ABSTRACT

This study aims to bridge the research gap identified in previous studies regarding the inconsistent role of transformational leadership in improving employee performance. The study adopts the perspective of the conservation of resources theory as a theoretical lens to guide the development of the constructs: transformational leadership, psychological capital, and employee performance. The empirical model was tested using data collected from 197 employees working in the financial industry in Semarang City, Central Java. The model was examined using AMOS version 24. The findings indicate that both transformational leadership and psychological capital significantly influence employee performance. The proposed mediation confirms that strong psychological capital can effectively bridge the relationship between transformational leadership and employee performance. This study seeks to enrich the understanding of how transformational leadership affects employee performance, particularly in the financial sector of Semarang City, Central Java, by considering the mediating role of psychological capital.

Keywords: *Transformational leadership, psychological capital, employee performance, conservation of resources theory*

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