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THE ROLE OF PSYCHOLOGICAL CAPITAL IN FOSTERING EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY AMONG BANK EMPLOYEES

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ABSTRACT

The current competitive and technological driven environment is challenging to a greater extent for the organizations irrespective of sectors and it becomes imperative to enhance the level of engagement of employees at work as it contributes to better organizational performance. Research evidence shows that the employees who are engaged, not only exhibit better productivity but also improved retention with more customer-focused that subsequently contributes positively to innovation and improved performance. Recently, Psychological Capital (PsyCap) is viewed as key drivers for employee engagement. Employees with higher psychological capacities are found to have better engagement and exhibits significant positive influence on workplace outcomes and performance level. Since the banking sector is considered to be the backbone of the economy, employees with banking knowledge and competencies alone are no more sufficient to gain a competitive advantage and providing a environment of developing psychological resources is crucial for increased engagement and performance. Thus, a thorough understanding of the associations between PsyCap and employee engagement among bank employees is needed as the recent technological developments and modern trends in the banking sector necessitate the banks to foster employee engagement which is of top priority to gain competitive advantage.

KEYWORDS: Psychological Capital, Hope, Efficacy, Resilience, Optimism, Employee Engagement.



INTRODUCTION

PsyCap in human resources is considered to be an important element in an organizational work environment and this very term has now emerged to impact organizational goals as well as performance of employees. Growing literature evidence in the field of psychology and management demonstrates that optimal levels of psychological capital tend to engage employees which influence positive outcomes for employees and organizations. PsyCap has been empirically integrated with several desirable employee outcomes including improved performance in the workplace (Luthans et al. 2005, 2007), lower employee absenteeism (Avey et al. 2006), higher job satisfaction (Luthans et al. 2007), organizational commitment (Luthans and Jensen 2005) and psychological wellbeing. “PsyCap is defined as an individual’s positive psychological state of development and is characterized by (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering towards goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when faced by problems and adversity, sustaining and bouncing back and even beyond (resiliency) to attain success (Luthans, Avolio et al., 2007)”. Work Engagement refers to a positive, fulfilling, state of mind of an employee at work characterized by vigor, dedication, and absorption (Schaufeli et al., 2002b). “*vigor* refers to high levels of energy and mental resilience at work, the willingness to put effort in working, and persistence even when facing challenges; *dedication* refers to an individual’s strong commitment in work and experiencing a sense of importance, enthusiasm, inspiration, pride, and challenge; and *absorption* refers to being highly focused and happily engrossed in what one is performing, where one feels that the time passes quickly and finds it tedious to move away him/herself from working (Schaufeli, 2017)”. Employee engagement has gained attention and critical importance in recent years with the advent of technological driven environment. In order to gain competitive advantage organizations, rely on the workforce with top talent and skill. On the other hand, engaging employees to apply their fullest potential and capabilities becomes a challenging task for the organizations to achieve the desired performance. Organizations require employees who are energetic and dedicated and engaged with their work. Work engagement is often viewed as the opposite of job burnout, with engaged employees showcasing high levels of energy and a strong sense of enthusiasm and involvement in their work (Bakker, Schaufeli, Leiter, & Taris, 2008). Engaged employees demonstrate high energy and effectively involve with their task and tend to perceive themselves as capable individuals to meet successfully with the requirements of their jobs. Engaged employees thus tend to work hard with dedication and feel happily engaged in their work. Literature reveals that the employee engagement is being challenged to a greater extent in the present-day organizations where employees need to build their capacities and enhance their resources to better face the challenges of work engagement and performance achievement. Workforce with strong psychological capacities provide opportunity for innovation, creativity, and problem-solving and improves employee engagement and morale, as



employees value the workplace with a sense of belonging and can better contribute to the organizational outcome.

REVIEW OF LITERATURE

The concept of Psychological Capital (PsyCap) has gained increasing attention in the field of organizational psychology as a crucial positive psychological resource impacting employee attitudes and performance. PsyCap emerged from positive organizational behavior, constitutes four major elements namely self-efficacy, hope, optimism, and resilience, which collectively refers to an individual's positive psychological state of development (Luthans et al., 2007). Earlier literatures have consistently demonstrated that employees with higher levels of PsyCap tend to have superior job performance, increased job satisfaction, greater organizational commitment, and reduced absenteeism and stress (Luthans et al., 2005; Avey et al., 2011; Youssef-Morgan & Luthans, 2014). In the ever-changing competitive work environments, PsyCap acts as a key intangible resource that strengthen employees to better cope with difficulties, remain motivated, and sustain long term performance in the organization. On the other hand, employee engagement has emerged as a vital factor of enhancing organizational effectiveness and it is referred as a positive and fulfilling work-related state characterized by vigor, dedication, and absorption (Schaufeli et al., 2002b). Engaged employees are found to be highly energized with emotionally connected to their work, and demonstrate more involvement in their work performance, which leads to enhanced productivity, creativity, and customer satisfaction (Bakker et al., 2008). According to Job Demands–Resources (JD-R) model, personal capacities including PsyCap significantly boost work engagement by supporting employees manage job requirements and leverage available resources effectively (Bakker & Demerouti, 2007). Literatures across sectors evident that PsyCap predicts work engagement and acts as a buffer against burnout and job stress (Wardani & Anwar, 2019; George et al., 2021). Further, empirical studies in particular, within the banking sector depicts the strong association between PsyCap and employee engagement. Banking employees are working in high-pressure environments that are characterized by technological disruptions, customer demands, and performance targets, making psychological resources more significant and crucial. Recent studies conducted among bank employees especially in India and other developing countries exhibit that higher level of PsyCap significantly enhances work engagement, performance, and wellbeing, while simultaneously mitigate employee stress, burnout and turnover (Kirmani & Jahan, 2016; Rathnayake & Chen, 2018; Kalmudojati, 2021). Moreover, PsyCap is found to have a direct as well as an indirect influence on employee engagement through mediating variables such as emotional intelligence, quality of work life, and workplace wellbeing (Zhong et al., 2016; Wardani & Anwar, 2019). Despite the growing body of literature, empirical studies investigating the role of PsyCap and employee engagement across public and private sector banks remain limited, especially in the Indian context. Current studies predominantly focus on single organizational settings or specific mediating variables, leaving scope for further investigation



into demographic differences and sectoral variations. Therefore, the present study aims to bridge this gap by empirically analysing the relationship between Psychological Capital and employee engagement among public and private sector bank employees, contributing to both theory and practice by highlighting the role of positive psychological resources in fostering an engaged and resilient banking workforce.

RESEARCH OBJECTIVES

- To assess psychological capital and employee engagement among bank employees.
- To identify the factors influencing psychological capital and employee engagement among bank employees.
- To investigate the relationship between psychological capital and employee engagement.

Hypotheses

H₁: There is a significant positive relationship between psychological capital and employee engagement of bank employees.

H₂: There is a significant difference in the perceptions of psychological capital and employee engagement between male and female bank employees.

RESEARCH METHODOLOGY:

The study is descriptive research design and employs a survey-based approach. The data was collected among employees working in public and private sector banks located in Madurai, Tamil Nadu, India, using convenience sampling. A total of 200 respondents from different public and private sector banks constituted the final sample. Data were gathered from both primary and secondary sources. Primary data were collected through a structured questionnaire that captured respondents' demographic details along with items related to psychological capital and employee engagement. Secondary data was collected from journals, books, and relevant websites. The measurement instruments for diversity and work engagement were adapted from well-established and previously validated scales reported in earlier studies.

- Psychological Capital, PCQ-24 is a 24-item scale of four constructs: hope, efficacy, resilience, and optimism measured using a 6-point Likert scale of agreement with response options ranging from 1 = strongly disagree to 6 = strongly agree
- *Work Engagement* scale using the UWES (Utrecht Work Engagement Scale) is a 9-item scale of 3 aspects namely Vigor, Dedication and Absorption measured using 6 scores ranging from a score of 1 (Almost Never) to a score of 6 (Always).

DATA ANALYSIS AND RESULTS

Table 1: Reliability Analysis Results

S.No	Construct	Items	Cronbach's Alpha
1	Self -Efficacy	6	0.854
2	Hope	6	0.767
3	Resilience	6	0.735
4	Optimism	6	0.852
5	Psychological Capital	24	0.779
6	Vigor	3	0.734
7	Dedication	3	0.823
8	Absorption	3	0.712
9	Employee Engagement	9	0.865

The validation of internal consistency of the collected data was calculated using Cronbach's alpha coefficients (Table 1). A Cronbach's alpha value of more than 0.70 was considered reliable and the Psychological Capital with its four constructs namely self-efficacy, hope, resilience and optimism was found to be reliable with the Cronbach alpha coefficient 0.779. The Cronbach alpha coefficient for the subdimensions were; self-efficacy (0.854), hope (.767), resilience (0.735) and optimism (0.852). similarly, the Cronbach alpha coefficient for Employee Engagement with its three constructs namely vigor, dedication and absorption were 0.865. The Cronbach alpha coefficient for the subdimensions were; vigor (0.734), dedication (.823) and absorption (0.712).

Table 2: Demographic profile of the respondents (N = 200)

Factors	Classification	Frequency	Percentage (%)
Gender	Male	54	27
	Female	146	73
Age	Less than 30	58	29
	30 – 45	106	53
	46 – 60	36	18
Marital Status	Married	94	47
	Unmarried	106	53
Category of Job	Clerk	62	31

	Probationary officer	86	43
	Manager	52	26
Nature of Job	Permanent	144	72
	Probation	28	14
	Temporary	28	14
Monthly Income	< 30000	54	27
	30000 – 50000	98	49
	51000 – 70000	36	18
	Above 70000	10	5
Years of Experience	Less than 5	92	46
	5 – 10	82	41
	11 – 15	18	9
	More than 15	8	4

Source: Primary Data

The above Table 2, presents the summary of the demographic profile of the respondents including age, educational qualification, marital status, nature of job, income and years of working experience of public and private sector bank employees. The number of respondents for the research was 200, consisting of 73% female and 27% male. About 47% of the respondents were married and 53% were single respondents. As presented in the table, the majority of the respondents of 43% fall between the age group of 31-45 years and 29% were less than 30 years of age and 18% were in the age group of 46 – 60 years. Majority of the respondents were working as probationary officers (43%) followed by clerks (31%) and managers (26%). It is found that the majority of the respondents of 72% were working as permanent employees, 14% were working under probation and 14% of the respondents were found to be temporary appointments. Among the respondents, 49% were earning monthly income between Rs.30000 and Rs.50000, 27% were earning less than Rs.30000 as monthly income, 18% were earning between Rs.51000 and Rs.70000 and only 5% were earning more than Rs.70000 as monthly income. The majority of the respondents have 5 – 10 years of working experience (46 %), less than 5 years (41%), 11 – 15 years (9%), and more than 16 years (4%).

Table 3: Pearson Correlation between Psychological Capital and Employee Engagement

Study Variable	Mean	Std. Deviation	SE	HO	RE	OP	PC	VI	DE	AB	EE
SE	19.795	5.5522	1								
HO	20.680	5.2676	.892**	1							
RE	12.137	2.6681	.834**	.877**	1						
OP	12.371	2.7635	.829**	.874**	.888**	1					
PC	20.097	4.9789	.855**	.875**	.846**	.912**	1				
VI	21.634	4.0871	.816**	.836**	.759**	.822**	.835**	1			
DE	18.263	4.2195	.675**	.712**	.589**	.596**	.600**	.821**	1		
AB	65.097	15.2732	.954**	.970**	.931**	.928**	.915**	.856**	.693**	1	
EE	59.994	12.1161	.862**	.890**	.809**	.859**	.902**	.966**	.871**	.906**	1

**Correlation is significant at 0.01 level

(Note: SE = Self - Efficacy, HO= Hope, RE= Resilience, OP=Optimism, PC= Psychological Capital, VI= Vigor, DE=Dedication, AB=Absorption, EE=Employee Engagement)

The above correlation analysis (Table 3) denotes that there is a significant positive association between psychological capital and employee engagement of bank employees. The mean values show that all the scales were scored high by the participants. The correlations among PsyCap and employee engagement were found to be positive and significant at $p < 0.01$ level. The Pearson correlation coefficient was found to be 0.902 at a 99% confidence interval. The further in-depth analysis between the components of psychcap and employee engagement shows higher scores that indicates a strong positive correlation between psychcap and employee engagement at work as shown in Table 3. The results exhibit that individuals with higher psychological resources feel valued and motivated that subsequently results in greater engagement at work.

Table 4: Model Summary, ANOVA, Coefficient values of Psychological Capital and its influence on Employee Engagement

	Model						
	Summary		ANOVA		Coefficient		
	R	R ²	F	Sig	B	T	Sig
PsyCap	0.806	0.721	628.858	0.000	0.806	25.128	0.000

1. Dependent Variable: Employee Engagement

2. Independent Variable: Psychological Capital

The above Regression analysis (Table 4) indicates the positive significant influence of psychological capital on employee engagement at work and commitment of employees. PsyCap predicts the R² value as 0.721 which indicates that 72% of the variance in employee engagement of bank employees at a p-value of 0.000. Therefore, it is understood from the analysis that the relationship between psycap and employee engagement is positively significant and therefore, the hypothesis H₁, that “There is a significant positive relationship between psychological capital and employee engagement,” is accepted at the 0.01 level.

Table 5: t-Test Analysis between Psychological Capital, Employee Engagement and Gender

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2 tail ed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Psychological Capital	Equal variances assumed	3.441	.065	-1.409	198	.161	-3.6362	2.5805	-8.7294	1.4571
	Equal variances not assumed			-1.370	80.277	.175	-3.6362	2.6542	-8.9180	1.6457
Employee Engagement	Equal variances assumed	2.621	.072	-1.243	198	.216	-2.5471	2.0496	-6.5926	1.4985
	Equal variances not assumed			-1.197	78.884	.235	-2.5471	2.1284	-6.7836	1.6895

An independent samples t-test (Table 6) is conducted and the results showed that the perceived diversity ($t=-1.409, p=.065$) of male ($M = 62.458, SD = 15.922$) and female bank employees ($M = 66.094, SD = 14.936$) has shown no significant difference with the employee engagement



($t=1.781, p=.002$) of male ($M = 58.146, SD = 12.834$) and female bank employees ($M = 60.693, SD = 11.810$). From the analysis, it is revealed that there is no significant difference between the means of male and female employees and their levels of pscap and employee engagement. Therefore, hypothesis H₂, that “There is a significant difference in the perceptions of psychological capital and employee engagement between male and female bank employees” is rejected and psychological capital tends to influence both male and female employees in similar manner towards work performance and commitment fostering higher level of employee engagement.

IMPLICATIONS

The present analysis results depict that enhancing psychological capacities among workforce directly contributes to employee engagement and organisational performance. The findings show the significance of psychological capacities in terms of globalisation, and it is imperative for organizations to concentrate and prioritize developing psychological resources in the work place for sustaining as well as enhancing the organizational performance. Employees with high psychological capital tend to be highly engaged and are more likely to approach tasks with confidence, persistence, and a positive mindset, leading to improved job performance and greater contribution to organizational success. To attract talent with positive psychological capital, organizations may emphasize their positive workplace culture, opportunities for growth and development, work-life balance, and supportive leadership through intervention programs such as trainings and workshops. Furthermore, organizations strive to create an conducive work environment that contributes to the enhancement of positive psychological capital that includes providing resources and support for employees' personal growth, recognizing and valuing their contributions and fostering positive relationships, and encouraging a sense of purpose and meaning in their work. On the other hand, it is suggested that organizations need to enhance the employees' engagement levels as well through training and HRD interventions so as to motivate employees work voluntarily for the organizations than for reward motives.

The human resource interventions could be designed with the focus of enhancing employees' job attitudes and performance behaviours. Training to employers and supervisors on positive affect and the significance of psychological capacities and employee engagement would help organizations improve their performance.

CONCLUSION

Psychological Capital is emerging as a popular means to enhance employee engagement and job performance. Global work scenario has made psychological resources as part and parcel of effective job performance and it is observed that organizations that cultivate a positive work environment, support work engagement initiatives, and promote the development of psychological capital are likely



to experience improved individual and organizational outcomes. Both Psychological capital and employee engagement are interconnected concepts contribute to building a resilient, motivated, and high-performing workforce. Another interesting fact about work engagement is that it enhances happiness and work enjoyableness among the employees which results in their mental wellbeing as well. Therefore, this study provides the preliminary evidence that PsyCap is identified as a positive resource that influence employee engagement to a greater extent. Further exploration of the relationship between psychological capacities and employee engagement in various other sectors will enable better understanding of their association towards the achievement of organizational goals and performance.

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