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**THE INFLUENCE OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLES ON EMPLOYEE PERFORMANCE IS MODERATED BY PSYCHOLOGICAL CAPITAL**

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**ABSTRACT**

<b>Keywords:</b> transformational leadership; transactional leadership; employee performance; psychological capital.	Employee performance can be influenced by several factors, one of which is leadership style. Leaders who have a good leadership style can improve the performance of their employees. This study aims to explore the relationship between transformational leadership style, and transactional leadership on employee performance with the moderating role of psychological capital. This research was conducted on employees who work at BPJS Ketenagakerjaan Tangerang Regency Branch, Cikupa. The research approach used in this research is quantitative research. The method used is the survey method by distributing questionnaires to all employees who work at the BPJS Ketenagakerjaan Branch of Tangerang Regency, Cikupa, totaling 50 people. The tool used in processing data in this study is using Smart-PLS version 4.0. The results of this study indicate that transformational leadership has a significant positive effect on employee performance, transactional leadership has a positive effect on employee performance, and psychological capital moderates the relationship between transformational leadership and employee performance, but in this study, it was found that psychological capital was unable to moderate the relationship between transactional leadership and employee performance
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**Introduction**

In a company, there is a relationship between leaders and subordinates. Human resources are the key to the success of an organization or company. Therefore, good employee management is needed so that it can improve the performance of its employees. Employee performance can be greatly influenced by many factors arising from contexts inside and outside the organization (Islam, Khan, Shafiq, & Ahmad, 2012). Leadership and employee performance are important factors in a company's achieving its goals. Leadership style can affect employee performance, both positively and negatively (Skakon, Nielsen, Borg, & Guzman, 2010). Factors to improve employee performance have become a major challenge for organizations, especially leadership, this requires managers to understand the impact of different leadership styles on employee performance (Wen, Ho, Kelana, Othman, & Syed, 2019).

It is expected that employee performance will improve as a result of a good leadership style. A good leader can convince his followers to achieve organizational goals. Leaders motivate employees and create change, while managers maintain stability.

This is a clear difference between the two (Taran, Shuck, Gutierrez, & Baralt, 2009). Leadership style is considered a clear representation of the traits, skills, and actions shown by leaders in communicating with their subordinates (Ojokuku, Odetayo, & Sajuyigbe, 2012). In leadership, a person can act as a leader through continuous actions that can have an impact on others in achieving organizational goals (Pratama & Elistia, 2020).

Leadership styles have many kinds such as transformational leadership styles that can motivate employees to work better enjoy their work, and be able to prioritize their work over personal affairs. The transformational leadership style approach provides opportunities for making decisions that make employees feel valued to encourage the implementation of discipline for the realization of good performance (Fikri & Prastyani, 2021). Transformational leadership can be a useful tool to stimulate employability in workers (Limburg, Paashuis, & Meijerink, 2014). There is also a transactional leadership style that motivates employees through rewards for good performance and penalties for employees for not working well. Transactional leadership occurs when the leader rewards or disciplines followers, depending on the adequacy of followers (Bass & Riggio, 2006). Transformational and transactional leadership types have effective characteristics to improve employee performance (Baig *et al.*, 2019).

Psychological capital deals with the positive psychology of employees who exhibit positive employee behavior as opposed to negative employee attitudes. Utilizing psychological capital can increase organizational success because instilling optimism in employees can provide higher motivation and good performance in employees as a result. More optimistic employees have a positive perspective, but they will also have the confidence and perseverance to look for other ways if needed to achieve their optimistic goals. Psychological capital has also been shown to be a better predictor of performance and satisfaction than its four individual aspects (Sufya, 2015).

In previous studies, data was obtained from lower- to middle-level managers, but in this study, researchers took data from all employees as well as heads from each field of work. In previous studies, there were three leadership styles studied, namely, transformational leadership, transactional leadership, and laissez-faire (Baig *et al.*, 2019). The author did not include laissez-faire in this study because it adjusted to the place of study. Employee performance within a company can be improved through the influence of leadership style. As happened in the BPJS Employment Tangerang Regency Branch which became the location of the research. The background of this study is because the leaders of the BPJS Employment company have an important role in influencing their employees to improve performance so that the company's targets can be achieved. There are changes in superiors from each field and the head of the office at the BPJS Employment Tangerang Regency Branch, allowing changes in leadership style and policies. This study aims to explore the relationship between transformational leadership style, and transactional leadership to employee performance with the role of psychological capital moderation.

## Research Methods

In this study, researchers used quantitative analysis methods with a type of questionnaire survey method approach to measure the variables to be measured. In data collection, questionnaire dissemination techniques were used using the Likert scale consisting of 5 alternative answers, such as Strongly Agree (SS), Agree (S), Neutral (N), Disagree (TS), and Strongly Disagree (STS). This Likert scale is used to measure the attitudes, opinions, and perceptions of individuals or groups towards certain social phenomena (Sugiyono, 2021). The measurement of transformational leadership variables consists of 5 statements adopted from (Alrowwad, Abualoush, & Masa'deh, 2020). The measurement of transactional leadership variables consists of 4 statements adopted (Sutisna & SH, 2021). The measurement of psychological capital variables consists of 13 statements adopted from. The measurement of employee performance variables consists of 5 statements adopted from.

Population is a general area that includes elements or individuals with certain characteristics and qualities chosen by researchers as research subjects to be investigated to then conclude from the results of the study. This research will use 50 employees of BPJS Employment Tangerang Cikupa Regency Branch with more than 1 year of work as a population.

Saturated sampling is a sampling method that takes all members of the population as samples. Another term for saturated samples is a census, where all members of the population are the subjects of the sample selected for research. In this study, the census technique was used because the number of employees of the BPJS Employment Branch of Tangerang Cikupa Regency was only 50 people, where the population was less than 100. Therefore, the entire population can be used as an observation unit without the need for sampling.

In this study, the approach applied to analyze the data was to use PLS-SEM. PLS-SEM is a variance-based method for estimating structural equation models (Hair, Hult, Ringle, & Sarstedt, 2017). Model evaluation is carried out in Partial Least Square (PLS) by testing the Outer model and Inner model. This method is used because the problem-solving in this study can be processed properly and also because the number of respondents in this study is not large. The use of PLS-SEM in data management generally achieves a high level of statistical power, even with small sample sizes, and the larger the sample size will increase the accuracy of PLS-SEM estimates (Hair *et al.*, 2017). In PLS-SEM, the minimum sample size recommendation used is 30 – 100 samples.

To analyze the data of this study, the tool used is Smart-PLS version 4.0. To determine the validity and reliability of the instrument, it will be tested using validity and reliability tests. The data can be said to be valid if the outer loadings indicator is higher than 0.70. In convergent validity, the AVE (Average Variance Extracted) value must be higher than 0.50. In reliability tests, Cronbach's alpha value must be higher than 0.70 (Hair *et al.*, 2017).

## **Results and Discussion**

**Table 1**  
**Outter Loadings**

	Employee Performance	Psychological Capital	Transformational Leadership	Transactional Leadership
KK1	0.853			
KK2	0.914			
KK3	0.901			
KK4	0.864			
KK5	0.854			
PC1		0.884		
PC2		0.905		
PC3		0.895		
PC4		0.886		
PC5		0.855		
PC6		0.935		
PC7		0.867		
PC8		0.828		
PC9		0.887		
PC10		0.929		
PC11		0.909		
PC12		0.856		
PC13		0.882		
TFL1			0.923	
TFL2			0.903	
TFL3			0.874	
TFL4			0.927	
TFL5			0.942	
TSL1				0.863
TSL2				0.933
TSL3				0.871
TSL4				0.904

The results of convergent validity testing in this study by testing the outer model show that indicators on the variables of transformational leadership, transactional leadership, psychological capital, and employee performance are acceptable because they have outer loadings values above 0.07 and these variables have AVE (Average Variance Extracted) values above 0.50.

**Table 2**  
**Constructs of Reliability and Validity**

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0.925	0.933	0.770
Psychological Capital	0.978	0.995	0.786
Transformational Leadership	0.951	0.970	0.835

Transactional Leadership	0.916	0.940	0.798
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Cronbach's alpha value on the variables transformational leadership was 0.951, transactional leadership was 0.916, psychological capital was 0.978, and employee performance was 0.925. While in the value of composite reliability, all variables have values above 0.70. So it can be concluded that statement items on the variables of transformational leadership, transactional leadership, psychological capital, and employee performance can be said to be valid and reliable.

**Table 3**  
**Validitas Diskriminan Fornell-Lacker criterion**

	Employee Performance	Psychological Capital	Transformational Leadership	Transactional Leadership
Employee Performance	0.878			
Psychological Capital	0.215	0.886		
Transformational Leadership	0.581	0.756	0.914	
Transactional Leadership	0.352	0.037	-0.002	0.893

In testing the validity of the Fornell-lacker criterion discriminant, the root value of the AVE must be greater than the correlation value between latent variables, so that the construct is considered valid. The results show that all AVE roots of each variable are greater than the correlation values between latent variables. Thus, all constructs meet the conditions of discriminant validity.

**Table 4**  
**Nilai R Square**

	R-Square	R-Square Adjusted
Employee Performance	0.796	0.772

Based on the results of the determination coefficient test, transformational leadership, and transactional leadership variables simultaneously affect employee performance with an R Square value of 0.796 and an Adjusted R Square value of 0.772. So it can be explained that all exogenous variables simultaneously affect endogenous variables by 77% while the remaining 23% can be explained by variables that are not contained in this study. Because the Adjusted R Square value is above 0.75, it can be said that the model is strong.

**Table 5**  
**Research Model Hypothesis Test**

The Influence Of Transformational And Transactional Leadership Styles On Employee Performance Is Moderated By Psychological Capital

Hipotesis	Statement	Path Coefficient	T Statistics	P-Value	Information
H1	Transformational Leadership has a positive influence on Employee Performance.	0.872	2.466	0,007	Hipotesis Diterima
H2	Transactional Leadership has a positive influence on Employee Performance.	0.327	2.432	0,008	Hipotesis Diterima
H3	<i>Psychological Capital</i> moderates the relationship between Transformational Leadership and Employee Performance.	0.284	1.973	0,024	Hipotesis Diterima
H4	<i>Psychological Capital</i> moderates the relationship between Transactional Leadership and Employee Performance.	-0.294	1.393	0,082	Hipotesis Ditolak

Based on the results of the hypothesis test, as shown in the table above, H1, H2, and H3 are accepted because they have positive path coefficient values and have statistical T values of more than 1.960 and P-values below 0.05. However, H4 is rejected because it has a statistical T value of less than 1.960 and a P-value of more than 0.05 so hypothesis 4 cannot be accepted.

#### **Transformational Leadership to Employee Performance**

Preliminary findings from this study indicate that transformational leadership has a significantly positive effect on employee performance. This is because, transformational leadership encourages the development of BPJS Employment employees of the Tangerang Regency Branch through training, mentoring, and providing opportunities for career growth. By providing the support and resources necessary to enhance skills and knowledge, transformational leaders help employees achieve higher levels of performance and reach their full potential. The results of this study are in line with previous research (Lee *et al.*, 2022; Amin, 2018; Manzoor *et al.*, 2019).

#### **Transactional Leadership to Employee Performance**

The second finding shows that transactional leadership has a significantly positive impact on employee performance. This is because, transactional leadership involves the exchange of transactions between leaders and employees of BPJS Employment Tangerang Regency Branch, where clear expectations, tasks, and targets are set. Transactional leaders ensure that employees follow established procedures, meet established quality standards, and achieve efficient results. By maintaining high levels of quality and efficiency, transactional leadership provides a solid foundation for good performance in organizations. This finding is consistent with the results of previous studies showing that employee performance is positively influenced by transactional leadership (Otieno & Njoroge, 2019; Abdelwahed *et al.*, 2022; Ohemeng *et al.*, 2018).

### **Transformational Leadership of Employee Performance Moderated by Psychological Capital**

The third result showed that psychological capital moderated the relationship between transformational leadership and employee performance. High psychological capital, such as hope, confidence, optimism, and resilience, provides employees with strong psychological resources to achieve goals and face challenges. When transformational leaders encourage intellectual stimulation, provide freedom of thought, and support innovative initiatives, high psychological capital enhances employees' ability to innovate and make valuable contributions to achieving superior performance. High psychological capital enhances employee response to transformational leadership by providing strong psychological resources, reinforcing commitment, enhancing creativity, and deepening the relationship between leader and employee. The findings in this study are consistent with previous research that psychological capital moderates the relationship between transformational leadership and employee performance (Baig *et al.*, 2019; Luthans *et al.*, 2005; Avey *et al.*, 2009).

### **Transactional Leadership on Employee Performance Moderated by Psychological Capital**

The fourth result showed that psychological capital was unable to moderate the relationship between transactional leadership and employee performance. This is because employees of BPJS Ketenagakerjaan Tangerang Regency Branch rely more on external motivation factors such as salary, incentives, and recognition than on internal motivation that arises from within the employee, however, if employees do not receive significant or inadequate external rewards, they can feel unmotivated to achieve high levels of performance, which can affect performance because employees are less engaged and bonded emotional with their work. If transactional leadership does not provide adequate stimulation or adequate recognition to employees, it can reduce the influence of transactional leadership on employee performance. The findings of this study are not in line with previous studies (Toor & Ofori, 2010; Beatrice, 2020; Crawford, 2005; Pieterse *et al.*, 2009).

### **Conclusion**

Based on the studies that have been conducted, the results show that transformational leadership and transactional leadership improve employee performance directly. In transformational leadership, the leader provides training for employee development whereas in transactional leadership the leader ensures employees meet specified standards to improve employee performance. The higher the transformational and transactional leadership, the better the employee performance. Furthermore, psychological capital also strengthens the relationship between transformational leadership and employee performance. However, psychological capital weakens the relationship between transactional leadership and employee performance.



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