Predicting Employee Engagement: The Synergistic Influence Of Psychological Capital And Perceived Social Support

Mr. Mehul D. Mehta – Research Scholar, Gujarat Technological University, Ahmedabad.

Assistant Professor, School of Liberal Arts & Management Studies, P P Savani University, Kosamba.

Dr. Chetan J. Lad - Director, Naranlala School of Industrial Management & Computer Science, Navsari.

ABSTRACT

The current study examines the combined effects of Psychological Capital (PsyCap) and perceived social support on employee engagement in the banking sector in South Gujarat, India. Using the Job Demands-Resources (JD-R) model and Conservation of Resources (COR) theory, this research examines how employees' internal psychological resources (via PsyCap) and external social supports interact to build a committed and engaged workforce. Using a cross-sectional quantitative study design, data were collected through a structured questionnaire from 537 employees working for a mix of public, private, cooperative, and small finance banks. To test the proposed conceptual model, the researcher employed Partial Least Squares Structural Equation Modeling (PLS-SEM), using covariance-based SEM and Confirmatory Factor Analysis (CFA) to assess measurement model issues. All hypothesized relationships were supported empirically; PsyCap had a strong positive direct effect on engagement (β = .327, p < .001). Perceived social support (PSS) partially mediated the relationship between PsyCap and employee engagement, indicating that psychological strength has a greater effect on engagement when there is a corresponding source of social support to draw upon. The predictive power of the structural model is moderate: it explains 49.2% (R^2) of the variance in employee engagement and 60.2% (R^2) of the variance in social support. From a practical standpoint, the results indicate the importance of integrating PsyCap and PSS as key elements of employee engagement in the banking sector of southern Gujarat.

Keywords: Employee Engagement, Psychological Capital, Social Support, PLS-SEM, Bank

INTRODUCTION

Employee engagement is a vital outcome, significantly shaped by the interaction between individual psychological resources and environmental support systems (Saraswati & Pertiwi, 2020). Exhibited a continuum of energy: Hope, efficacy, resilience, and optimism constitute Psychological Capital, which acts as an intrinsic power to overcome challenges and achieve goals in the workplace more vigorously (Bhagyam et al., 2024). This positive psychological state enables individuals to view their goals as attainable, have confidence in themselves, and bounce back from setbacks (Bhagyam et al., 2024; Lie et al., 2023), resulting in a strong sense of engagement. Furthermore, perceived social support from supervisors and colleagues is a critical external resource that strengthens psychological well-being and the ability to persist in work (Bhagyam et al., 2024). In addition, colleagues and supervisors provide vital support and resources that enable one to remain at work in full swing and maintain well-being (Bhagyam et al., 2024). Thus, a full consideration of their interactive effects is needed to design focused interventions that foster a highly engaged workforce. This study explores the interaction effect of Psychological Capital (PsyCap) and perceived social support on employee engagement across different organizational settings.

LITERATURE REVIEW

Psychological Capital and Employee Engagement

Within the Positive Organizational Behavior paradigm, Psychological Capital (PsyCap) is an individual's positive psychological state of development (Luthans & Youssef, 2007). As management knowledge traditionally emphasizes the importance of Human Capital (skills and knowledge) and Social Capital (people relations), the role of 'psychological resources' is the primary focus of PsyCap (Pizam & Thornburg, 2000; Jang & George, 2012).

Work engagement is a psychological state characterized by vigor, dedication, and absorption, increasingly regarded as an outcome of personal resources. According to the JD-R model, personal resources, such as PsyCap, function as catalysts or enhancers of employees' motivation to successfully identify and manage job demands and to strengthen their dedication to their work. Empirical evidence continually corroborates this linkage. Herbert (2011) and Simons and Buitendach (2013) found that workers with high PsyCap tend to sustain intrinsic motivation and, consequently, be "engaged" across different organizational contexts. In addition, recent studies by Gupta et al. (2017) and Li et al. (2018) provide evidence that these four psychological resources contribute to mental toughness, specifically to sustaining energy (vigor) and focus (absorption).

According to Cheng et al. (2018), when employees feel efficacious and hopeful, they perceive work challenges not as threats but as opportunities for accomplishment, which deepens their emotional and cognitive attachment to the organization. Drawing on the POB theoretical framework and the empirical findings above, there is sufficient evidence to argue that PsyCap is a critical antecedent of engagement.

Consequently, the following hypothesis is proposed:

H1: Psychological Capital (PsyCap) has a significant positive influence on employee work engagement.

Social Support as Mediator Between Psychological Capital and Employee Engagement

Social support – from family,   work colleagues, and superiors – is also an important job resource in relation to buffering demand (Hakanen et al., 2024). The importance of this concept has been underscored by recent research indicating that it accounts for approximately 50% of the variance in employee engagement, in combination with PsyCap (IJMRA, 2025). Okojie et al. (2023) also argue that high social support may have a security effect, such that it motivates employees to go beyond their formal obligations.

Recent literature indicates that social support mediates the relationship between psychological capital and employee engagement (Biswal et al., 2023). Personal resource PsyCap causes the work resource Social Support as part of its "resource caravan" toward higher engagement (Hobfoll, 2011). Research in the healthcare sector supports the notion that, although these direct relationships are strong, it is through the "motivational potential" that social support helps resilient employees meet their goals; thus, it bridges the gap between one's internal state and their active engagement at work.

Therefore, the following hypothesis is proposed:

H2: Social Supports mediate the relationship between psychological capital and employee engagement.

RESEARCH METHODOLOGY

Participants

In India, various types of banks exist, offering diverse services to their customers. Furthermore, banking employees spend considerable time interacting with customers. Hence, banks provide a setting for testing the determinants of employee engagement. In the present study, employees, i.e., front desk employees, back-office employees working across different types of banks, were considered as the sample.

Procedure

The researcher participated in the data collection process. Furthermore, bank managers were contacted and served as the point of contact between the researcher and the bank employees who constituted the study sample. To ensure a smooth data collection process, bank managers were oriented to the research objectives and instruments, thereby maintaining a common understanding throughout the data collection phase across all samples. The data were collected from bank employees in South Gujarat. Moreover, different types of banks, i.e., private, public, payment, cooperative, and small finance banks, were covered to elicit diverse responses for the study.

Questionnaire and Measures

A structured questionnaire was developed based on the existing literature review. The researcher first developed the instruments, and then they were given to the language experts to ensure that the essence would not change. Later, the questionnaire was pre-tested with 20 respondents who showed interest in participating

in the research. These were employees from the bank only. All suggestions provided during the pre-testing phase were incorporated into the final version of the questionnaire.

The questionnaire consisted of two sections. The first section covered three constructs of the conceptual model, and the second section included demographic information on the respondents. The psychological capital construct was measured using items from Luthans et al. (2012). The nine-item scale developed by Schaufeli et al. (2012) was used to measure employee engagement. Eisenberger et al. (1986) and Rhoades and Eisenberger (2002) were used, with slight modifications to meet the present study's needs. The second section presented demographic information for the samples, including gender, age, marital status, bank type, educational qualification, and other variables. A Likert-type scale was used to collect responses for all the constructs anchored at (7) strongly agree and (1) strongly disagree.

In total, 537 respondents were ultimately included in the data analysis. Before finalising the number, proper care and consideration were given to remove the missing value through face validity. No invalid responses were observed, as data were collected via a Google Form, which does not allow responses beyond the items requested. Hence, 537 validated responses were finalised for the data processing and analysis.

Research Model

Figure 1 presents the research model and summarizes the variables examined in the study. The model indicates that psychological capital is a determinant of employee engagement and that social support mediates the relationship between psychological capital and employee engagement.

Figure 1: Proposed Research Model
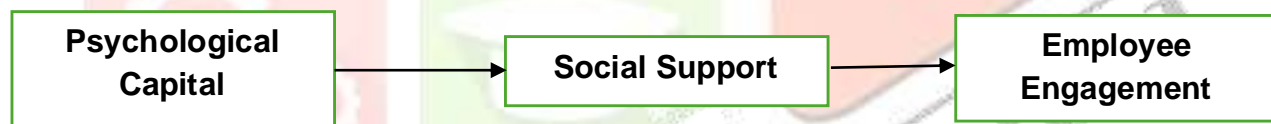
DATA ANALYSIS

Of the total sample, there is a fairly even split between genders, with a slight female majority of 52.7% (n=283) to 47.3% (n=254) male. Married individuals constitute the most significant proportion of the sample, with approximately 58.1% of respondents reporting that they are married. In the marital status category, there is a slight difference (N=547 versus N=537) relative to other demographic categories, suggesting potential overlap in the questions or in how participants recorded them. Taken together, these numbers provide some indication of a stable, adult population that serves as the foundation of this research study.

Table 1: Demographic Profile of Respondents

Items	Category	Frequency
Gender	Male	254
	Female	283
Age	18-25	243
	26-40	192
	41-50	66
	Above 50	36
Educational Qualifications	HSC or below	63
	Diploma or Undergraduate	156
	Graduate	118
	Post Graduate	184
	Doctorate	16
Types of Banks	Private	174
	Public	112
	Foreign	82
	Cooperative	47
	Payment Bank	76
	Small Finance	46
Marital Status	Married	318
	Unmarried	229

The data were analyzed using partial least squares structural equation modelling (PLS-SEM) to test the proposed model. PLSAM is a more robust approach to assessing model fit by examining multicollinearity among study variables (Haenlein & Kaplan, 2024). The PLS analysis is performed at two levels. At the first level, the measurement model was assessed to check the reliability and validity of the data and variables. At the second level, the structural model was assessed by estimating the paths from latent variables to the predictor variables.

Measurement Model

Various psychometric properties of constructs were assessed through composite reliability (CR), average variances extracted (AVE), Fornell-Larcker Scale, and HTMT Ratio.

Table 2: Convergent Validity

	Cronbach's alpha (standardized)	Composite reliability (rho_c)	Average variance extracted (AVE)
EE	0.847	0.848	0.615
Psy Cap	0.904	0.905	0.591
Social Support	0.831	0.832	0.629

Cronbach's Alpha values are displayed in the table. A value of 2 indicates that all values exceeded the suggested threshold of 0.7, indicating high internal consistency. Furthermore, the average variance extracted (AVE) values reported above the acceptable level (0.5) for all constructs indicate that convergent validity has been achieved.

To assess discriminant validity, the Fornell-Larcker and HTMT ratio tests were used. The test results are reported in Tables 3 and 4, respectively.

Table 3: HTMT Ratio

	EE	Psy Cap	Social Support
EE			
Psy Cap	0.469		
Social Support	0.405	0.552	

From the HTMT ratio table above, it can be inferred that all values are below the threshold of 0.85. Hence, one criterion for establishing discriminant validity is satisfied. Furthermore, to achieve robust results, another approach proposed by Fornell and Larcker (Salloum et al., 2019) was adopted. The test results are presented in Table 4.

Table 4: Fornell-Larcker Scale

	EE	Psy Cap	Social Support
EE	0.645		
Psy Cap	0.455	0.701	
Social Support	0.358	0.507	0.672

The diagonal values in the correlation matrix should be smaller. Table 4 indicates that the Fornell-Larcker condition is satisfied. Hence, it can be concluded that discriminant validity is also achieved.

CB-SAM-Based Confirmatory Factor Analysis (CFA)

Before assessing the proposed model and its predictive power, confirmatory factor analysis is recommended to evaluate the extent to which the collected data fit a hypothesized measurement model derived from established theory and/or prior empirical studies. CFA was assessed using the measures proposed by Bagozzi & Yi (1988), Hair et al. (2019), and Baumgartner & Homburg (1996). All model fit indices are displayed in Table 5.

Table 5: Model Fit Indices

Measures	Estimated Model	Threshold Value	Interpretation
P Value	0.000	< 0.05	Supported
ChiSqr/df	3.497	Less than 5	Acceptable
GFI	0.866	> 0.80 = Acceptable	Excellent
AGFI	0.840	> 0.80 = Acceptable	Excellent
SRMR	0.058	< 0.09 = Excellent	Excellent
RMSEA	0.068	<0.06 = Excellent	Acceptable
CFI	0.887	> 0.80 = Acceptable	Excellent

The initial assessment of the **absolute fit** indicated a significant chi-square statistic (p < 0.001$), which is frequently observed with larger sample sizes; however, the normed chi-square (chi/df) was **3.497**. This value falls well within the recommended threshold of <5.0, indicating an acceptable fit between the model and the observed data. Further supporting this, the **Root Mean Square Error of Approximation (RMSEA)** was **0.068**, and the **Standardized Root Mean Square Residual (SRMR)** was **0.058**. Both metrics reside within the prescribed limits for a robust model fit (RMSEA < 0.08 and SRMR < 0.09).

Regarding the **incremental and descriptive fit indices**, the **Goodness-of-Fit Index (GFI) and the Adjusted Goodness-of-Fit Index (AGFI)** were **0.866** and **0.840**, respectively. Furthermore, the **Comparative Fit Index (CFI)** was recorded at **0.887**. As these values exceed the established benchmark of **0.80**, the model demonstrates high internal consistency and structural validity. Collectively, these indices confirm that the measurement model provides a statistically sound representation of the underlying theoretical framework, thereby permitting further structural path analysis.

Structural Model

The coefficient of determination (R^2) was the most commonly used measure to assess the model's predictive performance (Sarstedt et al., 2021). Various researchers have suggested the threshold for R^2: if R^2 exceeds 0.67, it is considered "high." In contrast, the values between 0.33 and 0.67 are considered "moderate," and the values between 0.19 and 0.33 are considered "weak".

Table 6: R^2 of the Endogenous Latent Variables

	R-square adjusted	Result
EE	0.492	Moderate
Social Support	0.602	Moderate

As shown in Table 6, all endogenous latent variables have R^2 values ranging from 0.33 to 0.67. Therefore, this model has moderate predictive relevance and helps estimate the variance of the endogenous variables.

Path Analysis

To test the proposed relationships, path coefficient analysis was performed on the data. To test the statistical significance of the paths, a bootstrap method with 5,000 samples was performed (Efron & Tibshirani, 1993). This method enables precise estimation of standard errors and t-statistics for hypothesis testing, providing robust support for the test.

Table 7: Path Coefficient Significance

Relationship	Path Coefficient Values	P Values	Results
PsyCap → EE	0.327	0.000	Supported

Table 7 presents the hypotheses tested in the study. The test statistic for H1 ($\beta = 0.327$, $P < 0.05$) supports H1, indicating that psychological capital is associated with employee engagement.

Mediating Effect of Social Support

Additionally, the study assessed the mediating effect of social support on the relationship between psychological capital and employee engagement.

Table 8: Mediating Effect of Social Support

Relationship	Path Coefficient Values	P Values	Results
PsyCap → Social Support → EE	0.025	0.000	Supported

A partial mediation effect of social support was observed in the relationship between psychological capital and employee engagement. It means that if social support boosts employee engagement, they also increase psychological capital levels.

DISCUSSION

The primary purpose of this research was to examine the relationships among Psychological Capital (PsyCap), Social Support, and Employee Engagement (EE), using a robust PLS-SEM. They were sufficient to support the hypothesized model in which personal and contextual resources were perceived as playing an important role in fostering a committed workforce.

As for H1 (PsyCap has a positive influence on Employee Engagement), results show a significant positive relationship between PsyCap and Employee Engagement ($\beta = 0.327$, $p < 0.001\$$). This is also consistent with the Conservation of Resources (COR) theory, which posits that individuals with high levels of psychological resources—hope, efficacy, resilience, and optimism—are better able to invest energy in their work roles (Luthans & Youssef-Morgan, 2017). Our findings support recent studies that have proposed PsyCap as an internal engine of vigor and dedication, even in highly demanding contexts (Nolzen, 2018). The low predictive value ($R^2 = 0.492$) of employee engagement can also be attributed to the fact that other environmental factors, along with PsyCap, play a crucial role in employees' deep involvement.

IMPLICATIONS

This study contributes to the literature on Organisational Behaviour and Positive Psychology in several important ways." First, it provides validation of the Resource Orchestration Theory in the nuanced socio-economic context of emerging markets. By establishing Social Support as a mediator, our research extends beyond direct-effect models traditionally associated with PsyCap and offers greater insight into how internal psychological resources (PsyCap) interface with external environmental inputs in terms of engagement.

Second, the study adds to the Generalisability of Western Constructs in Indian settings. Although most PsyCap research has focused on the corporate environment in Western countries, we argue that this is not the case in India, where hope, efficacy, resilience, and optimism are stable across cultures, particularly among employees in collectivist organizations.

SUGGESTIONS FOR FUTURE RESEARCH

Although the present study provides strong empirical support for the mobilizing effects of PsyCap and social support on engagement, several boundary conditions should be considered when interpreting the results.

First, the use of a cross-sectional design is one of the limitations of this research. Data are collected at a single point in time, making it difficult to infer causality. While path analyses suggest strong directional links, it is also plausible that highly activated employees may report higher PsyCap. Future studies should adopt longitudinal or diary study designs to track variations in these constructs over time, particularly during high-stress periods in the Indian banking calendar (e.g., end-of-fiscal-year closing).

Second, because self-reports were used, the CMV, including social desirability bias, should be taken into account. However, in the fast-paced context of the Indian banking industry, employees may exaggerate their resilience or engagement if they believe that is what the organization expects. To prevent this in future research, scholars might use a multi-source method that includes supervisor ratings or objective performance indicators (e.g., loan recovery rates or customer satisfaction scores) to validate self-reported data.

Additionally, the sample's geographical distribution of industries may limit the overall applicability of the results. Although the findings offer rich insights into banking work in India, the collective ethos of Indian workplaces may have its own cultural flavour, distinct from that of Western or other Asian service industries. Future researchers are encouraged to explore comparative relationships in other business industries, such as IT versus healthcare or the banking sector (public versus private-sector banks), to investigate whether the mediating role of social support is invariant across low and high levels of job security and organizational culture.

References:

- Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. Journal of the Academy of Marketing Science, 16, 74-94.

- Baumgartner, H., & Homburg, C. (1996). Applications of structural equation modeling in marketing and consumer research: A review. International Journal of Research in Marketing, 13(2), 139-161.

- Bhagyam, T. P., Praveer, S. R., & Padmavathi, T. (2024, June). Predictors of Social Enterprises' Workforce Engagement: A Psychological Capital Perspective. In *International Conference on Digital Transformation in Business: Navigating the New Frontiers Beyond Boundaries (DTBNNF 2024)* (pp. 398-412). Atlantis Press.

- Biswal, K., Srivastava, K. B., & Alli, S. F. (2025). Psychological capital and work engagement: moderating role of social relationships. *Annals of Neurosciences*, *32*(2), 108-116.

- Cheng, T. M., Hong, C. Y., & Yang, B. C. (2018). Examining the moderating effects of service climate on psychological capital, work engagement, and service behavior among flight attendants. *Journal of Air Transport Management*, *67*, 94-102.

- Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology*, *71*(3), 500.

- Gupta, M., & Shaheen, M. (2017). Impact of work engagement on turnover intention: Moderation by psychological capital in India. *Business: Theory and Practice*, *18*, 136-143.

- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. European Business Review, 31(1), 2-24.

- Hakanen, J. J., Bakker, A. B., & Schaufeli, W. B. (2024). The Job Demands–Resources model: A 20-year retrospective and future directions. *Journal of Work and Organizational Psychology, 40*(1).

- Herbert, M. (2011). *An exploration of the relationships between psychological capital (hope, optimism, self-efficacy, resilience), occupational stress, burnout, and employee engagement* (Doctoral dissertation, Stellenbosch: Stellenbosch University).

- Hobfoll, S. E. (2011). Conservation of resource caravans and engaged settings. *Journal of occupational and organizational psychology*, *84*(1), 116-122.

- Jang, J., & George, R. T. (2012). Understanding the influence of polychronicity on job satisfaction and turnover intention: A study of non-supervisory hotel employees. International Journal of Hospitality Management, 31(2), 588-595.

- Kaplan, A., & Haenlein, M. (2024). To be or not to be: will virtual worlds and the metaverse gain lasting traction?. *California Management Review*, *66*(4), 5-22.

- Li, Y., Castaño, G., & Li, Y. (2018). Linking leadership styles to work engagement: The role of psychological capital among Chinese knowledge workers. *Chinese Management Studies*, *12*(2), 433-452.

- Lie, D., Saraswati, K. D. H., & Lie, D. S. (2023). WORK ENGAGEMENT INFLUENCES AFFECTIVE COMMITMENT: PSYCHOLOGICAL CAPITAL AND PERCEIVED

ORGANISATION SUPPORT AS MODERATORS. *Journal of Indonesian Economy & Business*, *38*(2).

- Luthans, B. C., Luthans, K. W., & Jensen, S. M. (2012). The impact of business school students' psychological capital on academic performance. *Journal of Education for Business*, *87*(5), 253-259.

- Luthans, F., Youssef, C. M., & Avolio, B. J. (2007). Psychological capital: Investing and developing positive organizational behavior. *Positive organizational behavior*, *1*(2), 9-24.

- Nolzen, N. (2018). The concept of psychological capital: a comprehensive review. *Management Review Quarterly*, *68*(3), 237-277.

- Okojie, G., Ismail, I. R., Begum, H., Ferdous Alam, A. S. A., & Sadik-Zada, E. R. (2023). The mediating role of social support on the relationship between employee resilience and employee engagement. *Sustainability*, *15*(10), 7950.

- Pizam, A., & Thornburg, S. W. (2000). Absenteeism and voluntary turnover in Central Florida hotels: A pilot study. International Journal of Hospitality Management, 19(2), 211-217 .

- Salloum, S. A., Alhamad, A. Q. M., Al-Emran, M., Monem, A. A., & Shaalan, K. (2019). Exploring students' acceptance of e-learning through the development of a comprehensive technology acceptance model. IEEE Access, 7, 128445-128462.

- Saraswati, K. D. H., & Pertiwi, M. S. N. D. (2020). Work performance: The impact of work engagement, psychological capital, and perceived organizational support. *Jurnal Muara Ilmu Sosial, Humaniora, Dan Seni*, *4*(1), 88.

- Sarstedt, M., Hair, J. F., Pick, M., Liengaard, B. D., Radomir, L., & Ringle, C. M. (2022). Progress in partial least squares structural equation modeling use in marketing research in the last decade. *Psychology & Marketing*, *39*(5), 1035-1064.

- Schaufeli, W. (2012). Work engagement: What do we know and where do we go?. *Romanian journal of applied psychology*, *14*(1), 3-10.

- Simons, J. C., & Buitendach, J. H. (2013). Psychological capital, work engagement and organisational commitment amongst call centre employees in South Africa. *SA Journal of Industrial Psychology*, *39*(2), 1-12.

- Tibshirani, R. J., & Efron, B. (1993). An introduction to the bootstrap. *Monographs on statistics and applied probability*, *57*(1), 1-436.