

**TRANSFORMATIONAL LEADERSHIP MEDIATES THE RELATIONSHIP
BETWEEN PSYCHOLOGICAL CAPITAL AND EMPLOYEE
ENGAGEMENT OF STATE BANKS IN THE BATTICALOA DISTRICT**

By



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ABSTRACT

The concept of employee engagement can be explained using the Job demand resource model (JD-R model). However, the JD-R model does not explain the process behind the individuals' response to those job resources provided by organizations and then fostered to create the personal resources with various levels of employee engagement. So, employees' response towards job resources based on Social Exchange Theory (SET) may also decide the level of employees' engagement towards their job in the workplace. This study aims to address this lacuna by explaining how and under which conditions the psychological capital will enhance employee engagement through their response to those resources guided by norms of reciprocity in SET. Accordingly, the research paper postulates the mediating role of transformational leadership in the association between psychological capital and employee engagement. This study was quantitative in nature; therefore, the data for this study was collected through the use of previously structured questionnaires that had obtained good Cronbach's alpha values thus confirming their reliability. Survey results were collected from a sample of 151 state bank employees who were selecting random sampling technique. The statistical package of the SPSS (version. 22.0) used to test the conceptual model and to arrive at these findings. The results also show the positive significant relationship between psychological capital and employee engagement. The findings also revealed that there is strong positive correlation among the variables of psychological capital, transformational leadership and the employee engagement and also employee engagement partial mediates the relationship between psychological capital and employee engagement.

Key words: *Psychological Capital, Transformational Leadership, Employee Engagement*

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