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Impact of Transformational Leadership on Job Performance through the Mediating Role of Work Engagement: An Empirical Evidence from Islamic Banking Sector

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Abstract

This study investigates the impact of transformational leadership on the job performance with particular emphasis on the mediating role of work engagement. The study has been conducted on Islamic Banking Sector and respondents have been taken from Islamic banks operating in Karachi. Like other sectors banking is also facing significant challenges, including heavy workloads limited resources and declining employee engagement, all of which adversely affect the performance expectation and quality of customer care. In this context, transformational leadership has emerged as an important leadership approach capable of enhancing employees' motivation, psychological well-being, and organizational commitment. Drawing upon Transformational Leadership Theory and the Job Demands-Resources (JD-R) Theory, the study examines how transformational leadership behaviors influence employees' work engagement and subsequently improve the job performance.

The research adopts a quantitative, explanatory and cross-sectional research design. Primary data were collected from non-managerial staff working in Islamic banking sector in Karachi using convenience sampling method while using a well-structured questionnaires based on validated measurement likert scale. A total of 400 questionnaires were distributed, out of which 336 usable responses were obtained. The study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using Smart PLS software to test the hypothesized relationships among transformational leadership, work engagement and job performance.

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The findings of the study indicate that transformational leadership has a positive and significant impact on employee' job performance and work engagement. Furthermore, work engagement was found to positively influence employee' job performance and significantly mediate the relationship between transformational leadership and job performance. The results suggest that transformational leaders enhance employees' vigor, dedication, and absorption at work, which subsequently improves their effectiveness, commitment, and overall performance in healthcare settings.

The study contributes theoretically by extending the application of Transformational Leadership Theory and JD-R Theory within the Islamic banking sector of Karachi. Practically, the findings provide valuable insights for banking sector administrators and policymakers regarding the importance of leadership development initiatives aimed at strengthening employee engagement and performance. Improved employee performance ultimately contributes to enhanced customer care quality, organizational effectiveness, and productivity in Islamic banking sector of Karachi.

Keywords: Islamic Banking Sector, Transformational Leadership, Work Engagement, Job Performance

1. Introduction

The Islamic banking sector plays a pivotal role in the socio-economic development of any country, and banks constitute the backbone of financial service delivery and customer care. In Karachi, the Islamic banking sector faces chronic challenges including staff shortages, heavy workloads, limited resources, and performance-related issues among banking employees. Leadership practices within Islamic banking institutions significantly influence employees' motivation, engagement, and performance. Transformational leadership, characterized by inspirational motivation, idealized influence, intellectual stimulation, and individualized consideration, has emerged as one of the most effective leadership styles in addressing such challenges.

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Furthermore, banking professionals across the world are experiencing unprecedented levels of complexity due to rising customer expectations, rapid technological advancement, workforce shortages, and increasing cost pressures. Within this environment, Islamic banks are expected to deliver services that are not only operationally effective but also customer-centered, Shariah-compliant, and financially sustainable (DiNapoli et al., 2016).

The effectiveness and future trajectory of Islamic banks are strongly influenced by the quality of leadership exercised by banking management. Leaders in Islamic banking institutions are responsible for shaping organizational culture, guiding professional behavior, and ensuring that human resources are aligned with institutional goals. Consequently, leadership approaches adopted within banks play a decisive role in determining employee motivation, engagement, and performance outcomes. Islamic banks must therefore be understood as adaptive organizations that require contemporary leadership frameworks capable of supporting decentralization, strengthening inter-professional collaboration, and enhancing integration between operational and administrative functions in both customer service and financial management systems (Aini, 2018, Rojak et al. 2024).

In Karachi's Islamic banking sector, hierarchical structures and traditional management practices often dominate organizational administration. However, such approaches may be insufficient in addressing the motivational and psychological needs of modern banking professionals. This has increased scholarly and practical interest in leadership styles that emphasize empowerment, shared vision, and employee development, particularly transformational leadership.

Leadership style represents a critical organizational mechanism through which employee attitudes, behaviors, and work-related outcomes are shaped. The manner in which leaders interact with subordinates can either enhance employees' sense of purpose and commitment or contribute to dissatisfaction and disengagement. Among the numerous

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leadership theories discussed in organizational research, transactional and transformational leadership styles have been most frequently examined within banking contexts. Transactional leadership is primarily based on an exchange-oriented relationship between leaders and followers, where compliance with organizational expectations is achieved through contingent rewards and corrective actions. From this perspective, workplace relationships are conceptualized as a series of negotiated exchanges, with limited emphasis on long-term development or intrinsic motivation (Kuantan, 2015). While transactional leadership may be effective in maintaining routine banking operations, its capacity to foster innovation, commitment, and sustained performance is often limited, particularly in high-pressure banking environments.

Transformational leadership, by contrast, adopts a more human-centered and value-driven orientation. This leadership style emphasizes ethical conduct, collective goals, collaboration, and the personal development of followers. Transformational leaders seek to inspire employees by articulating a compelling vision, demonstrating role-model behavior, and addressing individual needs. As noted by Bass, the central objective of transformational leadership is to motivate followers to exceed standard expectations and achieve higher levels of performance through empowerment and intrinsic motivation (Brahim et al., 2015). Such leadership behaviors are particularly relevant in Islamic banking settings, where customer relations, teamwork, ethical commitment, and professional integrity are essential for effective service delivery (DiNapoli et al., 2016, Ausat et al. 2022).

Work engagement is a critical psychological mechanism linking leadership practices to performance outcomes. Work engagement is characterized by high levels of energy, dedication, and absorption in work roles. In Islamic banking settings, engaged employees are more likely to demonstrate proactive behavior, resilience under pressure, and sustained attention to customer service quality. Transformational leadership is theorized to enhance work engagement by creating psychologically safe environments, fostering

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meaningful work experiences, and supporting professional growth. In this sense, work engagement functions as a mediating process through which transformational leadership influences job satisfaction and employee performance Ausat et al. 2022).

Modern Islamic banking organizations operate within increasingly complex systems that demand the delivery of high-quality, customer-focused, and cost-efficient financial services. Banks, in particular, face continuous pressure to enhance service standards while responding to rising public expectations and financial constraints (DiNapoli et al., 2016). The sustainability and advancement of banking performance are largely influenced by the competence, strategic vision, and leadership capabilities of those in managerial positions. Consequently, banking leaders are required to adopt leadership approaches that are responsive to organizational challenges and capable of guiding banks through constant structural and operational change. In this regard, Islamic banks should be conceptualized as adaptive institutions that necessitate progressive leadership models supporting decentralization, continuous improvement, and effective integration of operational and administrative professionals within financial service systems (Aini, 2018).

Leadership style constitutes a crucial organizational variable that significantly shapes employees' motivation, commitment, and engagement levels. Depending on the approach adopted, leadership can either foster enthusiasm and dedication or contribute to disengagement and reduced organizational attachment. Among the various leadership theories discussed in organizational literature, transactional and transformational leadership styles have received the greatest scholarly attention. Transactional leadership is founded on an exchange relationship between leaders and subordinates, wherein desired behaviors are reinforced through rewards and corrective measures. Within this framework, workplace relationships are viewed primarily as a sequence of negotiated exchanges between individuals (Kuantan, 2015).

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Transformational leadership, however, represents a more value-driven and inspirational approach that emphasizes ethical standards, shared purpose, cooperation, and collective commitment. As articulated by Bass, transformational leaders aim to motivate followers to surpass initial performance expectations by fostering empowerment, personal development, and intrinsic motivation (Brahim et al., 2015). Job satisfaction, in this context, reflects a positive emotional evaluation of one's work experiences and work environment. Empirical studies indicate that employees who perceive their organizational settings as supportive and empowering exhibit higher levels of performance. Enhanced employee performance subsequently contributes to increased customer satisfaction, improved service quality, better organizational outcomes, and stronger interpersonal relationships within banking environments (DiNapoli et al., 2016).

Therefore, in order to improve the performance of employees, it is important to evaluate how transformational leadership has a direct relationship with work engagement and performance improvement. Moreover, whether work engagement has a mediating role in the relationship between transformational leadership and employee performance. The findings of this study would offer practical insights for banking administrators regarding leadership effectiveness, work engagement, and employee performance. Furthermore, the study aims to serve as a foundation for future empirical investigations and to enrich the academic discourse in Islamic banking management, particularly in areas related to transformational leadership, job satisfaction, and employee performance.

2. Review of Literature

This study is grounded in Transformational Leadership Theory (Bass, 1985) and Job Demands–Resources (JD-R) Theory (Demerouti et al., 2001). Transformational leadership acts as a job resource that enhances employees' psychological states, particularly work engagement, which subsequently improves job performance.

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2.1 Transformational Leadership and Work Engagement

In contemporary organizational scholarship, work engagement has evolved into one of the most extensively examined constructs within management and positive psychology. Over the past twenty years, researchers have increasingly framed engagement as a strategic organizational capability due to its consistent association with beneficial employee attitudes and performance-related outcomes (Kahn, 1990; Saks, 2006; Schaufeli et al., 2002). A central contextual determinant shaping engagement is leadership, as leaders directly influence workplace climate and indirectly shape how employees cognitively and emotionally relate to their work roles (Christian et al., 2011). Among various leadership paradigms, transformational leadership is particularly influential in fostering environments that encourage employees to invest their full selves in work activities. By articulating a compelling vision, modeling desired behaviors, and attending to individual needs, transformational leaders stimulate internal motivational processes that strengthen employee engagement (Avolio & Bass, 1995; Avolio & Yammarino, 2002). Leadership behaviors such as transparent communication, equitable treatment, recognition of performance, and concern for employee welfare contribute to psychological safety and enhance employees' sense of connection with their work.

The growing recognition of leadership as a catalyst for engagement has prompted extensive empirical inquiry into leadership development practices and employee perceptions of leader behavior (Bal et al., 2013; Bass et al., 2016; Guest, 2014; Schmitt et al., 2016; Tims et al., 2011, Ausat et al. 2022). Rather than examining direct effects alone, many studies have focused on identifying intervening mechanisms and boundary conditions. For instance, empirical evidence suggests that transformational leadership enhances engagement by strengthening employees' beliefs in their own capabilities, with self-efficacy functioning as a key explanatory pathway (Salanova et al., 2011; Tims et al., 2011). Additionally, Zhu et al. (2009) demonstrated that follower-related attributes influence the magnitude of this relationship, indicating that unfavorable leader

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evaluations of followers are associated with diminished engagement. Research conducted in knowledge-intensive settings has further revealed that work engagement serves as a conduit through which transformational leadership supports organizational knowledge creation processes (Song et al., 2012). In military training contexts, Breevaart et al. (2013) found that engagement levels were highest when leaders combined transformational behaviors with contingent reward practices. Complementary findings from Australia indicate that employees' perceptions of meaningful work partially account for the positive effect of transformational leadership on engagement (Ghadi et al., 2013). The intellectual origins of work engagement can be traced to Kahn's conceptual framework of personal engagement, which emphasized individuals' psychological readiness to invest physical, cognitive, and emotional energy into their roles. According to this perspective, meaningfulness, psychological safety, and availability represent essential conditions enabling engagement. Expanding on this foundation, Schaufeli et al. (2002) conceptualized work engagement as a durable and positive psychological orientation toward work, reflected through vigor, dedication, and absorption. This construct is understood as relatively stable over time rather than as a fleeting emotional response. Accordingly, engagement in the present study is conceptualized as a dispositional experience, consistent with prior research distinguishing trait-like engagement from situational fluctuations (Sonnentag et al., 2010; Xanthopoulou & Bakker, 2013). Vigor reflects sustained energy and mental persistence in work activities, dedication captures enthusiasm, pride, and perceived significance of one's job, while absorption describes a deep state of concentration in which individuals become fully immersed in their work and experience difficulty disengaging (Schaufeli et al., 2006; Schaufeli et al., 2002).

To theoretically anchor the leadership–engagement relationship, this study draws upon the Job Demands–Resources (JD-R) model (Bakker & Demerouti, 2007; Demerouti et al., 2001). The JD-R framework categorizes job characteristics into two overarching

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domains: demands and resources. Job demands encompass aspects of work that require sustained physical, emotional, or cognitive effort and are therefore associated with potential strain and energy depletion, such as excessive workload or emotional pressure (Demerouti et al., 2001). In contrast, job resources refer to those features of the work environment that support goal accomplishment, alleviate the adverse effects of job demands, and facilitate personal learning and development (Demerouti et al., 2001). Within this framework, job resources are identified as the principal antecedents of work engagement (Bakker & Demerouti, 2008). These resources may take multiple forms, including supportive leadership, collegial relationships, developmental feedback, coaching, employee voice, opportunities for skill acquisition, and task diversity. Prior research indicates that access to constructive feedback enhances learning, while social and supervisory support increases employees' capacity to meet work objectives effectively (Bakker & Demerouti, 2008; Schaufeli & Bakker, 2010; Schaufeli et al., 2002, Ausat et al. 2022).

While transformational leadership can successfully redirect followers toward collective and ambitious goals, challenges may arise due to the high-risk nature of these objectives. Potential failures can create feelings of uncertainty and psychological threat, which may reduce engagement unless the leader establishes a supportive and safe environment (Kahn, 1990). Individualized consideration addresses this by attending to each employee's unique needs, providing emotional support during setbacks, and thereby enhancing feelings of safety. For instance, research shows that transformational leadership can increase perceptions of supervisor support, which in turn strengthens engagement (Liaw et al., 2010). Intellectual stimulation further supports engagement by encouraging employees to question existing procedures, contribute innovative ideas, and apply their knowledge effectively to solve problems (Bass, 1985; House & Shamir, 1993). By supplying sufficient resources—whether physical, emotional, or cognitive—

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leaders empower employees to experiment and apply new solutions, enhancing their psychological availability and commitment to work tasks.

Transformational leaders foster work engagement by providing meaningful collective goals, ensuring a safe environment, supporting individualized needs, and facilitating access to resources. Prior studies have confirmed that these four dimensions of transformational leadership positively influence employee engagement (Chua & Ayoko, 2019; Ghadi et al., 2013; Vila-Vázquez et al., 2018; Zhu et al., 2009). Accordingly, this study proposes:

H1: Transformational leadership has a positive and significant impact on work engagement.

2.2 Transformational Leadership and Job Performance

Transformational leadership plays a crucial role in shaping employee performance, particularly in environments characterized by change and uncertainty. Leaders must possess the ability to inspire, influence, and energize employees so that desired performance levels can be achieved. Through transformational leadership, managers are able to align followers around shared objectives and reshape their attitudes, values, and mindsets, encouraging them to exceed formal job expectations. Leader support and inspiration enhance employees' motivation, which in turn contributes to improved work outcomes and higher performance levels (U. Rahardja et. al., Putri & Meria, 2022, Rojak et al. 2024).

Empirical evidence consistently demonstrates that transformational leadership exerts a positive and statistically significant influence on employee performance. Organizations that demonstrate stronger transformational leadership practices tend to experience superior employee performance outcomes. When leaders adopt transformational behaviors, employees are more committed, motivated, and willing to exert additional effort, resulting in enhanced performance. Several prior studies have confirmed this positive association, reporting that transformational leadership significantly improves

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employee performance (Z. Kalsoom et al., 2018). Drawing on this empirical support, the following hypothesis is proposed:

H2: Transformational leadership has a positive and significant impact on employees' job performance.

2.3 Work Engagement and Job Performance

Transformational leadership positively influences job performance by enhancing employees' motivation, skills, and alignment with organizational objectives. Kahn (1990, 1992) argued that employees are more likely to invest themselves fully in their roles when they perceive their tasks as meaningful, feel psychologically safe, anticipate minimal negative consequences, and have access to necessary resources. Engaged employees direct their physical effort toward achieving organizational goals, maintain cognitive focus on task completion, and foster emotional connections with colleagues, all of which contribute to higher performance (Ashforth & Humphrey, 1995; Kahn, 1990). Physical energy investment translates into sustained effort and intensity; cognitive investment ensures vigilance and attention to detail; and emotional energy fosters interpersonal relationships that facilitate organizational objectives.

Role theory suggests that work encompasses both formal task roles and social roles, the latter often requiring extra-role behaviors that benefit the team but are not formally recognized in employment contracts (Katz & Kahn, 1978; Van Dyne et al., 1995; Organ, 1988, Rojak et al. 2024). Engaged employees are more likely to step beyond formal role boundaries, contributing additional effort and supporting peers, which enhances overall team performance and goal achievement (Rich et al., 2010). High engagement also increases helping behaviors among employees, as those with greater job involvement are more inclined to assist coworkers (Van Dyne et al., 1995). Empirical studies consistently show that engagement predicts higher task performance (Owen et al., 2015; Rich et al., 2010) and more discretionary helping behaviors (Demerouti et al., 2015; Rich et al., 2010, Juyumaya, & Torres, 2023). Therefore, it is proposed that:

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H3: Work engagement has a positive and significant impact on employees' job performance.

2.4 Mediating Role of Work Engagement between Transformational Leadership and Job Performance

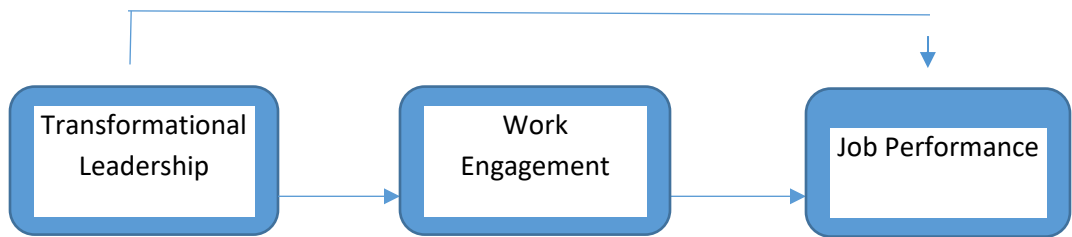
JD-R theory posits that leadership as a job resource enhances engagement, which subsequently leads to improved performance. Empirical studies support the mediating role of work engagement between leadership and performance outcomes. Transformational leadership theory posits that exceptional leaders can profoundly influence their followers by redirecting their values, needs, and goals from self-interest to collective objectives (Shamir et al., 1993). Leaders who engage in transformational behaviors cultivate followers' commitment to these goals, motivating them to exceed standard expectations and perform discretionary behaviors. Evidence shows that transformational leadership enhances both task performance and helping behaviors (Chun et al., 2016; Dust et al., 2014; Wang et al., 2011; Zhu et al., 2013, Juyumaya, & Torres, 2023, Rojak et al. 2024).

Work engagement is proposed as the mechanism through which these effects occur. By presenting meaningful goals, ensuring a psychologically safe environment, and providing access to necessary resources, transformational leaders increase employees' engagement. Engaged employees, in turn, invest physical, cognitive, and emotional energy into their roles, contributing to higher task performance and greater willingness to assist colleagues. Accordingly, this study hypothesizes:

H4: Work engagement mediates the relationship between transformational leadership and employees' job performance.

2.5 Conceptual Framework

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(Figure 1, Conceptual Framework)

3. RESEARCH METHODOLOGY

This study employs a quantitative, explanatory, and cross-sectional research methodology to investigate the relationships among transformational leadership, work engagement, and job performance Islamic banking sector non-managerial employees of key banking profession. Based on the theoretical foundations, a conceptual framework was developed to guide the research process. The adopted methodology enables empirical testing of hypothesized relationships and supports generalization of findings within the defined population. This methodological approach is consistent with the standards required for academic research.

The present study adopts a deductive research approach, which is widely used in management and organizational research to test theories through empirical observation. In a deductive approach, hypotheses are derived from established theoretical frameworks and prior empirical studies and are subsequently tested using quantitative data (Saunders, Lewis, & Thornhill, 2019). Given that this study examines theoretically grounded relationships between transformational leadership, work engagement, and job performance, the deductive approach is considered appropriate and methodologically sound. This philosophical stance is particularly suitable for examining cause-and-effect relationships in organizational settings (Putri & Meria, 2022).

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3.1 Data Collection

Primary data were collected directly from non-managerial staff working in Islamic banks/windows in Karachi as they constitute the key population relevant to the study objectives. The population of the study included all non-managerial employees working in banking key profession in Karachi, while the unit of analysis was the individual employee, as the research sought to examine individual perceptions and behaviors regarding transformational leadership, work engagement, and job performance (Putri & Meria, 2022). Focusing on individual-level data allowed for detailed examination of psychological and behavioral responses, which are central to the study's theoretical framework.

Data for the study were collected using a survey-based method, which is widely regarded as an effective and efficient technique for gathering quantitative data in management and social science research (Putri & Meria, 2022). Survey methods are particularly suitable for studies that aim to measure attitudes, perceptions, and behavioral responses of a large population within a limited time frame. In line with the objectives of this research, a structured questionnaire was developed to systematically capture data related to transformational leadership, work engagement, and job performance of Islamic banks/windows operating in Karachi.

The questionnaire was designed using standardized and previously validated measurement scales adopted from prior empirical studies to ensure content validity and reliability (Hair et al., 2019). The use of structured questions enabled consistency across responses and facilitated objective statistical analysis. All items were measured using a Likert-scale format, which is commonly employed in organizational research to assess respondents' levels of agreement and perceptions (Bryman & Bell, 2015).

Following the sample size determination criteria of Krejcie and Morgan (1970), a sample of 300 respondents was deemed adequate to ensure statistical validity and reliability. To account for potential non-responses and incomplete data, 400 questionnaires were

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distributed. Out of these, 336 received responses were deemed usable after excluding questionnaires with excessive missing data. The researcher actively followed up on incomplete questionnaires to enhance data quality, reliability, and completeness, ensuring that the final dataset was robust enough for statistical analysis using PLS-SEM. Overall, the primary data collection process was designed to ensure accuracy, reliability, and relevance, providing a strong empirical foundation for examining the hypothesized relationships in the study.

3.2 Data Analysis

The data analysis for this study was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS software. PLS-SEM is a variance-based structural equation modeling technique that is widely used in management and social science research, particularly when the research model is complex and involves mediation effects (Hair, Hult, Ringle, & Sarstedt, 2019). This technique is especially appropriate for predictive research and theory development, making it suitable for empirical studies that examine relationships among latent constructs.

PLS-SEM was selected due to its ability to handle non-normal data distributions, relatively small to medium sample sizes, and complex models with multiple constructs and indicators (Hair et al., 2017). The data analysis was carried out in two sequential stages, namely measurement model assessment and structural model assessment, as recommended in PLS-SEM literature (Hair et al., 2019). In the measurement model assessment, the reliability and validity of the constructs were evaluated to ensure that the measurement scales accurately captured the underlying theoretical concepts. Indicator reliability was assessed using factor loadings, where values exceeding the recommended threshold indicate adequate item reliability. Internal consistency reliability was examined using Cronbach's alpha and composite reliability, both of which assess the consistency of items measuring a construct (Hair et al., 2017).

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Convergent validity was evaluated using Average Variance Extracted (AVE), which reflects the extent to which a construct explains the variance of its indicators. An AVE value above the recommended threshold indicates that the construct adequately captures the intended concept (Fornell & Larcker, 1981). These reliability and validity assessments ensured the robustness and credibility of the measurement model.

Following the establishment of a satisfactory measurement model, the structural model assessment was conducted to test the hypothesized relationships among the constructs. The structural model was evaluated using path coefficients, which indicate the strength and direction of relationships between variables. The significance of these relationships was assessed through t-values and p-values obtained using a bootstrapping procedure (Hair et al., 2019).

This approach enabled rigorous testing of both direct effects and indirect (mediating) effects, allowing the study to examine the mediating role of work engagement in the relationship between transformational leadership and job performance. The use of PLS-SEM thus provided comprehensive insights into the predictive relationships among the study variables and supported the study's research objectives.

Furthermore, to safeguard participants' privacy, confidentiality and anonymity were strictly maintained. No personally identifiable information, such as names, identification numbers, or contact details, was collected. Data were aggregated and analyzed at the group level, ensuring that individual responses could not be traced back to any specific participant. This approach aligns with ethical guidelines for social science research and minimizes potential risks to respondents (Putri & Meria, 2022).

4. Research Findings

4.1 Reliability and Validity Results

Internal consistency of the measurement model is commonly evaluated using Cronbach's alpha; however, many scholars also recommend composite reliability as a robust indicator of construct consistency. For composite reliability to be considered acceptable,

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its value must exceed the threshold of 0.70. The empirical findings demonstrate that all latent constructs meet this criterion, thereby confirming satisfactory internal consistency across the measurement model.

Convergent validity reflects the extent to which observed indicators adequately represent their underlying constructs. This form of validity is assessed through the Average Variance Extracted (AVE). A construct is regarded as having adequate convergent validity when its AVE value is above 0.50. As reported in the table below, the AVE values obtained from the PLS-SEM analysis for all constructs exceed the recommended cutoff, confirming that convergent validity is well established in the present study. All constructs met recommended thresholds, confirming reliability and convergent validity.

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Table 1

Loading of indicators

Construct	Item	Loading	AVE	Composite Reliability	Cronbach's Alpha
TL	TL1	0.79	0.685	0.81	0.82
	TL2	0.81			
	TL3	0.80			
	TL4	0.75			
	TL5	0.76			
	TL6	0.77			
	TL7	0.74			
	TL8	0.70			
	TL9	0.73			
	TL10	0.71			
	TL11	0.79			
	TL12	0.78			
	TL13	0.75			
	TL14	0.72			
	TL15	0.71			
	TL16	0.79			
	TL17	0.76			
WE	WE1	0.77	0.650	0.79	0.80
	WE2	0.79			
	WE3	0.75			
	WE4	0.71			

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	WE5	0.70			
	WE6	0.71			
	WE7	0.74			
	WE8	0.75			
	WE9	0.73			
JP	JP1	0.74	0.702	0.81	0.82
	JP2	0.77			
	JP3	0.80			
	JP4	0.71			
	JP5	0.70			
	JP6	0.71			
	JP7	0.73			
	JP8	0.72			
	JP9	0.71			
	JP10	0.74			
	JP11	0.70			

4.2 Discriminant Validity

Discriminant validity was evaluated using the Smart PLS software to ensure that each construct in the model was empirically distinct from the others. The analysis demonstrated that the relationships between inter-construct correlations and the Average Variance Extracted (AVE) values satisfied the recommended criteria. The results confirm that each construct shares greater variance with its own indicators than with other constructs in the model. Accordingly, discriminant validity for all study variables is established, as reflected in the values presented in the table below:

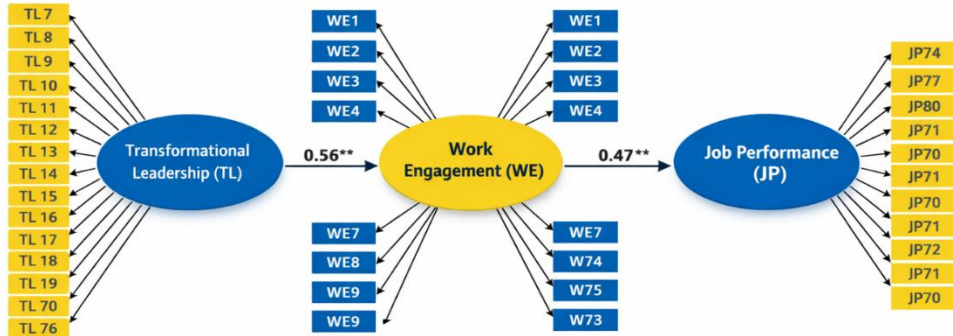
Table 2

Discriminant Validity

	TL	WE	JP
TL	0.634		
WE	0.301	0.511	
JP	0.342	0.37	0.521

4.3 PLS-SEM Model

Figure 2



4.4 Model Evaluation–Blindfolding and Coefficient of Determination

The predictive strength of the endogenous constructs was evaluated using the R^2 and Q^2

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statistics. R^2 values of 0.25, 0.50, and 0.75 indicate weak, moderate, and strong explanatory power of the independent variables over the dependent variables, respectively. The table below presents the R^2 and Q^2 outcomes derived from the PLS-SEM analysis. These results reveal that Transformational Leadership, Work Engagement, and Job Performance are moderately explained by their associated predictors. Additionally, the Q^2 values suggest that all constructs demonstrate substantial predictive relevance.

4.5 Assessment of Multicollinearity and Data Normality

To examine the normality of the research data, T-statistics were analyzed. Typically, SEM analyses employ bootstrapping to evaluate whether the data meet normality assumptions. As suggested by Hair et al. (2012), the bootstrap method provides an effective measure of the data's predictive accuracy. When T-values exceed 1.96 and the corresponding p-values are below 0.05, the data are considered normally distributed, and no multicollinearity issues are present. Table 3 presents the T-statistics and VIF values, which indicate that all study variables fall within acceptable limits, confirming that multicollinearity is not a concern for the constructs used.

Table 3
Weights for Formative Dimensions

Constructs	T- Statistics	P-Value	VIF
TL	11.642	0.004	3.850
WE	6.012	0.001	3.258
JP	3.850	0.002	2.290

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4.6 Hypotheses Testing

Hypotheses test's result with respect to direct relationship between independent and dependent variables has indicated significant positive relationship. The structural path analysis examining the linkage between transformational leadership and work engagement revealed a standardized coefficient (β) of 0.268 with a p-value of 0.02. These results provide empirical evidence of a statistically significant and positive association between transformational leadership practices and employees' level of work engagement. Consequently, the null hypothesis was not supported and the proposed alternative hypothesis was confirmed.

With regard to the relationship between work engagement and job performance, the findings demonstrated a beta coefficient of 5.75 accompanied by a p-value of 0.04. The positive direction of the coefficient, together with the significance level below the conventional threshold of 0.05, indicates a meaningful positive effect of work engagement on job performance. Accordingly, the null hypothesis was rejected and the alternative hypothesis was accepted for this relationship.

Further analysis using the SEM framework also assessed the effect of work engagement on employees' job performance. The results showed a beta value of 3.22 and a t-statistic indicating statistical significance at $p = 0.00$. Given the positive coefficient and highly significant result, the null hypothesis was again rejected. These findings confirm that higher levels of work engagement substantially enhance the job performance of employees working in banking sector (Islamic windows) in Karachi. Table 4 below enumerates details of statistical data of PLS-SEM:

Table 4

Direct Effect

	Original Sample (β)	Sample Mean (M)	Standard Deviation	t-value	p-value	Decision
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TL -> WE	0.31	0.32	0.16	2.68	0.02	Supported
TL -> JP	0.46	0.49	0.11	5.75	0.04	Supported
WE -> JP	0.21	0.23	0.17	3.22	0.00	Supported

4.7 Mediation Analysis

In the hypothesized relationship with regards to mediation effect of work engagement between transformational leadership and job performance of employees working in Islamic banking sector, the statistical data of PLS-SEM has revealed that $\beta = 0.21$, t -value = 2.25 and p -value = 0.01. These statistics indicate that work engagement mediate the relationship between transformational leadership and job performance. Table 5 below shows the summary of statistical results in this regard:

Table 5

Indirect Relationship Analyses

	Original Sample (β)	Sample Mean (M)	Standard Deviation	t-value	p-value	Decision
TL -> WE -> JP	0.21	0.22	0.08	2.26	0.01	Supported

4.8 Findings

This study set out to examine the impact of transformational leadership on the job performance of employees working in Islamic banking sector of Karachi, with a particular focus on the mediating role of work engagement. Drawing upon Transformational Leadership Theory and the Job Demands-Resources (JD-R) Theory, the study provides robust empirical evidence explaining how leadership behaviors influence employees' performance outcomes in a highly demanding banking environment.

The statistical findings of the study conclusively demonstrate that transformational leadership is positively and significantly associated with employees' job performance. Employees who perceive their supervisors as transformational-characterized by

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inspirational motivation, idealized influence, intellectual stimulation, and individualized consideration-tend to exhibit higher levels of task performance as well as stronger helping behaviors. These findings highlight the critical role of leadership in shaping performance outcomes within Karachi's Islamic banking sector, where employees often operate under conditions of workload pressure, performance targets, and operational strain.

Moreover, the results establish work engagement as a significant mediating mechanism in the relationship between transformational leadership and job performance. The mediation analysis confirms that transformational leadership enhances employees' performance not only through direct influence but also indirectly by fostering higher levels of work engagement. Engaged employees, those who are vigorous, dedicated, and absorbed in their work, are more motivated, resilient, and willing to exert extra effort beyond formal job requirements. This finding reinforces the notion that leadership influences performance by shaping employees' psychological and motivational states rather than solely through structural or supervisory control.

The confirmation of work engagement as a mediator provides strong support for the JD-R Theory, which posits that job resources, such as supportive and inspiring leadership, activate motivational processes that lead to improved performance outcomes. In the context of Islamic banking sector in Karachi, transformational leadership functions as a vital job resource that helps employees cope with demanding work conditions, enhances their emotional and cognitive connection to their work, and ultimately improves service quality and customer satisfaction.

Overall, the study makes a meaningful contribution to both theory and practice by empirically validating the transformational leadership-work engagement-job performance linkage within an under-researched context. The findings underscore that improving employees' performance in Islamic banking sector cannot be achieved solely through policy reforms or infrastructural investments; rather, it requires leadership

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approaches that inspire, engage, and empower employees. By demonstrating the central role of work engagement, the study emphasizes that sustainable improvements in banking performance depend on nurturing the psychological well-being and motivational capacity of employees through effective transformational leadership.

In conclusion, this research confirms that transformational leadership is a powerful driver of employees' job performance in Karachi's Islamic banking sector and that work engagement serves as a critical pathway through which leadership exerts its influence. These insights provide a strong foundation for leadership development initiatives and offer valuable guidance for banking administrators seeking to enhance workforce effectiveness and organizational performance.

4.9 Theoretical Contributions

This research advances theory in several key ways. First, it responds to calls for deeper examinations of the processes through which transformational leadership yields positive workplace outcomes (Wang, Oh, Courtright, & Colbert, 2011). We argue that transformational leaders influence follower behavior by nurturing their psychological investment in work. Specifically, transformational leaders articulate meaningful and collective goals, shift attention away from narrow self-interest, create a supportive climate, and provide accessible resources that enable followers to commit their full attention and effort to organizational tasks. When employees are motivated and engaged, they concentrate on tasks that contribute directly or indirectly to organizational effectiveness. After accounting for leader–member exchange, role-based self-efficacy, and transactional leadership, work engagement fully mediated the positive impact of transformational leadership on task performance and helping behavior. These results underscore work engagement as a central motivational mechanism deserving greater emphasis in leadership research.

A second contribution lies in the inclusion of transactional leadership as a control variable. Because transactional and transformational leadership dimensions are often

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interrelated (Wang et al., 2011), isolating transformational effects from transactional influences strengthens the precision of our theoretical model. Bass (1998) noted that transformational leadership builds on transactional foundations; true transformational leaders exhibit both styles. Consistent with this proposition, our findings reveal that transformational leadership's emphasis on collective vision and intrinsic meaning motivates employees more strongly toward engagement than transactional leadership's focus on contingent reward relationships, which aligns with meta-analytic evidence of transformational leadership's augmentation effects on performance and motivation.

Third, even with multiple controls in place, engaged employees demonstrated higher task performance and were more likely to provide help to peers than their less engaged counterparts. Engaged employees invest their cognitive, emotional, and physical energies in overcoming challenges and achieving goals. Because they possess a broader repertoire of work behaviors, they are also more inclined to assist colleagues when needed. These results are consistent with motivational scholarship asserting that internal drive significantly shapes workplace behavior (Pinder, 2011).

4.10 Managerial Implications

Banking administrators should invest in transformational leadership training to enhance employees' engagement and performance. For practitioners, these findings offer actionable insights for both selection and leadership development. Lower-level leaders, such as branch managers and departmental supervisors, occupy pivotal roles in shaping daily work engagement and performance. Frequent interaction with subordinates positions them to effectively communicate organizational vision, provide emotional support, and assist with practical challenges, thereby enhancing engagement. Traditional selection practices often prioritize technical competence over interpersonal motivational skills. To identify leaders with transformational potential, human resource professionals should consider structured behavioral interview questions that elicit candidates'

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experiences inspiring others, stimulating creative problem-solving, and offering support during setbacks.

Leadership development programs are also essential. Transformational leadership behaviors can be cultivated through training that enhances skills in goal setting, motivational communication, creative problem-solving, and emotional support provision. Leaders trained in these competencies are better equipped to elevate followers' work engagement, subsequently driving performance and helping behaviors that bolster organizational effectiveness.

4.11 Social Implications

The demographic composition of the workforce highlighted in this study carries important social implications for Islamic banking service delivery and workforce planning in Karachi. The participation of both male and female employees reflects evolving societal norms regarding professional opportunities and workplace diversity within the Islamic banking sector. This transition underscores the need for inclusive workplace policies that promote gender equity, professional respect, and equal opportunities for career advancement.

Understanding gender distribution among employees can assist policymakers and banking administrators in designing targeted support systems, such as mentorship programs, training initiatives, and work–life balance policies, to address the diverse needs of male and female banking professionals. Such initiatives may contribute to improved job satisfaction, enhanced employee engagement, and ultimately better customer service outcomes.

Furthermore, recognizing demographic realities within Karachi's Islamic banking sector can help strengthen organizational inclusiveness and foster social acceptance of banking as a professional career choice for all genders. By promoting diversity and inclusion within the banking workforce, this study contributes to broader social goals of equality,

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professional empowerment, and sustainable development within Pakistan's Islamic banking system.

4.12 Research Limitations and Future Research Direction

This study possesses several methodological strengths. First, unlike earlier research that employed cross-sectional designs (e.g., Li, Zhang, et al., 2019; Salanova et al., 2011; Song et al., 2012), we utilized multi-temporal data collection, which better supports inferences about the proposed relationships. Second, data were collected from multiple sources, reducing common method bias concerns. Third, by controlling for leader-member exchange, role-based self-efficacy, and transactional leadership, we enhanced the model's predictive validity.

Nonetheless, limitations exist. Only two outcomes were examined; future studies should consider broader follower outcomes, such as innovative or voice behaviors. Second, the sample comprised banking employees, which may limit generalizability across different professions and industries. Future research should replicate our model across diverse occupations and organizational sectors. Third, although our multi-temporal design reduces some confounds, contextual variables, such as changes in organizational policies or evaluation systems during data collection, might still impact findings. Longitudinal research designs with repeated measurements across all variables are recommended to strengthen causal interpretations.

Additionally, comparative studies between Islamic and conventional banking institutions could be conducted to explore whether organizational contexts influence work-related outcomes differently. Longitudinal research designs may also be employed to assess changes in engagement and performance over time, particularly in response to leadership development interventions or policy reforms within the banking sector.

Future research may further incorporate qualitative approaches, such as interviews or focus group discussions, to capture deeper insights into employee-specific challenges, professional expectations, and social dynamics faced by banking professionals.

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Moreover, extending this research to other cities of Pakistan would enhance the generalizability of findings and provide a broader national perspective on workforce dynamics within Pakistan's Islamic banking sector.

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