In order to test the mediating effects, they suggested that four conditions must be met. First, the independent variable must have significant effect on dependent variable. Second, the independent variable must also have the significant effect on the mediator variable. Third, the mediator variable must the significant effect on dependent variable in the presence of the independent variable. Fourth, the effect of independent variable on dependent variable must be less than original relation (first condition) in the presence of mediator variable.

Traditionally, multiple regression procedure was used to test the mediating effects in SPSS. This procedure comprises of three regression models that were separately run. Later, this approach was criticized that piece meal approach is not an appropriate way to test the mediating effects as it ignores the causal chains (or paths). To address this concern, different procedures had been suggested such as Sobel test and SEM-based approaches. However, Preacher and Hayes (2008) developed process macro for SPSS that allows to test a number of complex relationships at once. They developed different models. The model 4 is specially developed to test the mediating effects. Their procedure also uses the latest techniques such as bootstrapped sample to test the direct and indirect effects arising out of the mediating effects hypotheses. Their technique also produces the significance level of indirect effects that make its more useful than any other method.

Therefore, the test of hypotheses was conducted in process marco for SPSS and model 4 will be chosen that facilitate to test the direct and indirect effects at once.

3.8 SUMMARY

This chapter detailed the research methodology that was employed to empirical test the study's hypotheses. This chapter main covered the philosophical underpinnings, research approach and strategy, choice of method, target population and sampling method, data collection method and process, measures of the study variables and brief introduction of the data analytic techniques to produce the results. The next chapter presents the findings of the study.

CHAPTER 4

FINDINGS

4.1 INTRODUCTION

This chapter presents the findings of the study. It comprises of eight sections. In the first section, data management techniques such as data entry and verification and handling of missing responses are discussed. In the second section, demographic profiles of the respondents are presented. In the third section, normality in data is tested. In the fourth section, results of confirmatory factor analysis are presented, and goodness of the measurement scales such validity and reliability are discussed. In the fifth section, the results of some diagnostic procedure to test the common method variance are explained. In the sixth section, correlation results are presented and in the final section, results of test of hypotheses are presented.

4.2 DATA MANAGEMENT

This section offers the preliminary analysis that were employed for data coding, data entry and verification and handling of missing responses are discussed.

4.2.1 Data Coding and Entry

Each retrieved filled questionnaire was checked manually to determine the appropriateness of the filled responses. First, by following the common rules of thumb suggested by Hair et al. (2010), if any filled questionnaire is answered 50% more than a single option that it should be discarded. Second, at least 90% of items in a filled questionnaire should be answered. The analysis of filled responses revealed that 314 filled questionnaires met both criteria and therefore, were considered valid responses for data entry. As the ratings on all measured variables were obtained on five point-Likert scale ranging from “strongly disagree” 1 to “strongly agree” 5, there coding scheme 1 for strongly disagree, 2 for disagree, 3 for uncertain, 4 for agree and 5 for strongly agree was defined and database in SPSS was created. Each valid response was entered in SPSS by following the above scheme. However, for demographics variables, the schemes were according to their categories such male and female for gender.

4.2.2 Data Entry Verification

After entry of all the responses into SPSS, data verification was carried out. Before entering each response in SPSS, a manual number row that appeared for each response was assigned to each filled questionnaire. The frequency tables were obtained for each column that revealed some errors in the data. By cross-checking with hard copy of the filled responses, the errors were rectified.

4.2.3 Handling of Missing Responses

As already discussed, that only those responses were considered valid that were answered more than 90% of the items. Thus, there were some missing responses in the database and those should be replaced otherwise, missing values reduce the sample and reduce the power of statistical test (Hair et al., 2010). There are various options in SPSS for replacing the missing values. We used the series mean as an imputation method to replace the missing values.

4.3 DEMOGRAPHIC PROFILE OF THE RESPONDENTS

This section offers the demographic profile of the respondents. The survey included the question regarding the respondents 'gender, education, experience and age. For the categorical variables such as gender and education, frequency tables were obtained. For the continuous variables such as experience and age, in addition to the frequency tables, descriptive statistics (mean and standard deviation) were also obtained.

Table 4.1
Sample Composition by Gender

Gender Category	Frequency	Percent
Male	244	77.7
Female	70	22.3
Total	314	100

The results presented in the above revealed that 244 were the male respondents and 70 were the female respondents.

Table 4.2
Sample Composition by Education

Educational Level	Frequency	Percent
B.A.	33	10.5
BS/Master	175	55.7
MS/M.Phil.	95	30.3
Professional Diploma	11	3.5
Total	314	100

The above table shows the educational attainment of the respondents. The frequency analysis revealed that 33 respondents were B.A degree holders, 175 respondents were BS/Master degree holders, 95 respondents were MS/M.Phil. degree holders and 11 respondents were holding professional diploma in banking.

Table 4.3
Experience of the Respondents

Experience Group (years)	Frequency	Percent
0 – 1	51	16.2
2-4	103	32.8
5-7	39	12.4
8-10	25	8.0
11-15	28	8.9
16 – 20	55	17.5
21-30	13	4.1
Total	314	100.0
Mean	7.90	
Standard deviation	7.10	

The results presented in the above Table 4.3 reveal the experience of the respondents. The analysis revealed that 51 respondents were having experience between 0-1 year, and 103 respondents were having experience between 2-4 years, 39 respondents were having experience between 5-7 years, 25 respondents were having experience between 8-10 years, 28 respondents were having experience between 11-15 years, 55 respondents were having experience

between 16-20 years and 13 respondents were having experience between 21-30 years. The descriptive statistics results showed that averaged mean of the respondents remained 7.90 years with 7.10 years standard deviation.

Table 4.4
Age of the Respondents

Age Group (years)	Frequency	Percent
20 -25	35	11.1
26 – 30	71	22.6
31 – 35	51	16.2
36 – 40	27	8.6
41 – 45	26	8.3
46 – 50	44	14.0
51 – 55	39	12.4
56 – 60	21	6.7
Total	314	100.0
Mean	38.215	
Standard deviation	11.162	

The results summarized in the above Table 4.4 are age groups of the sample. The results showed that 35 respondents' age fall between 20-25 years, 71 respondents' age fall between 26-30 years, 51 respondents' age fall between 31-35, 27 respondents' age fall between 36-40, 26 respondents' age fall between 41-45 years, 39 respondents' age fall between 51-55 years, and 21 respondents' age fall between 56-60 years. The descriptive statistics results showed that respondents' average age remained 38.215 years with 11.162 years standard deviation.

4.4 DATA NORMALITY

Testing the data distribution type is a prime assumption of any multivariate analysis. The choice of statistical tests for analysis mainly depends upon the type of data distribution (Field, 2010). This research mainly used the interval scale (Likert type) for measuring the main variable of the study. The interval scale is a category of quantitative scale and mainly produces the metric data that usually follow the normal distribution (Sekaran and Bougie, 2016). Therefore, it is essential to test the normality assumption to determine data

distribution type. There are two basic tests such as skewness and kurtosis for testing the normality in data. Skewness refers to the spreadness of the data. Kurtosis refers to peakedness of the data (Hair et al., 2010). The values of skewness and kurtosis should fall between -3 and +3 **to conclude that data follow** the normal distribution. The skewness and kurtosis values of the study's variables are reported in the following table. The values of skewness and kurtosis reported in the below Table 4.5 fall between the criteria of -3 and +3, and shows that data follow the normal distribution.

Table 4.5
Skewness and Kurtosis Values

Variables	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Meaning	314	.103	.138	.006	.274
Competence	314	.155	.138	-.313	.274
Self Determination	314	.004	.138	-.369	.274
Impact	314	-.003	.138	-.442	.274
Articulating a Vision	314	-.024	.138	-.412	.274
Fostering Acceptance of Group Goal	314	.198	.138	-.315	.274
Providing an Appropriate Model to Follow	314	.055	.138	-.204	.274
Intellectual Stimulation	314	.303	.138	.243	.274
Individualized Consideration	314	-.144	.138	-.480	.274
Service Innovation Behavior	314	-.247	.138	-.081	.274

4.5 FACTOR ANALYSIS

Factor analysis is statistical technique that is used to summarize larger data sets into small number of factors. It has two types; exploratory and confirmatory. Exploratory is used when a researcher develops a new scale and wants to explore the factor structure of the latent variables (Hair 2010). Exploratory is mainly known as a data-driven approach. Confirmatory factor analysis is used re-confirm the factor structure of the latent constructs' scales that are already developed. Confirmatory factor analysis is primarily known as a theory-driven approach (Hair et al., 2010). This study employed the developed

scale to measure the study’s variables, therefore, confirmatory factor analysis is the most suitable approach.

Before running the factor analysis (exploratory or confirmatory), three assumptions must be met satisfactorily. These are data normality, sampling adequacy and test of sphericity. The first assumption concerning the normality is already tested and met in the previous section. However, the remaining two assumptions will be tested here. The sampling adequacy refers to sample (no. of observations) that a researcher has obtained to run the factor analysis should be sufficient. Kaiser provided the criteria for testing the sampling adequacy and it is known as Kaiser-Meyer-Olkin (KMO) test. The value of KMO should be greater than 0.70 to conclude that a sample is sufficient to run the factor analysis (Hair et al., 2010). The sphericity tests that correlation matrix produced is different than the identity matrix (Field, 2010). The probability values associated with Bartlett’s test of sphericity should be less than 0.05 to conclude that the sphericity assumption is met. The results presented in the below table revealed that of KMO value is greater than 0.70 and the probability value associated with Bartlett’s test of sphericity is also less than 0.05 that indicate that both assumptions are successfully met and provided sufficient base to conduct the confirmatory factor analysis.

Table 4.6
Sampling Adequacy and Sphericity test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.804
Bartlett's Test of Sphericity	Approx. Chi-Square	7899.220
	Df	861
	Sig.	.000

4.5.1 Confirmatory Factor Analysis

Confirmatory factor analysis is theory-driven approach. It is mainly conducted to reconfirm the factor structure of the latent constructs that were already developed (Hair et al., 2010). The confirmatory factor analysis is employed through constructing a measurement model in SEM-based technique. It has twofold objectives. First, it provided the results concerning the factor structure of the latent constructs that are further used to assess the reliability and validity of the latent constructs. Second, it also generated indices that are used to assess the fitness of the overall model (Hu and Bentler, 1999).

A complete measurement model was constructed where all the indicators of the parent constructs were specified on their respective parent constructs and the results were obtained. The results reported in the below table are

standardized factor loading score of the indicators on their parent constructs. Some indicators such as fourth indicator of impact and fourth indicator of individualized consideration were less than 0.50. The indicator with suboptimal scores were deleted.

Table 4.7
Initial Measurement Model Results

Latent Constructs	Indicators	Loading
Meaning	Meaning1	0.834
	Meaning 2	0.887
	Meaning 3	0.844
	Meaning 4	0.837
Competence	Comp 1	0.814
	Comp 2	0.863
	Comp 3	0.848
	Comp 4	0.773
Self Determination	SD 1	0.85
	SD 2	0.905
	SD 3	0.865
	SD 4	0.799
Impact	Impact 1	0.837
	Impact 2	0.927
	Impact 3	0.805
	Impact 4	0.16
Service Innovation Behavior	SIB1	0.592
	SIB2	0.756
	SIB3	0.821
	SIB4	0.713
	SIB5	0.594
	SIB6	0.503
Articulating a Vision	AV1	0.822
	AV2	0.856
	AV3	0.833
	AV4	0.796
	AV5	0.737
Fostering the Acceptance of Group Goals	FAG1	0.832
	FAG2	0.925
	FAG3	0.716
	FAG4	0.573
Providing an Appropriate Model	PAM1	0.693
	PAM2	0.849
Intellectual Stimulation	IS1	0.783

Latent Constructs	Indicators	Loading
	IS2	0.745
	IS3	0.767
Individualized Consideration	IC1	0.847
	IC2	0.775
	IC3	0.529
	IC4	0.41

Shaded values are less than 0.50 and these items were deleted

After deleting the indicators with suboptimal loading, a revised measurement model was specified, and the results were obtained. The results of revised measurement model revealed that all the indicators showed loading scores greater than 0.50 (significant at $p < 0.01$) cut-off value suggested by Hair et al. (2010). These results were used to test the validity and reliability.

Table 4.8
Revised Measurement Model

Latent Constructs		Loading	AVE	CR	Cronbach Alpha (α)
Meaning	Meaning1	0.834			
	Meaning 2	0.887			
	Meaning 3	0.844	0.713	0.937	0.935
	Meaning 4	0.837			
Competence	Comp 1	0.814			
	Comp 2	0.863	0.681	0.985	0.889
	Comp 3	0.848			
	Comp 4	0.773			
Self-determination	SD 1	0.85			
	SD 2	0.905			
	SD 3	0.865	0.723	0.916	0.911
	SD 4	0.799			
Impact	Impact 1	0.835			
	Impact 2	0.931	0.736	0.893	0.887
	Impact 3	0.802			
Service Innovation Behavior	SIB1	0.592			
	SIB2	0.756			
	SIB3	0.821			
	SIB4	0.713	0.50	0.827	0.825
	SIB5	0.594			
	SIB6	0.503			
Articulating a Vision	AV1	0.822			
	AV2	0.856			
	AV3	0.833	0.656	0.905	0.904

Latent Constructs		Loading	AVE	CR	Cronbach Alpha (α)
	AV4	0.796			
	AV5	0.737			
Fostering the Acceptance of Group Goal	FAG1	0.832			
	FAG2	0.926			
	FAG3	0.716	0.597	0.852	0.851
	FAG4	0.573			
Providing an Appropriate Model	PAM1	0.696			
	PAM2	0.846	0.600	0.75	0.733
Intellectual Stimulation	IS1	0.784			
	IS2	0.745	0.585	0.809	0.808
	IS3	0.766			
Individualized Consideration	IC1	0.869			
	IC2	0.773	0.531	0.764	0.749
	IC3	0.503			

4.5.1.1 Fitness of the Model

Before testing the validity and reliability, the fitness of the model was tested by looking at the values of different indices produced by the AMOS. Fitness of the model refers to the extent to which data support the proposed model (Hair et al., 2010). There are different indices that are commonly used to assess the fitness of the model. By following the (Hu and Bentler, 1999) recommendations, a mixed-index presentation is used to assess the fitness of the model.

CMIN/DF refers to the minimum discrepancy per degree of freedom and is commonly known as normed chi-square (Kenny and McCoach, 2003). This is an alternate to chi-square (χ^2) a non-parametric test that had been traditionally used as measure of model fitness. But the chi-square (χ^2) is a sensitive to the sample size. With large sample and complex models, most of time, the probability values associated chi-square comes significant that actually shows the poor fitness of the model. The normed chi-square (CMIN/DF) is less sensitive to the sample size and a robust test to test the model fitness. The values of CMIN/DF less than 3 shows that a model has a good fit (Hair et al., 2010). The value reported in the below table reveals that CMIN/DF value for that model is 1.955 that indicates that a model has a good fit.

RMR stands for root mean residual and RMSEA stands for root mean square error of approximation. Both are known as badness of the fitness and belong to the absolute fit indices' family (Hair et al., 2010). Therefore, the

values of RMS and RMSEA should be lower than 0.09. The values of both indices are less than 0.90 that show that a model has a good fit.

CFI, TLI and IFI are incremental fit index family. CFI stands for comparative fit index, TLI stands for Tucker-Lewis index, IFI stands for incremental fit index. The values of three greater 0.90 show that a model has an excellent fit. The values reported in the below table reveal they are equal to or greater than 0.90 thereby evidencing the excellent model fitness.

Table 4.9
Fit Indices of Measurement Model

	CMIN/DF	RMR	RMSEA	CFI	TLI	IFI
Initial Measurement Model	1.90	0.054	0.055	0.902	0.891	0.903
Revised Measurement Model	1.955	0.049	0.055	0.909	0.898	0.910

4.5.1.2 Validity

In this section, different tests were carried out to test the validity. Validity refers “to the extent to which an instrument measure the same what it intends to measure” (Sekaran and Bougie, 2016). Validity has different types such as content validity, constructs validity and predictive validity. Content validity shows whether indicators represent the face of the construct for which those are developed. Usually, content validity is ensured by the subject experts (Sekaran and Bougie, 2016). This study employs the scales that are developed by the experts and therefore, the content validity is already ensured. Construct validity is also known as statistical validity. It has two types; convergent validity and discriminant validity. Convergent validity refers to the extent to which the indicators of a particular construct are inter-related (Hair et al., 2010). Discriminant validity refers to the extent that the scales of the two distinct constructs are meaningful distinct (Hair et al., 2010).

Convergent validity is tested by computing the average variance extracted (AVE) score. AVE score is computed upon the standardized factor loading scores of the indicators of a construct. First, Hair et al. (2010) suggested that the value of a factor loading should be greater than 0.50 and second, the AVE score should also be greater than 0.50. The factor loading scores of all indicators on their parent constructs reported in Table 4.8 are greater than 0.50. Similarly, the AVE scores reported in the Table 4.8 are also greater than 0.50. These results

support the convergent validity of the latent constructs. Discriminant validity is tested through Fornell and Larcker (1981) criteria. This suggests that values of square roots of AVE should be greater than paired correlation coefficient. This comparison is presented in Table 4.11, where diagonal values (square root of AVE scores) are greater than the below the diagonal values i.e. paired correlation coefficients. The results evidence the existence of discriminant validity.

4.5.1.3 Reliability

Reliability measures the consistency in two terms; consistency among items and consistency of scale over time (Sekaran and Bougie, 2016). There are two tests; Cronbach Alpha (α) and composite reliability that are used to test reliability. The former is calculated upon the inter-item correlation and later is calculated using the standardized factor loading score. Nunally and Benrstein (1994) suggested that the values of Cronbach Alpha (α) and composite reliability should be greater than 0.70. The results reported in the Table 4.8 show that values of Cronbach Alpha (α) and composite reliability are greater than 0.70 that shows that the scales used for the current study have good reliability.

4.6 DESCRIPTIVE STATISTICS OF THE STUDY'S VARIABLES

The factor analysis basically provides the criteria to retain or delete an indicator. The factor loading score is a such common criteria. The indicator that has less than 0.50 score is usually deleted/excluded. Thus, after applying the above criteria, the two indicators (one from the impact and one from individualized consideration) were excluded from the further analysis. Based on revised measurement model results, itemized scores for each variable were averaged to calculate the main variables scores. The descriptive statistics such as mean and standard deviation scores for study's main variables are reported in the following table.

Table 4.10
Descriptive Statistics

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Meaning	314	2.9650	.82781
Competence	314	2.9196	.89556
Self determination	314	3.0414	.91183
Impact	314	2.9177	.85486
Articulating a Vision	314	3.0484	.85330
Fostering the Acceptance of Group Goal	314	2.9252	.82902
Providing an Appropriate Model	314	3.0589	.91954
Intellectual Stimulation	314	2.9724	.77038
Individualized Consideration	314	3.0849	.85590
Service Innovation Behavior	314	3.2574	.76055

4.7 COMMON METHOD VARIANCE

Common method variance (CMV) refers to unique variance that is attributable to the measurement method (Podsakoff et al., 2003). CMV occurs when a researcher uses a cross-sectional design to obtain the ratings on study's variables. The rater applies develop a general rating rule and he/she the same applies to all measured variables. Though, this study adopted some pre-remedial strategies to avoid the possibility of CMV yet, the single source collected at one time may cause the CMV. In order to determine whether, CMV poses serious threat to the study's results, some diagnostics tests were applied. First, Harman single factor test applied through exploratory factor analysis. The results revealed that first factor accounted for 16% of the total variance that is significantly less than 50% (Podsakoff et al., 2003). This shows that CMV is not serious threat to the study's findings. Additionally, the correlation among the latent variables also remained from low to medium that further corroborate that CMV is not a significant threat to study's results.

4.8 CORRELATION

Correlation measures the degree and direction of association among variables. The value of correlation falls between -1 and +1 (Field, 2010). The magnitude of the value shows the degree of association (no, low, medium and high) and the sign of the values shows the direction of association (positive or negative). The correlation values are presented in the Table 4.11.

Table 4.11
Square root of AVE and Correlation

S#	Variables	1	2	3	4	5	6	7	8	9	10
1.	Meaning	(0.844)									
2.	Competence	0.19**	(0.828)								
3.	Self determination	0.151**	.298**	(0.856)							
4.	Impact	0.188**	.157**	.126*	(0.858)						
5.	Articulating a Vision	0.136*	0.108	.113*	.113*	(0.809)					
6.	Fostering the Acceptance of Group Goal	0.16**	.179**	.210**	.115*	.115*	(0.773)				
7.	Providing an Appropriate Model	0.202**	.125*	.123*	.164**	.198**	.147**	(0.775)			
8.	Intellectual Stimulation	0.205**	.208**	.134*	.149**	.196**	.267**	.302**	(0.765)		
9.	Individualized Consideration	0.19**	-0.003	0.006	0.064	0.086	.117*	.238**	.165**	(0.729)	
10.	Service Innovation Behavior	0.118*	.195**	.208**	.125*	0.20**	0.26**	.204**	.200**	0.18**	(0.707)

**p<0.01

*p<0.05

The values in the parenthesis are square root of AVE

1-meaning, 2-competence, 3-self-determination, 4-impact, 5-articulating a vision, 6-fostering the acceptance of group goal, 7-providing an appropriate model, 8-intellectual stimulation, 9-individualized consideration, 10-service innovation behavior

4.9 TEST OF HYPOTHESES

This section offers the results of test of hypotheses concerning the direct effects and mediating effects hypotheses. This study used PROCESS Macro for SPSS (Hayes and Preacher, 2014) to test the hypotheses. The model 4 allows to test the different paths (path a, path b and path c and path c') at once. This technique is a superior over traditional regression analysis that does not facilitate to test these paths at once rather a piece meal approach is used. For testing the mediating effects, Baron and Kenny (1986) conditions were followed and bootstrapped procedure with 5000 samples and 95% confidence interval was used. This technique also produces the lower-limit confidence interval (LLCI) and upper limit confidence interval (ULCI) that are used to determine the significance level of direct and indirect effects.

4.9.1 Direct Effects

4.9.1.1 Mediating Effects of Psychological Empowerment on Articulating a Vision and Service Innovation Behavior

The results presented in the Table 4.12 show the direct effects and in the Table 4.13 show the indirect effects concerning the mediating effects of psychological empowerment dimensions on articulating a vision and service innovation behavior.

The results from Table 4.12 show that articulating a vision significantly and positively affected the service innovation behavior ($\beta=0.20$, $p<0.01$). Three of the four dimensions of psychological empowerment such as meaning ($\beta=0.156$, $p<0.01$) and competence ($\beta=0.123$, $p<0.05$, self-determination ($\beta=0.14$, $p<0.01$) have significantly and positively affected the service innovation behavior. Though the fourth dimension (impact) positively affected the service innovation behavior but the effect remained non-significant. The non-significant effect revealed that in fourth case mediation is not possible.

Table 4.12
Direct Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Coefficient	2.240	0.2602	1.7286	2.7526
Articulating a Vision	0.200	0.0497	.1548	.2408
Meaning	0.156	.0499	.0156	.1808
Competence	0.1232	.0532	.0185	.2279
Self-determination	0.1368	.0489	.0405	.2330
Impact	0.0609	.0472	-.0319	.1537

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval.

Table 4.13
Indirect Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Total	0.0477	0.0197	0.0124	0.0893
Meaning	0.0113	0.0091	0.003	0.0326
Competence	0.129	0.0101	0.0028	0.0361
Self-determination	0.162	0.0114	0.001	0.0429
Impact	0.0074	0.007	-0.004	0.0240

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The indirect effect from articulating a vision to service innovation behavior via meaning ($\beta=0.011$), competence ($\beta=0.129$) and self-determination ($\beta=0.162$) are also found significant. In the presence of these mediating variables, the effect of articulating a vision on service innovation behavior also remained significant that reveals that in all these cases, partial mediating effects are found. However, the indirect effect of articulating a vision on service innovation behavior via impact remained nonsignificant. As already discussed, that mediation could not be found in this case.

4.9.1.2 Mediating Effects of Psychological Empowerment on Fostering Acceptance of Group Goal and Service Innovation Behavior

Table 4.14
Direct Effect

Paths	B	S.E.	95%	
			LLCI	ULCI
Coefficient	2.1722	0.257	1.6650	2.679
Fostering Acceptance of Group Goal	0.275	0.052	0.130	0.275
Meaning	0.077	0.05	0.0210	0.175
Competence	0.133	0.05	0.017	0.228
Self-determination	0.136	0.05	0.039	0.234
Impact	0.059	0.047	-0.034	0.152

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The results presented in the Table 4.14 are the direct effects of fostering the acceptance of group goal of transformational leadership facet and psychological empowerment dimensions on service innovation behavior. The results revealed that fostering the acceptance of group goal has significant and positive effect on service innovation behavior ($\beta=0.275$, $p<0.01$). Three dimensions of psychological empowerment also significantly and positively affected the service innovation behavior; meaning ($\beta=0.077$, $p<0.05$), competence ($\beta=0.133$, $p<0.05$) and self-determination ($\beta=0.136$, $p<0.05$). However, the effect of fourth dimension such as impact remained nonsignificant ($\beta=0.06$, ns.). Except for fourth dimension (impact), in all three cases, mediating effects would be significant.

Table 4.15
Indirect Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Total	0.065	0.022	0.026	0.113
Meaning	0.040	0.006	0.005	0.071
Competence	0.0219	0.014	0.000	0.054
Self-determination	0.031	0.012	0.001	0.065
Impact	0.007	0.007	-0.005	0.022

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

This Table 4.15 shows the indirect effect of fostering the acceptance of group goal on service innovation behavior via meaning ($\beta=0.04$), competence ($\beta=0.0219$) and self-determination ($\beta=0.031$) are found significant. Further, the effects of fostering the acceptance of group goal in the presence of psychological empowerment dimensions also remained significant that shows that partial mediation is found in all three cases. However, the indirect effect of fostering the acceptance of group goal on service innovation behavior via impact remained nonsignificant ($\beta=0.007$, ns.).

4.9.1.3 Mediating Effects of Psychological Empowerment on Providing an Appropriate Model to follow and Service Innovation Behavior

Table 4.16
Direct Effect

Paths	B	S.E.	95%	
			LLCI	ULCI
Coefficient	1.9074	0.25	0.000	2.398
Providing an appropriate model	0.123	0.05	0.049	0.151
Meaning	0.153	0.05	0.006	0.214
Competence	0.110	0.05	0.006	0.218
Self-determination	0.122	0.05	0.027	0.218
Impact	0.043	0.05	-0.050	0.135

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The results presented in the Table 4.16 show the direct effects of providing an appropriate model of transformational leadership dimension and psychological empowerment dimensions on service innovation behavior. The results show that providing an appropriate to model has significant and positive effect on service innovation behavior ($\beta=0.123$, $p<0.05$). Three dimensions of psychological empowerment such as meaning ($\beta=0.153$, $p<0.01$), competence ($\beta=0.110$, $p<0.05$) and self-determination ($\beta=0.122$, $p<0.05$) significantly and positively affected the service innovation behavior. However, the fourth dimension (impact) has positive but nonsignificant effect ($\beta=0.04$, ns.) on service innovation behavior.

Table 4.17
Indirect Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Total	0.0441	0.018	0.010	0.0809
Meaning	0.0100	0.011	0.005	0.033
Competence	0.012	0.009	0.000	0.033
Self-determination	0.015	0.009	0.001	0.039
Impact	0.007	0.008	-0.008	0.024

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The results shown in the Table 4.17 are indirect effects from providing an appropriate model to follow on service innovation behavior via meaning ($\beta=0.010$), competence ($\beta=0.012$) and self-determination ($\beta=0.015$) are found significant. Additionally, in the presence of psychological dimensions, the effect of providing an appropriate model to follow on service innovation behavior also remained significant that shows that partial mediating effects are found in all these cases. However, the indirect effect of providing an appropriate model on service innovation behavior via impact ($\beta=0.007$) remains nonsignificant showing the absence of mediating effect in this case.

4.9.1.4 Mediating Effects of Psychological Empowerment on Intellectual Stimulation and Service Innovation Behavior

Table 4.18
Direct Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Coefficient	1.892	0.25	1.392	2.394
Intellectual Stimulation	0.135	0.06	0.0240	0.245
Meaning	0.156	0.05	0.0430	0.234
Competence	0.10	0.05	0.001	0.201
Self-determination	0.125	0.05	0.0291	0.220
Impact	0.047	0.05	-0.045	0.140

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The results presented in the Table 4.19 are direct effects of intellectual stimulation of transformational leadership dimension and psychological empowerment dimensions on service innovation behavior. The results revealed that providing an appropriate model to follow has significant and positive effect on service innovation behavior ($\beta=0.135$, $p<0.05$). Similarly, three dimensions of psychological empowerment such as meaning ($\beta=0.156$, $p<0.01$), competence ($\beta=0.10$, $p<0.05$) and self-determination ($\beta=0.125$, $p<0.01$) significantly and positively affected the service innovation behavior. However, the effect of fourth dimension of psychological empowerment such as impact ($\beta=0.05$, ns.) remains nonsignificant. Except for this, significant mediating effects are expected in the three cases.

Table 4.19
Indirect Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Total	0.063	0.021	0.022	0.106
Meaning	0.013	0.013	0.0110	0.040
Competence	0.022	0.015	0.058	0.055
Self-determination	0.019	0.011	0.001	0.045
Impact	0.008	0.008	0.008	0.029

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The results in the Table 4.20 show the indirect effect of intellectual stimulation on service innovation behavior via meaning ($\beta=0.013$), competence ($\beta=0.022$) and self-determination ($\beta=0.019$) are found significant. However, the indirect effect via impact remains nonsignificant ($\beta=0.008$). Further, in the presence of psychological dimensions, intellectual stimulation has significant effect on service innovation behavior that shows that partial mediating effects are found.

4.9.1.5 Mediating Effects of Psychological Empowerment on Individualized Consideration and Service Innovation Behavior

Table 4.20
Direct Effect

Paths	B	S.E.	95%	
			LLCI	ULCI
Coefficient	1.934	0.27	1.392	2.475
Individualized Consideration	0.1660	0.05	0.029	0.162
Meaning	0.073	0.05	0.025	0.171
Competence	0.121	0.05	0.016	0.225
Self-determination	0.132	0.05	0.037	0.228
Impact	0.054	0.05	-0.039	0.146

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The above Table 4.21 show the results of direct effects of individualized consideration of transformational leadership and psychological empowerment dimensions on service innovation behavior. The results show that individualized consideration has significant and positive effect on service innovation behavior ($\beta=0.166$, $p<0.01$). Three dimensions of psychological empowerment such as meaning ($\beta=0.073$, $p<0.05$), competence ($\beta=0.121$, $p<0.05$) and self-determination ($\beta=0.132$, $p<0.05$) have significant and positive effects on service innovation behavior. However, the fourth dimension of psychological empowerment (impact) has positive but nonsignificant effect on service innovation behavior.

Table 4.21
Indirect Effects

Paths	B	S.E.	95%	
			LLCI	ULCI
Total	0.009	0.017	0.025	0.0424
Meaning	0.041	0.06	0.005	0.018
Competence	0.003	0.01	0.018	0.016
Self-determination	0.011	0.01	0.018	0.022
Impact	0.004	0.01	-0.004	0.018

Notes: β is standardized beta, S.E. stands for standard error, LLCI stands for lower-limit confidence interval and ULCI stands for upper-limit confidence interval

The above Table 4.22 show the indirect effect of individualized consideration on service innovation behavior via meaning ($\beta=0.04$) and self-determination ($\beta=0.011$) are found significant. However, the indirect effect via competence ($\beta=0.003$) and impact ($\beta=0.004$) are found nonsignificant. Further, in the presence of psychological empowerment dimensions, the effect of individualized consideration on service innovation behavior remains significant that shows that partial mediating effects are found.

CHAPTER 5

DISCUSSION AND CONCLUSION

The outcomes of the study's findings in terms of theoretical contributions and practical implications are presented in this chapter. This chapter also offers the limitations and future research avenues.

5.1 THEORETICAL CONTRIBUTIONS

This study has mainly determined the direct and indirect effects of transformational leadership facets on service innovation behavior via psychological empowerment dimensions. In doing, first, the hypotheses concerning the direct effects of transformational leadership facets on service innovation behavior were formulated and tested. Second, the hypotheses regarding the direct effects of transformational leadership facets on psychological empowerment dimensions were tested. Third, the direct effects of psychological empowerment dimensions on service innovation behavior were tested. Fourth, the mediating effects of psychological dimensions on transformational leadership facets and service innovation behavior were tested.

The results regarding the first set of hypotheses showed that transformational leadership facets were significantly and positively related with service innovation behavior. The results supported the theoretical assertions (Bass, 1985; Podsakoff et al., 1996) and are consistent with findings of earlier studies (Afsar et al., 2014, 2016; Amwanwkaa et al., 2020). The results imply that transformational leadership encompasses the psychological mechanisms that encourage risk taking and innovative behaviors at workplace. The results further support **that transformational leader** challenge the status quo and encourage followers to search for new ways of undertaking work activities. Additionally, the results also supported that transformational leadership does not let the confidence of their follower down in any circumstances but instills hope and optimism in their followers. In particular, the data were collected during COVID-19 and the results showed that despite the crisis, transformational leaders' followers were searching for innovative ways to perform their job duties.

The results concerning the second set of hypotheses showed that transformational leadership facets have significantly and positively affected

three of the four psychological empowerment dimensions such as meaning, competence, and self-determination. However, they did not produce significant effects on impact of psychological empowerment. The significant and positive effects support the notion that transformational leader involves such psychological mechanisms that promotes the feelings of being empowered among followers. In other words, the followers led by the transformational leader feel empowered that invigorates responsibility on followers' part. Such feelings of psychological empowerment encourage participative decision making and creative thinking among followers who take full responsibility of their tasks. On the other hand, the nonsignificant effects of transformational leadership facets on "impact" of psychological empowerment are complex to explain. One possibility of this nonsignificant effect could be attributed to the study's sample who were officers' cadre employees working at branch level who are bound to follow the standard operating procedures in discharge of their duties. That could be one of the reasons that they did not perceive that they could create impact.

The results regarding the direct effects of psychological empowerment dimensions on service innovation behavior showed that three of the four dimensions such as meaning, competence, and self-determination showed significant and positive effects on service innovation behavior. The results are in line with theoretical notions and empirical findings of the earlier studies. The results imply the feelings of empowered lead employees to take responsibility of their areas and search for new ways to discharge their duties that could result in improved performance. However, "impact", the fourth dimension of psychological empowerment failed to produce significant effect on service innovation behavior.

As for the mediating effects hypotheses, the results showed that three of four dimensions of psychological empowerment such as meaning, competence and self-determination have significantly and partially mediated on transformational leadership facets and service innovation behavior. In general, leadership had been defined as complex phenomenon that involves underlying mechanisms which influence the followers' psychological states that in turn lead followers to demonstrate certain behavior. The results deepen the understanding of the underlying mechanisms through which transformational leadership influences the behaviors of the followers at workplace. The results are in line with theoretical connotations and empirical findings of earlier studies. These results imply that transformational leader promotes the feelings of empowerment among followers that persuade followers to understand and take responsibility of their areas. Each facet of transformational leadership encompasses the unique psychological mechanisms that develop positive psychological states among followers and that ultimately results in desirable

work behaviors. Transformational leader presents compelling and convincing vision that entails meaning for the individuals and system as whole. Therefore, followers align their tasks and job activities with their leader's vision in finding meaning in their tasks, evaluate their competency and efficacy required to perform the tasks and consequently, support him in accomplishment of his vision. One of the main objectives of transformational leader is promote creativity and innovation at workplace. Followers led by transformational leader when perceives feeling of empowered, they become ready to search for creative ways of serving the customers.

Contrary to the expectations, the "impact" fourth dimension of psychological empowerment was not significantly influenced by transformational leadership facets neither it produced significant effects on outcome variable under study. This situation requires the concentrated effort to clarify this relationship perhaps laboratory study could be better help to understand, predict and explain this relationship. Additionally, the partial mediating effects showed besides the proposed mechanisms there are other possibilities as well that lead to service innovation behavior.

5.2 PRACTICAL IMPLICATIONS

This study has some significant implication for practice. First, as the study's results shown that transformational leadership facets were significantly and positively related to employees' service innovation behavior. The results suggest that banks should assess the transformational leadership capabilities of the banking managers and should arrange leadership development programs for their managers to improve their transformational leadership capabilities.

Second, the banking authorities should encourage their manager to practice transformational leadership at workplace. They should introduce such mechanism that provide opportunities for the managers to show their transformational leadership potential. They should also incentivize those managers who practice transformational leadership at workplace.

Third, as the results have shown that psychological empowerment had significantly and positively affected the service innovation behavior. The results suggest that banking authorities should provide autonomy to their workers in discharge of their duties that will also induce the feelings of responsibility among them. When employees will be given autonomy of their areas that also promote the feelings of being accountable for their areas, such situation will result in improved employees' performance at workplace.

Fourth, in challenging and turmoil situation, service innovation can be among the options to retain the existing customers and attract the new ones. Therefore, training programs should be arranged for employees to sharpen their creativity and employees should be encouraged to incorporate creativity in discharge of their duties. Considering the central theme of transformational leadership, while practicing and testing the creative process at workplace, mistakes should be tolerated and if employees were having good intentions to boost their confidence.

5.3 LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Like other studies, this study is not without limitations. Therefore, the findings of the study should be interpreted and generalized with cautions. First, the context of the study was limited to the banking sector. Data were collected in a challenging period of COVID-19 that represent the scenario that is different from normal walk of life.

Second, the data were collected using cross sectional research design. This design has its own limitations and one such is the possibility of common method bias. Though, some procedural remedies were applied at the time of data collection and post diagnostic test showed that common method effects were nonsignificant. Yet, the data collected at one point of time has limitation to establish the cause-and-effect.

Third, this study did not include any moderating variable. As due to COVID-19, respondents were reluctant for meeting and filling the surveys. Thus, to keep survey short and complete study in a timely manner, main variables of interest such as transformational leadership, psychological empowerment and service innovation behavior were included in study's design. It is suggested that relevant moderating variables should be identified and included in the study's design.

Fourth, this study included psychological empowerment as an underlying mechanism of transformational leadership facets and service innovation behavior. It suggested that therefore, other psychological states too those crucial to obtain desirable outcomes, therefore, concentrated efforts should be put to identify those and include in study' design.

5.4 CONCLUSION

Despite the limitations, this study makes important contributions to theory and practice. Mainly this study determined the direct and indirect effects of transformational leadership facets on service innovation behavior via psychological empowerment dimensions. In general, results supported the hypothesized relationships and showed that transformational leadership develops the positive psychological states among followers that lead to desirable behaviors at workplace. In conclusion, it is suggested to develop transformational leadership capabilities of banking manager for getting better results and some creativity related training programs should also be designed for employees.

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