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The Role of Benevolent Leadership in Fostering Employee Engagement: Insights from a Social Exchange Perspective

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Abstract

The post-pandemic shift to hybrid work has highlighted the need for new leadership approaches to effectively manage geographically dispersed teams. Balancing professional responsibilities with family obligations requires leaders to extend their support beyond traditional workplace boundaries to maintain employee engagement. In the banking sector, the role of leadership in overseeing remote work is particularly critical, as managers must attend to employees' physical and mental well-being to ensure smooth operational performance. This study examines benevolent leadership—a leadership style characterized by holistic care extending beyond work tasks—and its effect on employee engagement through the mechanism of psychological empowerment, grounded in social exchange theory. Using a cross-sectional design, data were collected from 280 banking employees in Malaysia. Results indicate that psychological empowerment mediates the relationship between benevolent leadership and employee engagement. The study highlights the essential role of empowerment in enabling benevolent leaders to foster engagement in a hybrid, multicultural banking context. Recommendations include enhancing leadership practices in engagement programs and strategic task delegation to effectively boost employee involvement in the banking sector.

Keywords: Benevolent leadership, Employee engagement, Psychological empowerment, Hybrid work, Banking employees

Introduction

The COVID-19 pandemic has posed unprecedented challenges to global economic activities, affecting various industries, including financial institutions [1]. In response, banks have adjusted their workforce strategies to align with the new normal, adopting measures such as flexible working hours, workforce downsizing, and restructuring compensation schemes to navigate financial uncertainties [2]. The emergence of hybrid working arrangements has created a need for revised performance metrics that suit dispersed workforces [1]. Managing geographically scattered teams presents a significant challenge for banking leaders aiming to maintain high productivity and sustain employee engagement [2]. Even before the pandemic, employee engagement had been a priority in the banking sector [3], with Malaysian banks implementing programs ranging from rewards and wellness activities to remote work arrangements and digital learning platforms to enhance engagement [4-9]. Post-pandemic, engagement initiatives have gained further prominence due to the challenges of remote work. However, the role of leadership in fostering engagement has received limited attention. Beyond providing incentives, technology support, or engagement events, effective leadership that shapes a hybrid workplace culture may offer a sustainable strategy for maintaining employee engagement.

Employee well-being has become a central focus since the onset of COVID-19, particularly in the financial sector [2, 10]. Proactive concern for employees' personal and family needs has emerged as a key leadership criterion to sustain productivity during the pandemic [2]. The work-from-home culture has blurred the boundaries between work and life, often creating

conflicts between professional responsibilities and family roles [11]. Bank employees are now expected to manage tasks beyond standard office hours while fulfilling domestic roles. Surveys by Deloitte indicate that 80% of bank executives report heightened emphasis on employee safety and well-being, with managers trained to address both physical and emotional needs [2]. Gallup research suggests that employee well-being enhances engagement, which in turn can improve customer spending and contribute up to 37% of revenue [10]. These findings underscore the importance of prioritizing well-being and engagement in performance-driven sectors. Consequently, leadership approaches that offer emotional support and attention to well-being have become increasingly relevant [10]. Nevertheless, empirical evidence examining leadership styles that integrate employee well-being to sustain engagement remains limited. This study identifies benevolent leadership as a promising approach to maintain engagement in the evolving hybrid banking environment. By attending to employees' work conditions and personal welfare, benevolent leaders may help sustain performance levels critical for profitability.

Drawing on social exchange theory, benevolent leaders enhance follower outcomes by eliciting a sense of obligation to reciprocate through supportive and caring behaviors [12, 13]. Key behaviors include respecting employees' autonomy and supporting their professional development, which can empower employees and foster reciprocal effort and engagement [13]. Qualitative evidence from Canadian banks supports this perspective, indicating that empowerment, autonomy, and opportunities for decision-making are crucial for sustaining employee engagement [14]. Therefore, this study posits that benevolent leadership can strengthen engagement through the mechanism of psychological empowerment.

Based on this discussion, the study addresses the following research questions:

RQ1: Does benevolent leadership influence employees' psychological empowerment?

RQ2: Does benevolent leadership enhance employee engagement?

RQ3: Does psychological empowerment affect employee engagement?

RQ4: Does psychological empowerment mediate the relationship between benevolent leadership and employee engagement?

The remainder of this paper is organized as follows: Section 2 reviews relevant literature and develops research hypotheses; Section 3 describes the methodology, including sampling, construct measurement, and analytical procedures; Section 4 presents the results; Section 5 discusses the findings, theoretical contributions, practical implications, limitations, and directions for future research; and Section 6 concludes the study.

Literature Review

Benevolent leadership

The notion of "benevolent leadership" was initially developed by Cheng *et al.* [15] as a component of paternalistic leadership, a style commonly observed in Chinese family businesses. Paternalistic leadership characterizes leader-subordinate interactions akin to a parent-child relationship [16, 17] and encompasses three dimensions: benevolence, moral leadership, and authoritarianism [15]. Rooted in Confucian philosophy, benevolent leadership emphasizes earning employees' respect through acts of kindness and care [13, 17-19]. It is most commonly defined as the "individualized, holistic concern for subordinates' personal or family well-being" [20]. Subsequent research elaborated on specific benevolent behaviors, including treating employees as family members, assisting during personal crises, showing concern for career growth, providing mentoring and feedback, ensuring job security, preventing public embarrassment, and allowing opportunities to correct mistakes [21]. Benevolent leadership is distinguished by its extension of care beyond professional responsibilities, addressing both workplace challenges and personal issues [22]. This leadership style prioritizes concern for employees themselves rather than solely their work performance [17] and may even extend care to employees' family members, demonstrating interest in their personal lives [23, 24].

Psychological empowerment

The concept of psychological empowerment emerged over the last three decades, originating from two perspectives: relational and motivational constructs [25]. The relational perspective views empowerment as the delegation of formal authority and control over organizational resources from leaders to subordinates, whereas the motivational perspective emphasizes individuals' intrinsic desire for self-determination and perceived efficacy. The motivational approach was adopted as the defining framework for empowerment, describing it as "a process of enhancing feelings of self-efficacy among organizational members through identifying conditions that foster powerlessness and alleviating them via formal organizational practices and informal efficacy support" [25]. Neilsen [26] similarly argued that empowerment involves enhancing subordinates' self-worth alongside providing necessary resources. Thomas and Velthouse [27] further refined the concept by highlighting employees' perceptions of meaning, competence, self-determination, and impact in their roles. Spreitzer [28] formally coined the term "psychological empowerment," conceptualizing these four dimensions as an active orientation toward one's work role, reflecting employees' intention and confidence in shaping their tasks and work environment.

Psychological empowerment has gained widespread attention due to its proven effectiveness in enhancing leadership outcomes, team performance, and organizational development [25, 29]. Previous research emphasizes that the distribution of

power and control within organizations significantly affects overall effectiveness [30, 31]. Spreitzer [28] noted that empowerment is context-dependent, shaped by working conditions rather than a fixed personality trait. Benevolent leaders facilitate empowerment by providing employees with autonomy, supporting skill development, and encouraging self-determination [13]. In the banking sector, managers are expected to cultivate empowerment skills to enhance employees' confidence, consistent with Kahn's theory on motivating employees and transforming attitudes and behaviors [14]. Accordingly, benevolent leadership is particularly suited for fostering psychological empowerment among banking employees.

Hypothesis 1 (H1): Benevolent leadership has a significant and positive effect on employees' psychological empowerment.

Employee engagement

Employee engagement was initially conceptualized by Kahn [32] as "the harnessing of organization members' selves to their work and expressing themselves physically, cognitively, and emotionally during role performance" (p. 694). Engagement occurs when individuals feel a personal connection to their work roles [32], with employees' behaviors in roles they perceive as meaningful reflecting their full involvement [33]. Schaufeli *et al.* [34] later defined engagement as a positive and fulfilling work-related state characterized by vigor, dedication, and absorption. Vigor refers to the energy and resilience invested in work, dedication represents a sense of significance, enthusiasm, pride, and challenge, and absorption denotes deep focus, often making detachment from work difficult. This conceptualization frames engagement as a stable affective-cognitive state not tied to a specific object or task [34]. Later research re-emphasized role-related definitions, highlighting engagement as a unique construct encompassing cognitive, emotional, and behavioral components of one's work role [35]. Employees' engagement is influenced by the resources and support provided by their organization, allowing them discretion over the level of engagement they offer. Welbourne and Schlachter [33] synthesized these perspectives using role theory, clarifying that engagement can refer both to deeper individual involvement in one's work and to the motivation to go beyond core role responsibilities. Overall, engagement represents employees' investment of time, effort, and energy aimed at enhancing individual or organizational performance [33].

Benevolent leaders, who prioritize employees' well-being beyond the workplace [20], are widely recognized as positive leadership figures [16]. Benevolent behaviors—including holistic care, treating employees as family, assisting with personal problems, providing feedback, mentoring, and supporting career development [21]—reflect supervisory support and foster organizational learning and development. Empirical evidence highlights that leader behaviors emphasizing concern for subordinates' growth and development act as important stimulants for engagement [36]. Relationship- and task-oriented leadership behaviors, such as demonstrating integrity, genuine concern, management, and mentoring, have also been positively linked to engagement [37, 38]. Supportive supervisory relationships create environments where employees feel safe to fully invest themselves in their roles [39]. In the banking context, Henry [14] found that strategies fostering engagement include promoting employee development, learning from mistakes, and building high-quality relationships through continuous interaction. Accordingly, benevolent leaders who support employees' growth both professionally and personally are expected to enhance engagement.

Hypothesis 2 (H2): Benevolent leadership has a significant and positive effect on employee engagement.

Impact of psychological empowerment on employee engagement

Psychological empowerment has been widely recognized as an antecedent of employee engagement (e.g., Albrecht & Andreetta [40]; Henry [14]; Xiao *et al.* [41]; Zheng & Tian [42]). Empowerment emerges from both individual characteristics and work context, influencing motivation and behavior [27]. When employees perceive their leaders as empowering, they feel capable and motivated, which encourages higher work contribution [40]. In banking, managers report that engagement increases when employees are granted autonomy, trust, decision-making opportunities, and recognition [14]. Similarly, Xiao *et al.* [41] found that meeting employees' need for autonomy fosters psychological empowerment, which in turn enhances engagement. Cross-cultural studies across 27 countries have also confirmed the positive link between psychological empowerment and employee engagement [42].

Hypothesis 3 (H3): Psychological empowerment has a significant and positive effect on employee engagement.

Social exchange theory and benevolent leadership in promoting employee engagement

Social exchange theory, introduced by Blau [43], posits that individuals engage in voluntary actions with the expectation of receiving reciprocal benefits from others (p. 91). This framework is widely applied to understand how resources—both material and non-material—are exchanged between parties [44, 45]. In this process, the initial act of favor from the giver creates a sense of obligation in the recipient, motivating them to reciprocate [46, 47]. This reciprocation establishes a "rule" of ongoing exchange, sustaining mutually beneficial interactions as long as neither party violates the agreement [46, 48].

Effective social exchanges often involve altruistic and compassionate behaviors that extend beyond formal work responsibilities [49]. Numerous studies on benevolent leadership have applied social exchange theory to explain why

employees respond with positive organizational behaviors to leaders' supportive actions (e.g., Wang & Cheng [17]; Chan & Mak [24]; Erkutlu & Chafra [13]; Li *et al.* [50]). The cultural roots of benevolent leadership are embedded in Confucian philosophy, which emphasizes kindness and gentle guidance from superiors. In such dyadic relationships, the favors provided by leaders are considered "social investments," with an expectation of reciprocal returns [20]. Recognition and appreciation from leaders enhance employees' sense of value, fostering gratitude and motivating reciprocation through commitment and performance [18, 20, 51]. Leaders' benevolence is ineffective if subordinates do not respond positively, as unwillingness to reciprocate may hinder the development of a cooperative relationship [20].

According to social exchange theory, employees who perceive support and recognition are likely to develop positive attitudes and behaviors as a form of repayment to the organization [41]. Benevolent leaders contribute to psychological empowerment by promoting autonomy and supporting employees' self-determination [13], which aligns with the concept of empowerment [28, 40-42]. Leaders who respect employees' discretion and consider their personal needs encourage subordinates to reciprocate through increased engagement. By understanding employees' actual needs and providing holistic support, benevolent leaders enhance well-being and foster engagement [52-54]. The process creates a reinforcing cycle in which employees are motivated to continue reciprocating positive treatment with effort and engagement [46, 47]. Based on this reasoning, it is proposed that benevolent leadership enhances employee engagement through psychological empowerment.

Hypothesis 4 (H4): Psychological empowerment mediates the relationship between benevolent leadership and employee engagement.

Methodology

Sample and data collection

This study targeted employees from conventional local banks in Malaysia, as this sector represents the core banking industry. Given the persistence of hybrid work arrangements in Malaysian banks, data collection was conducted through personal contacts to ensure access to employees across various management levels. Judgmental sampling was employed, selecting only employees who had worked under the same supervisor for at least one year to ensure accurate assessment of leadership behaviors. A priori sample size calculation using G*Power [55, 56] indicated a minimum of 138 participants, assuming a medium effect size ($f^2 = 0.15$) and an alpha level of 0.05.

The questionnaire was pretested with six bank employees and five academics from Malaysian universities specializing in banking, finance, management, or research methodology. The pretest ensured the instrument's appropriateness for the Malaysian banking context, incorporating reviewer feedback. The study obtained ethical approval from the Research Ethics Committee of the Technology Transfer Office, Multimedia University (Approval Number: EA0672022), following the Declaration of Helsinki guidelines.

A total of 349 questionnaires were distributed online, accompanied by a cover letter explaining the study's purpose, confidentiality assurances, and voluntary participation. Responses indicated consent to participate. Of these, 303 were returned, yielding an 86.82% response rate. After screening for completeness, 280 responses were retained. The sample included predominantly employees aged 31–40 (70.36%), with bachelor's degrees (76.07%), more than 10 years of tenure (74.29%), and holding assistant or deputy manager positions (50%) across Malaysia's main cities (Klang Valley, Penang, and Johor Bahru).

Measures

Employees in the participating banks evaluated their supervisors' benevolent leadership behaviors along with their own levels of psychological empowerment and work engagement. All scales used in the study were based on a seven-point Likert format, ranging from 1 ("strongly disagree") to 7 ("strongly agree"). Benevolent leadership was assessed using the Chinese scale developed by Cheng *et al.* [15] ($\alpha = 0.94$). This measure, later translated into English by the authors [18], includes 11 items. Example statements include "My supervisor treats us like family" and "My supervisor helps me handle difficult issues in daily life."

Psychological empowerment was measured with Spreitzer's [28] 12-item instrument ($\alpha = 0.894$), which captures four components: meaning, competence, self-determination, and impact. Sample items include "My job activities have personal significance for me" and "I have a great deal of independence in how I carry out my work." Employee engagement was assessed using the short English version of the Utrecht Work Engagement Scale (UWES) from Schaufeli *et al.* [57] ($\alpha = 0.920$). This nine-item scale covers vigor, dedication, and absorption. Illustrative items include "I feel enthusiastic about my job" and "I become fully immersed in my work."

Statistical methods

The hypotheses were examined through structural equation modeling (SEM) using SmartPLS 4.0. Because the study seeks to explore new causal pathways within a relatively complex model of well-established constructs, the partial least squares (PLS)

approach was considered appropriate. PLS-SEM is often preferred for research aiming to refine or extend theory and is widely used in human resource management due to its suitability for generalizing relationships across employee groups [58, 59]. The analysis followed the standard two-step sequence of evaluating the measurement model and then the structural model. Benevolent leadership was treated as a single construct, whereas psychological empowerment and engagement consisted of four and three dimensions, respectively. With the exception of the vigor and dedication dimensions—modeled formatively because their items are not interchangeable [60]—all constructs were reflective. Consequently, the measurement model assessment included first-order reflective, first-order formative, and second-order formative constructs. Afterward, the structural model was estimated to test the proposed relationships, followed by mediation testing.

Results

Measurement model findings

Harman's single-factor test was applied to check for common method bias [61]. The first factor accounted for 32.74% of the overall variance, remaining below the 50% guideline and indicating no serious common method concerns [62]. Confirmatory factor analysis using PLS-SEM [59] was then conducted. Two items from the psychological empowerment scale (PE4 and PE7) were removed to ensure discriminant validity. As reported in **Table 1**, Cronbach's alpha values were above 0.70, average variance extracted (AVE) exceeded 0.50, and composite reliability (CR) was greater than 0.70, collectively demonstrating adequate internal consistency and convergent validity [63].

Table 1. Confirmatory factor analysis results – first-order reflective constructs

Constructs	Dimensions	Indicators	Loadings λ	Cronbach's α	CR	AVE
Benevolent leadership		BL1	0.737	0.940	0.949	0.627
		BL2	0.829			
		BL3	0.812			
		BL4	0.686			
		BL5	0.830			
		BL6	0.810			
		BL7	0.775			
		BL8	0.828			
		BL9	0.828			
		BL10	0.719			
		BL11	0.842			
Psychological empowerment	Meaning	PE1	0.863	0.843	0.905	0.761
		PE2	0.879			
		PE3	0.875			
	Competence	PE4	Item deleted	0.783	0.902	0.821
		PE5	0.897			
		PE6	0.915			
	Self-determination	PE7	Item deleted	0.785	0.903	0.823
		PE8	0.899			
		PE9	0.915			
	Impact	PE10	0.710	0.746	0.857	0.667
		PE11	0.856			
		PE12	0.875			
Employee engagement	Absorption	EE7	0.825	0.758	0.860	0.672
		EE8	0.824			
		EE9	0.809			

Note: CR = "Composite Reliability", AVE = "Average Variance Extracted"

Discriminant validity was evaluated using both the Fornell–Larcker criterion and the heterotrait–monotrait (HTMT) ratio, as reported in **Table 2**. The square roots of the AVE values, shown along the diagonal, all exceeded 0.70 and were higher than the correlations between constructs, meeting the Fornell–Larcker requirement [64]. In addition, all HTMT values, presented below the diagonal, were below the recommended threshold of 0.90 [63]. Together, these results confirm that the constructs demonstrate adequate discriminant validity.

Table 2. Discriminant validity: Fornell-Larcker CRITERION and Heterotrait-Monotrait (HTMT)

	1	2	3	4	5	6
1. Absorption	*0.819*					

2. Benevolent leadership	0.31	*0.792*			
3. Competence	0.472	0.29	*0.906*		
4. Impact	0.516	0.593	0.587	*0.817*	
5. Meaning	0.498	0.269	0.855	0.392	*0.872*
6. Self-determination	0.464	0.251	0.899	0.522	0.85	*0.907*

Notes: Diagonal with italic font– Fornell-Larcker criterion values; Below the diagonal – HTMT values.

Bootstrapping was applied to the first-order formative measurement model to obtain the outer weights and corresponding p-values for the formative indicators. As presented in **Table 3**, all formative items exhibited variance inflation factor (VIF) values below 3.0 and showed statistical significance at the $p < 0.05$ level. These results indicate that the formative measures meet the necessary validity requirements. **Figure 1** displays the first-order measurement model used in the analysis.
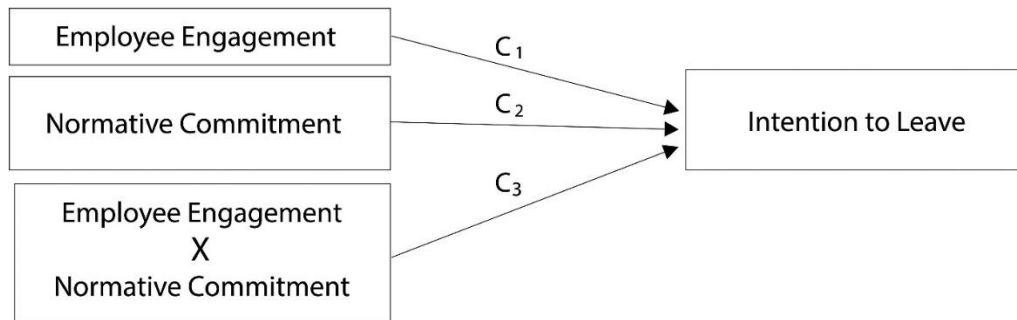

Figure 1. First-order measurement model.

Table 3. First-order formative constructs – variance inflation factor (VIF) and weights.

Constructs	Dimensions	Indicators	VIF	Weights	*p*-value
Employee engagement	Vigor	EE1	1.289	0.298	0.004
		EE2	1.238	0.500	0.000
		EE3	1.299	0.495	0.000
	Dedication	EE4	1.229	0.220	0.025
		EE5	1.216	0.529	0.000
		EE6	1.298	0.537	0.000

The second-order formative model was examined using latent variable scores produced from the first-order analysis. As shown in **Table 4**, all Variance Inflation Factor (VIF) values fell below the cutoff of 3.0, indicating that collinearity was not problematic. Although the competence and self-determination dimensions did not yield significant outer weights ($p > 0.05$), their outer loadings were reviewed to provide an additional check on construct adequacy. These loadings were all statistically significant, with p-values under 0.05 and t-statistics between 8.272 and 24.397—well above the recommended minimum of 5.0 [65]. Overall, the results confirm that the second-order formative model meets the required validity standards.

Table 4. Second-order formative constructs - variance inflation factor (VIF), weights and loadings

Constructs	Indicators	VIF	Weights	*p*-value	Loadings	*t*-value	*p*-value
Psychological empowerment	Meaning	2.283	0.429	0.000	0.681	10.372	0.000
	Competence	2.536	0.045	0.331	0.668	10.154	0.000
	Self-determination	2.399	−0.001	0.495	0.617	8.272	0.000
	Impact	1.256	0.754	0.000	0.900	24.397	0.000
Employee Engagement	Vigor	2.076	0.405	0.001	0.886	18.238	0.000
	Dedication	1.806	0.399	0.000	0.854	17.119	0.000
	Absorption	1.674	0.365	0.000	0.823	14.393	0.000

Tests of hypotheses

The structural model was evaluated by estimating the path coefficients (β) and testing their significance using a bootstrapping procedure with 5,000 resamples, followed by an examination of the model's predictive capability. As shown in **Table 5**, hypotheses H1 and H3 received empirical support, whereas H2 did not. Benevolent leadership was found to significantly enhance psychological empowerment ($β = 0.495$, $p < 0.05$). Psychological empowerment, in turn, demonstrated a significant positive effect on employee engagement ($β = 0.547$, $p < 0.05$). In contrast, the direct path from benevolent leadership to employee engagement was not statistically significant ($β = 0.075$, $p > 0.05$). The structural model is depicted in **Figure 2**.
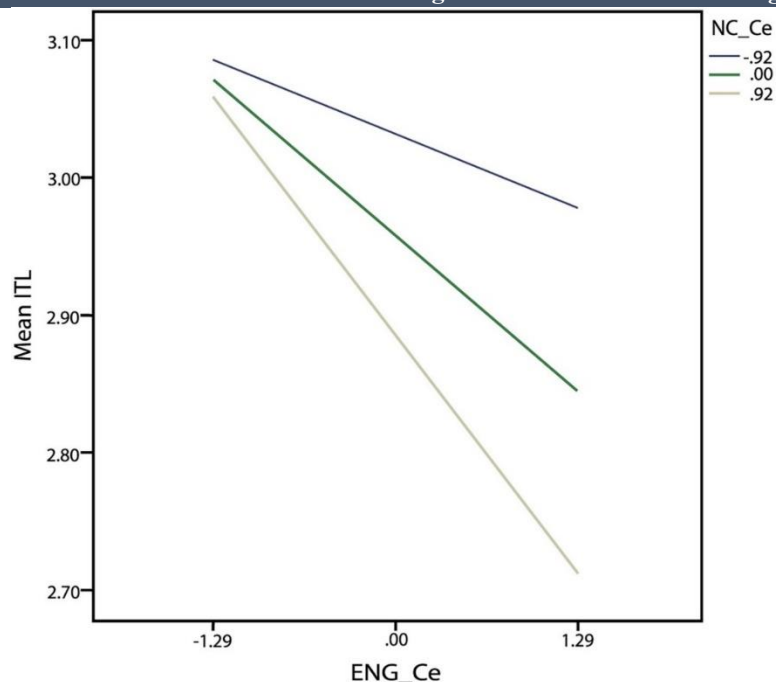
Figure 2. Structural model

Table 5. Hypothesized Paths of Benevolent Leadership (BL), Psychological Empowerment (PE) and Employee Engagement (EE).

Hypotheses	Path coefficient (β)	t-value	p-value	Lower	Upper	Supported
H1: BL-PE	0.495*	10.904	0.000	0.427	0.574	Yes
H2: BL-EE	0.075	1.420	0.078	−0.014	0.161	No
H3: PE-EE	0.547*	11.437	0.000	0.476	0.635	Yes

Note: *Significant with p < 0.05

The model's predictive capability was evaluated using the coefficient of determination (R^2) and the Stone–Geisser Q^2 statistic. For a model to demonstrate meaningful predictive strength, R^2 values should meet or exceed 0.10 [66], and Q^2 values should be greater than zero [67]. As shown in **Table 6**, all R^2 values surpassed the 0.10 threshold and all Q^2 values were positive. Psychological empowerment had an R^2 of 0.245, while employee engagement had an R^2 of 0.346, indicating that benevolent leadership accounted for 24.5% of the variance in psychological empowerment and 34.6% of the variance in employee engagement. Additionally, the Q^2 values for these two endogenous constructs were 0.229 and 0.107, confirming that the exogenous variable—benevolent leadership—possesses predictive relevance for both outcomes. Overall, the findings show that the structural model demonstrates adequate predictive accuracy and validity.

Table 6. Model's Predictive Relevance - Co-Efficient of Determination (R^2) and Stone-Geisser (Q^2) Statistic. (Table view)

Constructs	R^2	Q^2
Psychological Empowerment	0.245	0.229
Employee Engagement	0.346	0.107

To examine whether psychological empowerment mediated the relationships in the model, a mediation test was run in SmartPLS using 5,000 bootstrap samples. The assessment considered three components:
the indirect pathway, representing how the independent variable influences the dependent variable through the mediator; the total effect, reflecting the overall influence before introducing the mediator; and the direct effect, indicating the remaining relationship once the mediator is included.

Table 7 reports the total and direct effects, while **Table 8** provides the estimated indirect effect for psychological empowerment.

Table 7. Total and Direct Effect between Benevolent Leadership (BL) and Employee Engagement (EE)

Total effect (BL->EE)			Direct effect (BL->EE)		
Coefficient	t-value	p-value	Coefficient	t-value	p-value
0.346	6.587	0.000	0.075	1.420	0.078

Note: *Path is significant at $p < 0.01$.

Table 8. Indirect Effect of Psychological Empowerment (PE) on the Relationship between Benevolent Leadership (BL) and Employee Engagement (EE)

Hypothesis	Indirect effect				Percentile bootstrap 95% confidence interval		Conclusion
	Coefficient	Standard error	t-value	p-value	Lower	Upper	
H4: BL->PE->EE	0.271	0.038	7.147	0.000	0.219	0.345	Supported (full mediation)

Note: *Path is significant at $p < 0.01$.

The analysis showed that benevolent leadership had a significant overall influence on employee engagement ($\beta = 0.346$; t = 6.587, p < 0.001). The indirect pathway through psychological empowerment was also significant (H4: $\beta = 0.271$; t = 7.147, p < 0.001). However, the direct relationship between benevolent leadership and employee engagement was not statistically meaningful (H2: $\beta = 0.075$; t = 1.420, p = 0.078). As only the indirect path reached significance, the findings indicate a full mediation, confirming psychological empowerment as the mechanism through which benevolent leadership enhances employee engagement.

Discussion

This research examined whether benevolent leadership can strengthen engagement among employees working in hybrid arrangements within Malaysia's banking sector, and whether psychological empowerment plays a central role in this process. The results demonstrate that while benevolent leadership does not directly raise engagement levels, it does significantly enhance psychological empowerment, which in turn leads to higher engagement. This pattern confirms that empowerment acts as a crucial mediator linking benevolent leadership to engagement outcomes.

The positive link between benevolent leadership and psychological empowerment suggests that leaders who show concern for employees' well-being help satisfy employees' growing need for autonomy. Banking institutions traditionally operate under rigid procedures to minimize error and financial risk, but hybrid work structures demand rethinking established practices. As remote work increases communication barriers and procedural friction, leaders who are attentive to employees' needs may reduce unnecessary reporting burdens and provide employees with more discretion in less critical decisions. Such supportive leadership behaviors likely create an environment where employees feel trusted and psychologically supported, reducing stress and reinforcing their sense of agency.

The strong effect of psychological empowerment on engagement aligns with prior research (e.g., Albrecht & Andreetta [40]). Social exchange principles suggest that when employees perceive they are granted more autonomy and responsibility, they feel compelled to reciprocate through higher dedication and involvement [68]. Given that the banking industry is often more structurally constrained than other fields, employees may have an even stronger desire for autonomy. Therefore, gaining greater control over their work may have an especially powerful impact on their level of engagement.

The mediation results further highlight the importance of empowerment in shaping engagement under hybrid work conditions. Benevolent leadership alone did not directly motivate employees to become more engaged; rather, it was the empowerment embedded within such leadership behaviors that mattered. Leaders who prioritize the well-being of their employees may recognize that trust, flexibility, and autonomy are essential ingredients for a smooth and effective hybrid workplace. Research has shown that flexible work arrangements contribute to reduced stress and improved satisfaction [69]. In this sense, empowerment represents a leadership response that genuinely addresses employees' psychological needs. When employees feel capable, autonomous, and valued, they are more likely to perceive their work as meaningful and respond with greater devotion. The full mediation effect observed in this study underscores the centrality of empowerment in achieving this outcome.

Theoretical contributions

Much of the existing literature has focused on the beneficial outcomes associated with benevolent leadership, yet comparatively little attention has been paid to the *specific behaviors* leaders enact when demonstrating benevolence. While prior studies have highlighted actions such as showing familial concern, tolerating mistakes, and offering guidance [21], the empowering aspect of benevolent leadership has not been sufficiently established. Although Erkutlu and Chafra [13] proposed that benevolent leaders promote self-determination by granting autonomy and developmental opportunities, empirical evidence linking benevolent leadership to psychological empowerment has remained scarce. This study helps fill that gap by showing that when employees view empowerment as a key psychological need, benevolent leaders actively support that need as part of their holistic care orientation. The findings, therefore, broaden the understanding of benevolent leadership by demonstrating that its expression can include empowerment-related behaviors designed to enhance employees' psychological well-being.

Previous research has tended to position psychological empowerment as a moderator in the relationship between benevolent leadership and work outcomes such as job satisfaction or perceived discrimination (e.g., Kismono & Pranabella [70]). This study advances the literature by reframing empowerment as a *mediating* mechanism—especially within the hybrid work environment of the banking sector. The observation that psychological empowerment fully mediates the effect of benevolent leadership on engagement underscores the central role empowerment plays in motivating employees before they commit themselves to a hybrid work arrangement. The context of Malaysia's banking industry, with its rigid systems and strict operational controls, offers an important backdrop: merely identifying benevolent leaders is insufficient to raise engagement. Employees must first internalize a sense of empowerment and influence over their work tasks to feel energized and devoted. Given that benevolent leadership has its historical roots in Confucian philosophy, previous research has been heavily concentrated in Chinese cultural settings. This study expands the conversation by examining benevolent leadership in Malaysia—a multicultural society where approximately 20.6% of the population is Chinese [71]. This diverse context enables a broader assessment of whether benevolent leadership resonates beyond culturally homogeneous environments. Furthermore, because the Malaysian banking sector operates internationally and is increasingly adopting hybrid work models, the insights gained here have relevance for other industries characterized by rigid regulations and high procedural demands. In similar environments, empowerment may be particularly valued, making benevolent leadership an appropriate and transferable management approach.

Practical implications

Employee engagement initiatives in Malaysian banks have typically centered on financial rewards, bonuses, and social activities, with less attention given to developing leadership styles that cultivate genuine engagement. This study suggests that engagement may be more effectively fostered by leaders who are able to recognize employees' underlying needs and who intentionally support those needs. Benevolent leaders—who attend to employees' well-being in and beyond the workplace—are particularly well positioned to identify and address these requirements. The findings imply that nurturing benevolent leadership capabilities through recruitment, leadership development, and training could be a strategic approach for improving engagement. Cultivating a culture where benevolence is embedded may also reduce long-term costs, especially as the motivational effect of rewards and occasional events tends to diminish over time.

The results further indicate that employees in hybrid banking environments desire greater flexibility and control over their work. Banks may therefore need to revisit existing standard operating procedures to create more room for employee discretion. Granting employees the authority to make decisions that have minimal financial impact—such as organizing schedules, setting secondary timelines, streamlining administrative processes, managing routine documentation, refining communication pathways, or adjusting customer service workflows—could meaningfully increase engagement. These tasks rarely compromise profitability, and allowing employees to manage them independently can shorten decision-making cycles, improve efficiency, and reinforce employees' sense of meaningful contribution. Ultimately, increased autonomy could boost productivity by helping employees feel that their work has purpose and that their capabilities are recognized.

Limitations and future research directions

While this study highlights the role of benevolent leadership in promoting engagement through psychological empowerment, empowerment alone cannot fully account for how benevolent leaders influence employee engagement. The research was restricted to examining a single mediator due to practical constraints related to time and resources, and it focused exclusively on hybrid work arrangements within the banking sector. Because the study used a cross-sectional design, it was unable to capture how benevolent leadership and empowerment unfold or influence behavior over time. Although the theoretical links between benevolent leadership, empowerment, and engagement have been supported, the way these relationships operate in real workplace settings requires further investigation. Future studies employing longitudinal or qualitative methods could offer deeper insights into how benevolent leadership is enacted and could help uncover additional mediators that shape engagement. Observing leader–employee interactions firsthand may also reveal other variables that connect benevolent leadership to employee outcomes.

Given the profit-oriented nature of banking, business leaders may be more persuaded by measurable financial outcomes than by behavioral indicators alone. This study assessed only the engagement-related consequences of benevolent leadership, which might not be sufficient to justify its adoption in an industry that prioritizes monetary performance. For wider acceptance, future research should examine whether benevolent leadership or psychological empowerment has direct or indirect financial benefits. While evaluating whole-organization performance may be complex, individual or unit-level indicators—such as sales achievements, quality-related costs, processing time, error rates, and staff turnover—offer more realistic and meaningful measures for studying financial impact.

The study was also limited by its focus on Malaysia's banking sector, a setting known for rigid procedures and limited flexibility. Although the results indicate that benevolent leadership can enhance engagement through empowerment in this environment, the applicability of these insights to other hybrid-work contexts remains uncertain. As industries outside banking

continue to stabilize post-pandemic and adopt more agile workplace structures, benevolent leadership may influence engagement through different mechanisms. It is possible that other mediating or moderating factors play a greater role in more adaptive or fast-paced work systems. Broader investigations involving diverse industries and organizational designs will be essential to determine the generalizability of benevolent leadership across a range of cultural and operational contexts.

Conclusion

This study explored whether benevolent leadership can enhance employee engagement in Malaysia's banking industry, particularly within hybrid work arrangements. The findings underscore the central role of psychological empowerment: benevolent leaders appear to foster engagement primarily by enabling employees to feel more autonomous and capable, which is especially impactful in environments governed by strict rules and procedures. Because this study considered only behavioral and psychological outcomes, future work should extend the discussion by incorporating financial metrics to strengthen the case for adopting benevolent leadership as a viable and valuable management approach.

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