

Influence of Transformational and Despotic Leadership on Employee Engagement and Job Satisfaction: The Mediating Role of Physiological Distress

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Abstract

This study investigates the impact of transformational and despotic leadership styles on employee engagement and job satisfaction in the banking industry. Specifically, it seeks to examine the mediating role of physiological distress in the relationship between observed variables. A quantitative research approach was employed, utilizing a sample of 299 bank managers. Data was collected through structured questionnaires, and statistical analyses, including regression and mediation analysis, were conducted to test the research hypotheses. The results reveal that transformational leadership has a significant positive influence on employee engagement and job satisfaction, while despotic leadership has a negative impact on them. Physiological distress mediated the relationship between leadership styles and employee engagement, suggesting that employees' belief in their abilities plays a pivotal role in engagement outcomes. This research contributes to the existing literature by providing empirical evidence of the mediating role of physiological distress in the leadership-employee engagement relationship in the context of the banking sector. Limitations of this study include its cross-sectional design and reliance on self-reported data, which may introduce response bias. The findings have practical implications for banking industry leaders and HR managers, highlighting the importance of adopting transformational leadership practices and avoiding despotic behaviors to enhance employee engagement and job satisfaction.

Keywords: Transformational leadership, despotic leadership, employee engagement, physical distress, job satisfaction, banking industry

Introduction

The service sector is the largest and most rapidly expanding sector globally (Madi Odeh et al., 2023). It assumes a crucial role in the economies of both emerging and established nations, making substantial contributions to employment rates and gross domestic product (GDP) (Pillai & Arumugan, 2023). According to the cited source, the service sector contributes to 38.4 percent of the overall GDP in low-income nations. In middle-income countries, this sector accounts for 54.3 percent of the GDP, while in high-income countries, it forms 56 percent. Pakistan, being classified as a developing country, assigns significant importance to the service sector, which contributes 53.8 percent to its yearly GDP and exhibits an annual growth rate of 4.4 percent (Survey, 2021).

The banking industry is widely recognized as a significant economic development and expansion catalyst within numerous service sectors (Zeeshan et al., 2021). The efficacy of the banking industry is intricately linked to the proficiency of its labor force. The importance of human resources in organizations is well recognized since they play a crucial role in successfully attaining organizational goals and objectives, provided they are successfully managed. The concept of employee engagement, which includes factors such as well-being and motivation, significantly influences the individuals inside an organization and the business's overall performance (Chua & Ayoko, 2021; Khuzwayo et al., 2023). According to scholarly research, individuals actively involved in their work exhibit a strong commitment to their assigned responsibilities and exemplify behavior that others may aspire to (Chen & Peng, 2021). The enhancement of employee engagement has emerged as a crucial objective for firms worldwide, extending beyond the banking industry, due to the service sector's ability to propel organizations to higher levels of success (Afsar et al., 2018).

Despite the considerable amount of study conducted on the many aspects that influence employee engagement, the issue of poor engagement continues to be a significant problem for firms on a global scale (Al Dilby & Farmanesh, 2023; Albrecht et al., 2015). Based on the findings of the State of the Global Workplace survey, it is evident that a significant proportion, namely 80 percent, of workers throughout the globe exhibit disengagement or active disengagement in their professional endeavors. Conversely, an only 20 percent demonstrate engagement in their job (Gallup, 2022). The present analysis also draws attention to the comparatively low level of employee involvement in Pakistan (10 percent) within the South Asian region, as opposed to its neighboring nations like India (25 percent), Sri Lanka (27 percent), Nepal (30 percent), and Bangladesh (37 percent). According to Jindal and Shaikh (2010), it has been posited that disengaged personnel often exhibit a lack of commitment towards their

responsibilities, resulting in incomplete job execution. The existing body of research on employee behavior suggests that instances of subpar performance and behavioral problems may mostly be linked to a deficiency in employee job engagement (Edwards, 2018). The enduring prevalence of low employee engagement rates is somewhat unexpected, given the widely recognized significance of employee engagement in enhancing an organization's competitive edge and overall success. Consequently, it is crucial to secure a more thorough theoretical and useful understanding of the variables and cycles that add to and explain assurance inside hierarchical settings, with the target of improving degrees of worker commitment (Kundu & Lata, 2017).

Scholars regularly investigate leadership styles when investigating the field of employee engagement. As per existing examination, it has been shown that diverse administration styles might meaningfully affect worker commitment sees (Nikolova et al., 2019). According to Hogan and Kaiser (2005) leadership styles can be seen as a likeness of a leader's independence as expressed by their activities, which have an effect on participation and effectiveness. Pioneers that exhibit good potentials like diligence, genuineness, premonition, and ability tend to develop productive authority, accordingly improving the degree of illustrative work commitment (Rabiul & Yean, 2021).

However, it has been established that leaders who exhibit negative characters like dominance, self-promotion, and management have a negative impact on employee engagement and performance, resulting in outcomes that are lower than expected (Al Dilby & Farmanesh, 2023; Drescher, 2017). The vital objective of this examination is to look at the noteworthy initiative styles that undertake a pivotal part in deciding the performance of the financial business. The primary management style being broke down is innovative authority, which focuses on the development of association and inspiration among faculty to accomplish execution results that past expected levels. This precise methodology underlines the pioneer's ability to persuade subordinates to achieve objectives inside the organization.

The resulting administration style underneath assessment is domineering initiative, which is recognized by recognitions like egotism, control, autocracy, and firm way of behaving (Naseer et al., 2016). Leadership styles that are critical or negative have an adverse effect on people's and organizations' aptitude to achieve their goals. Employees' work attitudes, precisely their level of contribution, are influenced by transformational and despotic leaders, according to several studies. This assurance might appear in many structures, including mental, profound, and actual lookouts, or on the other hand, bring about separation from their work.

Furthermore, researchers have underscored the meaning of inspecting the key cycles that structure the premise of the associations among pioneers and adherents (Dutta & Khatri, 2017). This research takes a holistic approach by focusing on the

emotional distress aspect of the differences between transformational (constructive) and despotic (despotic) leaders and their influence on employee engagement. Through an charge of this differentiation, our examination presents an thorough structure for working with the help and maintenance of laborers who expertise self-centered managers. This framework has the potential to effect transformative changes in these supervisors, therefore mitigating the risk of employee disengagement and stress reaching critical levels. The existence of these gaps underscores the need for the creation of a complete framework that incorporates both positive and negative leadership styles to assess employee engagement in the workplace. This would represent a noteworthy theoretical advancement.

Given the discussion, our research makes a substantial contribution to the existing body of knowledge via three primary avenues. This study addresses a gap in the current body of research by establishing a connection between positive and negative leadership styles, namely transformative and despotic leadership, and their impact on employee engagement and their job satisfaction. The existing body of empirical research in the banking industry has mostly concentrated on examining positive leadership styles. However, there has been a dearth of investigation into the potential for leaders to induce distress among their staff. It is quite noteworthy that there is a set number of experimental exploration that have inspected the impacts of dictatorial initiative on laborers' exhibition working (De Clercq et al., 2018).

The recognition of the importance of leadership styles and employee behavioral demands, particularly in terms of engagement, is generally acknowledged in Western societies. However, it is important to note that, despite advancements in Asia, Pakistan's banking sector is still in the early stages of transferring these places. This opinion is consistent with other researchers' findings (Nauman et al., 2021), who have recognized that only a small amount of experimental research has been done on these specific leadership styles. Consequently, the purpose of this study is to examine the underlying mechanism of psychological distress in the context of the interaction between despotic leadership, transformative leadership, employee engagement, and job satisfaction in Pakistan's banking industry. This study aims to enhance our understanding of the relationship between positive and negative leadership styles and employee work outcomes by incorporating a mediating variable, namely psychological distress.

Literature review

Conservation of Resources Theory

Accordance with the Conservation of Resources theory, it is postulated that "resources possess the ability to be transferred from one state to another within an

individual" (referred to as the resource caravan) (Tufail et al., 2023). The fundamental principle of COR theory is that humans possess an innate inclination to acquire, safeguard, and augment their resources. Individuals who have access to resources are more likely to effectively utilize and obtain additional resources, resulting in a cycle of resource accumulation. Conversely, individuals who face resource depletion encounter challenges when investing in additional resources, rendering them vulnerable to further losses, known as resource loss spirals (Shah et al., 2023). In general, employees tend to be more susceptible to experiencing a loss of resources rather than gaining them. Considering the considerable resource allocation required for employee engagement, individuals who experience psychological distress and are subjected to dictatorial leadership may encounter a deficiency in the resources essential for engagement (Khan & Ahmed, 2023). Consequently, they may choose to allocate their limited resources towards other objectives, such as preserving emotional stability. In this way, in view of the COR hypothesis, it is a legitimate theory to endorse that working atmosphere assets considerably affect the work circumstances of employees. The person's level of involvement in their expert activities may be affected by their valuation of the sufficiency or insufficiency of resources.

Transformational Leadership and Employee Outcomes

Transformational leadership is primarily distinguished by its observable results, which include fostering an environment of respect and pride, the appreciation of loyalty and collectivity, the understanding of workers' needs, and the redirection of motivation from self-interest to communal interest (Katou et al., 2022; Shafi & Ab Wahid, 2023). A transformational leader has the capacity to modify others' attitudes, therefore aligning them with the broader objectives of the business and motivating them to actively pursue a collective corporate vision. This often requires individuals to exceed their typical job duties and exhibit outstanding performance, with the leader acting as an example (Chen et al., 2019). The aforementioned claim is supported by a research study carried out in the banking industry of Bangladesh, which placed significant emphasis on the essential role of transformational leadership in improving productivity and fostering employee engagement (Mozammel & Haan, 2016). It is apparent that transformational leadership emerges as the predominant factor in facilitating the advancement of employee engagement and performance on a favorable path (Islam & Ahmed, 2023).

Numerous studies consistently indicate that there is a substantial relationship between transformative leadership and employee engagement (Milhem et al., 2019; Sanguanwongs & Kritjaroen, 2023). Employees are more likely to engage in extra-role behavior and create a strong feeling of organizational belonging when they see their

managers and supervisors as utilizing supportive and successful leadership styles (Nkansah et al., 2023). Based on the above discussion it is hypothesized that:

H1: There is a significant effect of transformational leadership on employee's engagement and job satisfaction.

Despotic Leadership and Employee Outcomes

Despotic leadership is distinguished by the display of authoritarian and dominating behavior, mainly driven by the leader's self-interest, often resulting in the exploitation of others and the advancement of their own self-importance (Stoverink et al., 2018). Despotic CEOs often exhibit traits of authoritarianism, vindictiveness, and excessive control, resulting in a decline in respect, trust, and staff morale inside their firm (Khan & Ahmed, 2023). When workers hold the perception that their leader is engaging in manipulative behavior for personal benefit or that their interactions with the leader are characterized by unfairness, their motivation to connect with both the leader and the company tends to diminish, leading to a decline in workplace engagement (Erkutlu & Chafra, 2019). Besides, it has been shown that despotic leadership, which is described by its capacity to instigate pressure responses and nurture an unfavorable work climate, diverts individuals' consideration away from their expert commitments and towards self-conservation. As a result, this phenomenon decreases employee engagement (Leary et al., 2013).

The present body of research in the service industry points to a link between people's increased levels of work dissatisfaction and their experience to abusive behaviors (Tufail et al., 2023). Additionally, employees who are preserved unfairly by superiors frequently report feeling more miserable and less connected to the workplace. This validates the negative effects of despotic leadership on employee engagement, job satisfaction, and overall employee well-being (Zhou et al., 2021). Thus, based on the above discussion it is concluded that:

H2: There is a significant negative effect of despotic leadership on employee's engagement and job satisfaction.

Mediation of Psychological Distress

The concept of leadership behaviour involves a wide range of acts that may be classified as either helpful or detrimental. Leaders may demonstrate these behaviors in order to promote organizational performance or achieve personal benefits, and the outcomes may either increase or damage the welfare and involvement of their subordinates (Ikram, 2023). Transformational leadership is a leadership style that is distinguished by a positive demeanor and the ability to motivate and inspire subordinates by enhancing their sense of optimism and work satisfaction (Rabiul &

Yean, 2021). On the other hand, it has been shown that subordinates who are subjected to humiliation and distaste by autocratic leaders tend to have a decreased level of engagement in their professional responsibilities (Nauman et al., 2018). Recent scholarly research has undertaken a comprehensive examination of the impact of transformative and despotic leadership styles on employee engagement, examining the many underlying processes involved.

Previous research has investigated many characteristics, including motivating language, psychological capital, organizational culture, self-efficacy, and leader-member interchange, as potential intervening mechanisms (Ahtisham et al., 2023; Zhou et al., 2021). Notwithstanding the significance of these findings, prior empirical investigations have predominantly neglected the possible inclusion of supplementary psychological mechanisms that connect transformational leadership, despotic leadership, job satisfaction and employee engagement. This underscores the necessity for additional exploration in this particular field. Hence, it is our contention that psychological distress, serving as a crucial mechanism, might provide a more comprehensive understanding of the associations among transformational leadership, dictatorial leadership, and employee engagement (Anasori et al., 2023).

H3: There is a significant mediating effect of psychological distress between transformational leadership and employee's engagement and job satisfaction.

H4: There is a significant mediating effect of psychological distress between despotic leadership and employee's engagement and job satisfaction.

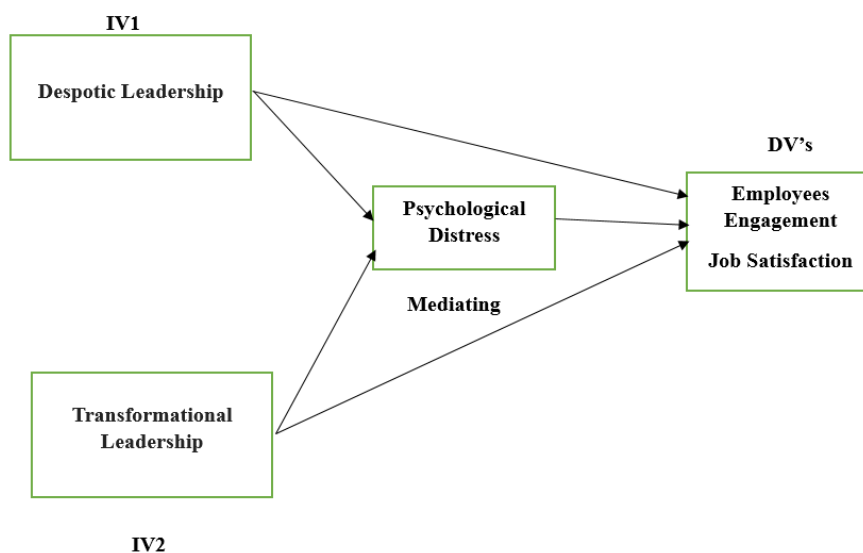


Figure 1. *Theoretical Framework*

Methodology

The researcher employed a quantitative research approach to contribute to the existing body of knowledge. Cross-sectional data was collected, utilizing an explanatory research approach. The researchers used positivism philosophy in this research. The study focused on management workers working in the banking industry of Pakistan as the target group. In order to get relevant data for our research, we deliberately selected Lahore, a renowned urban center in Pakistan, as the principal site for our data gathering efforts. The choice of Lahore as the study site was based on a persuasive rationale that highlights its status as a central location for the bulk of conventional banks operating inside the nation. The deliberate selection of this strategic location enabled us to conveniently access a significant quantity of traditional bank branches, so providing a comprehensive and inclusive sample for our research. Lahore, being a prominent urban center in Pakistan characterized by its size and robust economic activity, accommodates a high density of banking establishments. The urban financial environment is replete with a diverse array of traditional banking institutions, making it an optimal context for our study endeavor. Through the collection of data from conventional bank branches in Lahore, we were able to access a broad and extensive group of management personnel that hold crucial positions within the banking sector.

The researcher used a probability sampling approach to carry out this investigation. Furthermore, the researcher used a simple random sample approach in order to carry out this study. The researchers started the pre-testing phase by distributing a total of 25 questionnaires, which was then followed by the distribution of 330 questionnaires. In all, the study collected 299 answers that were deemed full and legitimate for the purpose of analysis. These responses were used to investigate a range of research inquiries pertaining to demographic characteristics, as well as constructs measuring. The primary aim was to examine the interconnections between these variables. The facilitation of data collecting was enabled by the creation of a survey questionnaire. The components of the research were assessed using a five-point Likert scale. The researcher adopted questions from reliable literature sources (Song et al., 2022b). The Likert scale had a range of values, with 1 denoting a strong disagreement and 5 indicating a strong agreement. A neutral position was represented by the value of 4.

The statistical analysis was performed using software tools, namely the Statistical Package for Social Sciences (SPSS) and Smart PLS. Factor analysis was used to evaluate the factor loadings of the constructs, hence guaranteeing their validity. The study used reliability analysis and hierarchical moderation/multiple linear regression techniques to investigate the associations among the variables. Furthermore,

the researchers performed mediation analysis using the partial least squares (PLS) method to investigate the mediation effects inside the conceptual model. Smart PLS (Partial Least Squares) is widely used in quantitative research owing to its capacity to effectively handle intricate models characterized by limited sample numbers, non-normal data distributions, and latent variables. The tool's versatility and efficacy in evaluating both formative and reflective components, as well as its focus on predictive relevance, make it a valuable asset for researchers across diverse academic fields.

Data Analysis

Demographic Analysis

The demographic data provides information on the individuals who participated in the research. The study sample mostly comprises male participants, accounting for 82% of the total, while the remaining 18% represents the female participants. In terms of educational credentials, it is observed that 34% of individuals possess Master's degrees, 24% have M.Phil./Ph.D. qualifications, and the remaining 42% are classified as professionals. The three groups, namely those with Master's degrees, those with M.Phil./Ph.D. qualifications, and professionals, exhibit comparable proportions in relation to age. Specifically, 34% possess Master's degrees, 24% have M.Phil./Ph.D. qualifications, and 42% are classified as professionals. In relation to professional experience, it is seen that 28.6% of individuals possess less than 5 years of experience, while 49.4% have accumulated a professional tenure ranging from 5 to 10 years. Furthermore, 22% of individuals have amassed above 10 years of experience in their respective fields. Finally, the data on income distribution reveals that 9.7% of individuals make a maximum of 50,000, while 48% fall between the income range of 51,000 to 100,000. Additionally, 42.3% of the population earns an income beyond 100,000.

Reliability Analysis

The presented table displays the results of a reliability analysis conducted on five unique constructs: transformational leadership, psychological distress, work satisfaction, employee engagement, and dictatorial leadership. For every construct, it provides a range of reliability metrics, including AVE, rho_A, Composite Reliability, and Cronbach's Alpha. These metrics evaluate the study's constructs' reliability and internal consistency. With Cronbach's Alpha values ranging from 0.7050 to 0.8558, rho_A values from 0.7189 to 0.8612, Composite Reliability from 0.7895 to 0.8963, and AVE from 0.5097 to 0.6336, the constructs show good to acceptable reliability overall. This suggests that the measurement items are consistent and reliable for each construct.

Table 1
Reliability Analysis

	Cronbach's		Composite Reliability	Average Variance Extracted (AVE)
	Alpha	rho_A		
Despotic Leadership	0.7690	0.7684	0.8447	0.5232
Employee Engagement	0.7378	0.7779	0.8232	0.5097
Job Satisfaction	0.8558	0.8612	0.8963	0.6336
Psychological Distress	0.7050	0.7189	0.7895	0.5108
Transformational leadership	0.8044	0.8377	0.8596	0.5139

Factor Loadings

The values in the factor analysis table represent factor loadings, which show how strongly the items (DL1 to DL5, EE1 to EE5, JS1 to JS5, PD1 to PD5, TL1 to TL6) and the listed factors (Despotic Leadership, Employee Engagement, Job Satisfaction, Psychological Distress, Transformational Leadership) are related to each other. The greater the relationship between the factor and the item, the higher the factor loading. The data suggests that there is a significant relationship between the items of Employee Engagement (EE) and Job Satisfaction (JS), with EE having the highest factor loadings. Conversely, the items of Despotic Leadership (DL), Psychological Distress (PD), and Transformational Leadership (TL) have relatively weaker associations with each other. When comparing the outcomes, it is clear that, in comparison to the other elements, Employee Engagement and Job Satisfaction seem to have a greater link with each of them.

Table 2
Factor Loading

	Despotic Leadership	Employee Engagement	Job Satisfaction	Psychological Distress	Transformational leadership
DL1	0.6062				
DL2	0.7601				
DL3	0.7890				
DL4	0.7591				
DL5	0.6870				
EE1		0.7858			
EE2		0.8190			
EE3		0.7065			
EE4		0.4790			
EE5		0.6569			
JS1			0.7734		
JS2			0.7752		
JS3			0.8164		
JS4			0.8246		
JS5			0.7890		

PD1	0.5530	
PD2	0.6617	
PD3	0.6978	
PD4	0.6207	
PD5	0.7335	
TL1		0.4475
TL2		0.6387
TL3		0.8269
TL4		0.8362
TL5		0.7696
TL6		0.7073

Validity Analysis

Table 3 displays the correlation coefficients among the various variables in a Fornel-Lickert validity study. The square roots of the Average Variance Extracted (AVE), which evaluates each construct's convergent validity, are shown by the diagonal numbers. The inter-construct correlations are shown by the values below the diagonal. Given that the diagonal values are often greater than the correlations between the constructs, the table indicates that the constructs (despotic leadership, employee engagement, job satisfaction, psychological distress, and transformational leadership) have acceptable convergent validity. This suggests that the constructs are different from one another and measure what they are supposed to measure.

Table 3
Fornel Larker

S#		1	2	3	4	5
1	Despotic Leadership	0.7233				
2	Employee Engagement	0.3703	0.6998			
3	Job Satisfaction	0.3006	0.3375	0.7960		
4	Psychological Distress	0.3438	0.4522	0.2476	0.6563	
5	Transformational leadership	0.3496	0.5250	0.2495	0.6085	0.7169

The Heterotrait-Monotrait (HTMT) ratio is used in Table 4's validity analysis to evaluate the discriminant validity across research study factors. Given that the majority of the HTMT ratios are less than 0.85, which support the distinction between these constructs in the study, the results show that the constructs, including Despotic Leadership, Employee Engagement, Job Satisfaction, Psychological Distress, and Transformational Leadership, generally exhibit good discriminant validity.

Table 4
HTMT

S#		1	2	3	4	5
1	Despotic Leadership					
2	Employee Engagement	0.4901				
3	Job Satisfaction	0.3660	0.4198			
4	Psychological Distress	0.4174	0.5570	0.2853		
5	Transformational leadership	0.4299	0.6100	0.2879	0.6311	

The findings indicate that despotic leadership has an adverse effect on Employee Engagement (-0.187) and job satisfaction (-0.2274), implying an adverse relationship between greater levels of despotic leadership and lower levels of employee engagement and job satisfaction. The statistical importance of these interactions is supported by the negative T statistics, indicating that the effects are statistically significant. Additionally, the low p-values (0.0089 and 0.0006) further establish the significance of these relationships. The presence of despotic leadership has a significant influence on psychological distress (0.1493), as shown by a statistically significant p-value of 0.0108. This implies that an increase in despotic leadership is associated with elevated levels of psychological distress among individuals in the workforce.

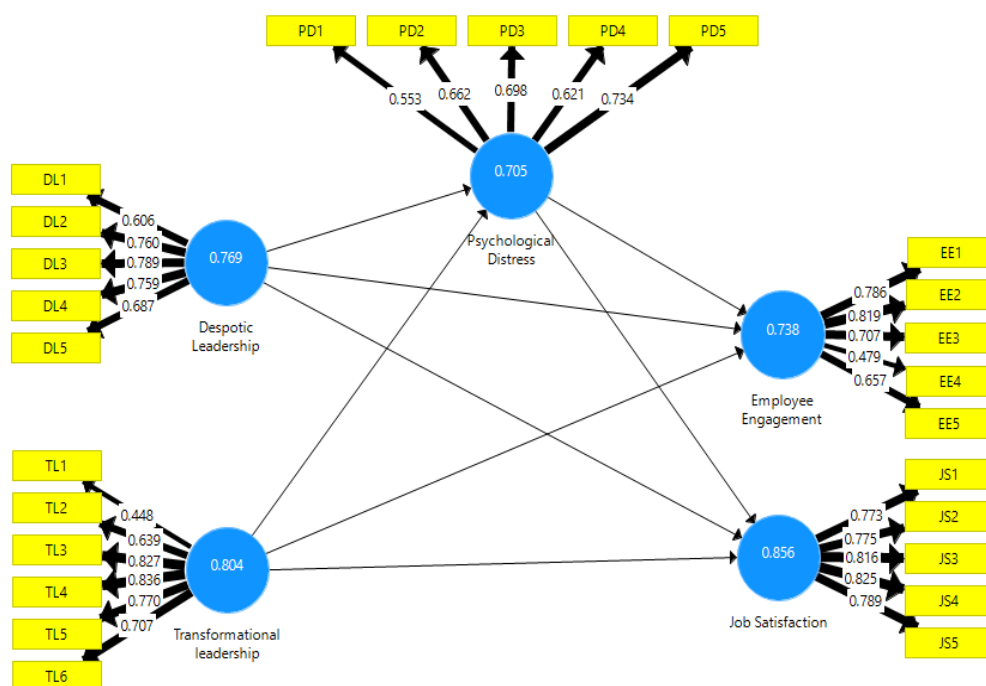


Figure 2. Measurement Model

Table 5
Structural Equational Model

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Direct Effect			
DL → EE	-0.187	3.2361	0.0089
DL → JS	-0.2274	4.9186	0.0006
DL → PD	0.1493	3.1259	0.0108
TL → EE	0.3551	5.5253	0.0003
TL → JS	0.1062	3.0349	0.0126
TL → PD	-0.5563	16.1808	0
PD → EE	-0.1718	3.29	0.0082
PD → JS	-0.1048	3.4247	0.0065
Mediating Effect			
DL → PD → EE	-0.0257	1.9702	0.0471
TL → PD → EE	-0.0956	3.5491	0.0053
DL → PD → JS	-0.0156	1.9351	0.0417
TL → PD → JS	-0.0583	3.6006	0.0048

Note: DL = Despotic Leadership; TL = Transformational leadership; JS = Job Satisfaction
 EE = Employee Engagement; PD = Psychological Distress.

In contrast, it is observed that transformational leadership exhibits a significant and positive impact on employee engagement (0.3551) and a comparatively smaller positive impact on Job Satisfaction (0.1062). The statistical analysis reveals low p-values (0.0003 and 0.0126) for these relationships, indicating that higher levels of transformational leadership are linked to increased levels of employee engagement and, to a lesser degree, job satisfaction.

Nevertheless, it is noteworthy that transformational leadership has a substantial adverse impact on psychological distress (-0.5563). This impact is deemed to be highly statistically significant, as shown by a p-value of 0. Consequently, it can be inferred that heightened levels of transformational leadership are associated with reduced psychological distress among individuals in the workforce. The last two rows under the "direct effect" section analyze the correlations between psychological distress and both employee engagement and job satisfaction. The findings indicate a negative correlation between elevated levels of psychological distress and decreased levels of employee engagement and work satisfaction.

The "mediating effect" section examines the indirect impacts of despotic leadership and transformational leadership on employee engagement and job satisfaction by means of the mediator of psychological distress, as seen in the table. The evaluation of these relationships is conducted via the use of t statistics and p-

values. The t statistics provide an assessment of the magnitude of the mediating impact, while the p-values inform us about the statistical significance of these mediating effects. The results indicate that the majority of the mediating effects exhibit p-values below the conventional threshold of significance ($\alpha = 0.05$), hence supporting a strong mediating effect of psychological distress in these associations.

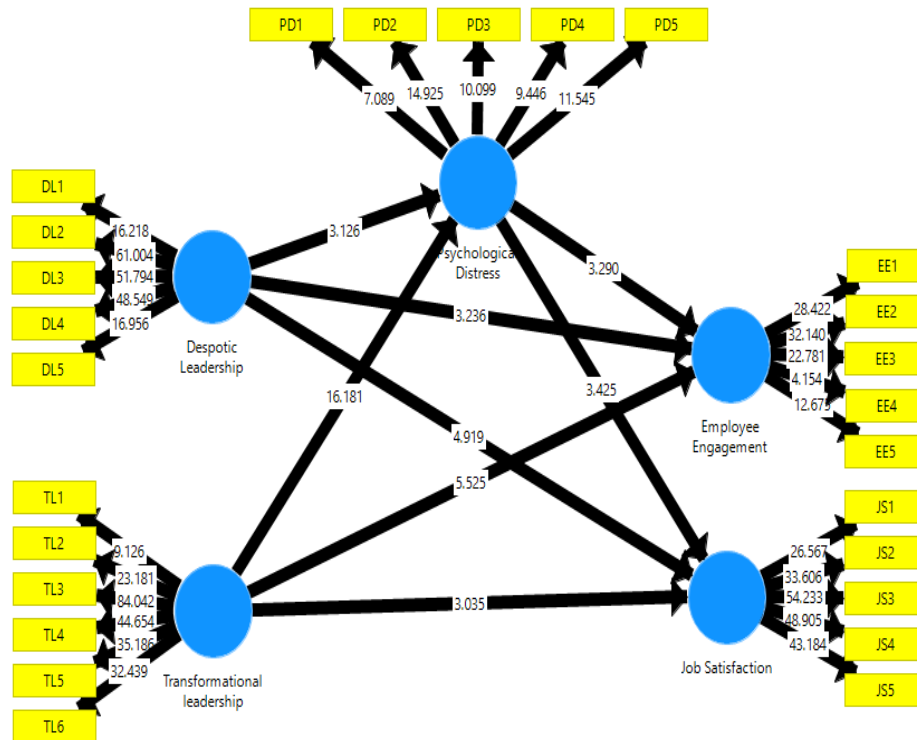


Figure 3. *Structural Equational Model*

Discussion and Conclusion

The study's results provide significant insights into the effects of various leadership styles on outcomes relating to employees, while also considering the mediating influence of psychological distress. In order to provide a thorough examination, it is essential to establish connections between each of these empirical observations and prior scholarly investigations as well as pertinent theoretical frameworks within the realm of organizational psychology and leadership. The inverse relationship between despotic leadership and employee engagement aligns with previous scholarly investigations (Khan & Ahmed, 2023). The results of this study are consistent with the existing literature, which suggests that autocratic and controlling leadership styles have a negative impact on employee engagement due to the restriction of autonomy and the creation of an unfavorable work atmosphere (Song et al., 2022a).

Furthermore, the present study examines the relationship between despotic leadership and job satisfaction. Consistent with other research findings, the current study supports the notion that repressive leadership has a detrimental effect on employee satisfaction (Khan & Ahmed, 2023).

In addition, the present study explores the association between despotic leadership and psychological distress. Consistent with previous research conducted by Tulucu et al. (2022), our findings support the proposition that authoritarian leadership styles are linked to increased levels of stress and anxiety among individuals in the workplace. This discovery is consistent with the theoretical framework known as the Conservation of Resources hypothesis (Hobfoll, 1989), which posits that the depletion of resources, like as autonomy and support, due to repressive leadership, may have a detrimental impact on individuals' psychological well-being. Moreover, the study conducted by Abolnasser et al. (2023) supports the notion that transformational leadership has a positive influence on employee engagement. Transformational leaders have the ability to inspire and encourage their subordinates, so cultivating a profound feeling of purpose and dedication among workers, ultimately resulting in heightened levels of engagement. The discovery aligns with the principles of the Transformational Leadership theory, which underscores the favorable impact of this leadership approach on the results of employees.

In a similar vein, the relationship between transformational leadership and job satisfaction. The correlation between transformational leadership and job satisfaction is consistent with other studies that have shown how transformational leaders empower and provide assistance to their subordinates, resulting in increased levels of job satisfaction (Hidayat et al., 2023; Zhang et al., 2022). This finding emphasizes the crucial significance of leadership in influencing work happiness and the well-being of employees. Further, the present study highlights the considerable negative impact of transformational leadership on psychological distress, which stands in contrast to findings from previous research (Lester et al., 2022). Nonetheless, it is possible to infer that transformational leaders create a conducive work atmosphere that promotes psychological well-being, a notion that is consistent with existing studies highlighting the favorable impact of transformational leadership on the mental health of employees ((Corbin et al., 2023). In addition, the present study examines the relationship between psychological distress and employee engagement as well as job satisfaction. The observed inverse associations between psychological distress and employee engagement and job satisfaction align with the findings reported in prior scholarly works (Hasan et al., 2023).

Numerous studies have repeatedly shown a significant correlation between heightened psychological distress and diminished levels of employee engagement and

work satisfaction. This underscores the criticality of prioritizing the mental well-being of employees within organizational contexts. Lastly, the subtle dynamics at play are highlighted by the mediating effects of psychological distress on the links between leadership styles and employee outcomes. The results of this study provide evidence in favor of the notion that psychological distress functions as a mediator in the association between leadership and the well-being of employees (Kehr et al., 2023). The acknowledgement of the intermediary function of psychological distress highlights the need for companies to emphasize the provision of mental health assistance and establish leadership development initiatives that foster positive leadership styles.

In summary, the results obtained in this study are consistent with prior research and ideas in the domain of organizational psychology and leadership, hence strengthening the significance of leadership styles in influencing employee outcomes. The findings of this study underscore the significance of promoting transformational leadership and reducing autocratic leadership, while treating psychological suffering, in order to cultivate a work climate that is both healthier and more conducive to productivity. Subsequent investigations might undertake a more comprehensive exploration of the underlying processes by which these interactions function, therefore offering more insights for firms seeking to improve the well-being and performance of their employees.

Theoretical, Practical Significance and Recommendations

This study has two practical consequences. First and foremost, this underscores the importance of leadership development programs that promote transformational leadership, as they have a favorable influence on employee engagement, job satisfaction, and the reduction of psychological distress. This comprehension may be used by companies to provide training and support to their leaders, facilitating the adoption of leadership styles that are characterized by increased empowerment and motivation. Moreover, the importance of psychological distress as a mediator highlights the need for companies to prioritize the provision of mental health treatment for their employees. This necessitates recognizing the adverse impacts of distress on employee engagement and work satisfaction.

The study's theoretical implications provide a valuable contribution to the expanding field of organizational psychology. It does this by shedding light on the intricate connections between leadership styles and employee well-being. Furthermore, it highlights the mediating influence of psychological distress in these dynamics. The aforementioned discoveries have the potential to incite more investigations into the intricate dynamics between leadership, mental well-being, and the outcomes of employees. This may contribute to the advancement of our theoretical comprehension of these crucial processes inside organizations.

Based on the results of the research, it is recommended that financial organizations emphasize the development of transformational leadership styles in order to boost levels of employee engagement and work satisfaction. Furthermore, the importance of addressing despotic leadership tendencies cannot be overstated in the context of fostering a favorable work environment, alleviating physiological discomfort, and eventually enhancing the overall well-being of employees. The implementation of specific leadership development programs may have a significant impact on the attainment of these goals within the ever-changing context of the banking sector.

Limitations and Future Direction

This research has two limitations: the cross-sectional nature of the data makes it more difficult to determine causation, and the dependence on self-report data may create response bias. Longitudinal studies may be used in future research to tackle the causality problem, and the use of observational techniques or multi-source data may improve the validity of results.

While we have focused on the leadership styles that are causing psychological distress, ethical leadership (Mahmood et al., 2022; Saleem et al., 2020; 2021) can decrease distress thereby leading to positives organizational behaviors. The employee engagement may be due to harmonious passion (Qadeer et al., 2016) and other intervening mechanisms, e.g., job embeddedness and perceived organizational support (Sadiq & Qadeer, 2017) would be relevant in this regard. These considerations can be utilized for further investigations. Furthermore, looking into possible moderating factors like individual characteristics or organizational culture might provide a more comprehensive understanding of the interactions between psychological discomfort and numerous environmental and personal elements and leadership styles.

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