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# The Impact of Psychological Capital on Employee Performance; with Special Reference to Lanka Salt Ltd- Hambantota

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## Abstract

**Objective--** The objective of the study is to investigate the impact of psychological capital on the employee performance of Lanka Salt Limited, Hambantota, Sri Lanka.

**Methodology--** This quantitative, non-experimental study used questionnaire as a research strategy to collect data from among respondents for the study. There are two parts in questionnaire. In Part one, demographic variables are measured, and the impact of psychology capital on employee performance is measured in part two. The psychological capital has been taken as independent variable for this study (Hope, Self-Efficacy, Optimism, and Resilience) while employee Performance is the dependent variable. To test the study's hypotheses the regression and correlation analysis were used, and the SPSS results showed the dimensions of self-efficacy, optimism, and resilience of the impact of psychological capital on the performance of employees of Lanka Salt Ltd, Hambantota, Sri Lanka.

**Findings--** There is a strong positive relationship has been identified between employee job performance and psychology capital.

**Keywords--** Psychological Capital, Employee Performance

## I. INTRODUCTION

Employee performance is one of the central constructions that plays a crucial role in achieving organizational performance. The concept of psychological capital as a new approach to improving employee job performance has received more attention in the recent past. In today's highly competitive business environment, employee job performance is the most important dependent variable in the organizational context and is the most important concept in industrial-organizational psychology. Since "The main contribution of an employee's value to the organization is work behavior and ultimately performance (Arvey & Murphy, 1998). It is a key concept in both current work processes and research settings (Visweavaran and Ones, 2000).

However, this newly emerged psychological capital has been virtually omitted by both commercial enterprise academics and practitioners.

Therefore, Luthans and other researchers mentioned the need of further research of psychological capital to generalize its consequences on distinctive work associated variables in distinctive context. Most of the studies in psychological capital has been performed by Luthans and his colleagues in the United State and China. There have been relatively few empirical research on psychological capital in Asia. The empirical proof on psychological capital of employees in USA and China display that there is a positive relationship among psychological capital and job performance. However in the evaluation of present research literature in Sri Lanka, up to date, only 2 to 3 researches have been performed in financial context on the consequences of psychological capital even though the concept is advanced in 2002.

## II. PROBLEM STATEMENT

By this research topic, it discussed about the suitable criteria of the Lanka Salt Ltd. The non-managerial level persons are being valuable resources to the any kind of organization. But the executive branch does not pay enough attention to the psychological capital of the non-managerial person. Therefore, sometimes that situation can be able to affect to the organizational performance of the company. Often psychological capital can determine a company's employee performance. But which psychological capital mostly impact on company's employee performance is matter of fact. Hence in this research it was investigated. "The extent to which Psychological Capital mostly impact on employees' Job Performance of Lanka Salt Ltd: Hambantota District"

## III. RESEARCH QUESTIONS

Q1- What is the impact of psychological capital on employee performance of the employees of Lanka Salt Ltd in Hambantota District?

Q2- What is the impact of Hope on Job Performance of the employees of Lanka Salt Ltd in Hambantota District?

Q3- What is the impact of Optimism on Job Performance of the employees of Lanka Salt Ltd in Hambantota District?

Q4- What is the impact of Self-Efficacy on Job Performance of the employees of Lanka Salt Ltd in Hambantota District?

Q5- What is the impact of Resilience on Job Performance of the employees of Lanka Salt Ltd in Hambantota District?

#### IV. RESEARCH OBJECTIVES

The objectives of the current study divided in to two parts as overall objective and specific objectives of the study.

##### *Overall Objective*

“To find out the impact of Psychological Capital on Job Performance of the employees of Lanka Salt Ltd in Hambantota District”

##### *Specific Objectives*

Specific objectives of the study were developed on the four dimensions of the Psychological Capital construct.

- To determine the impact of Hope on Job Performance of the employees of Lanka Salt Ltd-Hambantota
- To determine the impact of Optimism on Job Performance of the employees of Lanka Salt Ltd-Hambantota
- To determine the impact of Self-Efficacy on Job Performance of the employees of Lanka Salt Ltd-Hambantota
- To determine the impact of Resilience on Job Performance of the employees of Lanka Salt Ltd-Hambantota.

#### V. REVIEW OF LITERATURE

During the recent past decade, job performance is one of the dependent variable that has been focused by the researchers as well as the practitioners. Productivity, quality and customer relation are the key areas of success for any organization and these are depends on performance of the employees. One of the most researched area in the field of Industrial/Organizational psychology is the relationship between job satisfaction and job performance.

Positive Psychology has started to receive considerable attention by academic world during the last decade. Psychological Capital is about the state of the components of inner life. When the components; resilience, hope, optimism, Self-efficacy are added up, experiences and capital, it makes up the worth, making Psychological Capital a core construct.

According to Durrah, O., Alhamoud, A., & Khan, K. (2016, July) described in his article that Positive Psychological Capital and Job Performance: The Mediating Role of Job Satisfaction.

He used sample of 110 instructors from eight faculties in Philadelphia University and used mean, standard deviations, simple Pearson correlation coefficient, simple regression analysis and two-stage least squares analysis statistical tools. He found that high levels of positive psychological capital, job performance and job satisfaction among the instructors. Also, job satisfaction was found to mediate the relationship between positive psychological capital and job performance using the independent variable (hope, optimism, self-efficacy and resilience) and the dependent variable (job satisfaction). The objective of the research is to investigate the relationship between positive psychological capital and job performance among instructors in Philadelphia University, Jordan. Furthermore, it explores the impact of job satisfaction on the relationship between positive psychological capital and job performance as a mediator variable.

Hodges, T. D. (2010) explained in this article that the Impact of Psychological Capital on Performance, Engagement, and the Contagion Effect. He found that there is a significant relationship between psychological capital and performance and there is a significant relationship between psychological capital and engagement as well as there is no significant relationship between psychological capital and contagion effect. He used pre-test and post-test descriptive statistics and ANOVA statistic and used hope, optimism, self-efficacy and resilience as independent variables and performance, engagement, contagion effect as dependent variables. He used sample of 501 employees in the organization. The main target of this study is to explore the relationship between psychological capital development and workplace outcomes including employee performance and engagement.

Mendis, T., & Mendis, S. (2020, January). They studied that the Impact Of Psychological Capital On Work Performance; A Study Of The Commercial Banking Industry In Sri Lanka .They found that there is a significant positive relationship between psychological capital and work performance related to the commercial banking industry in Sri Lanka. They used sample of 200 managers on a Purposive Judgmental sampling method for the study and used Mean, Correlation coefficient. They used self-efficacy, optimism, hope, resilience and subjective-well-being as independent variables and work performance used as dependent variable. The target of this study is to ascertain the impact of psychological capital on work performance of the banking industry in Sri Lanka.

Abbas, M., & Raja, U. (2015) has described in his article that the impact of psychological capital on innovative performance and job stress.

He found that Psychological capital is positively related to innovative job performance and negatively related to job stress. He used a total of 237 responses, with 17% of surveys received from government employees, 50% from bank branches, institutions, and the rest from telecom companies, and used means, standard deviations, correlations, and reliabilities multiple regression analysis tools. Innovative performance and job stress have taken as dependent variable and hope, optimism, resilience and self-efficacy have taken as independent variable. The main target of this article is to investigate the impact of psychological capital on supervisory-rated innovative performance and job stress.

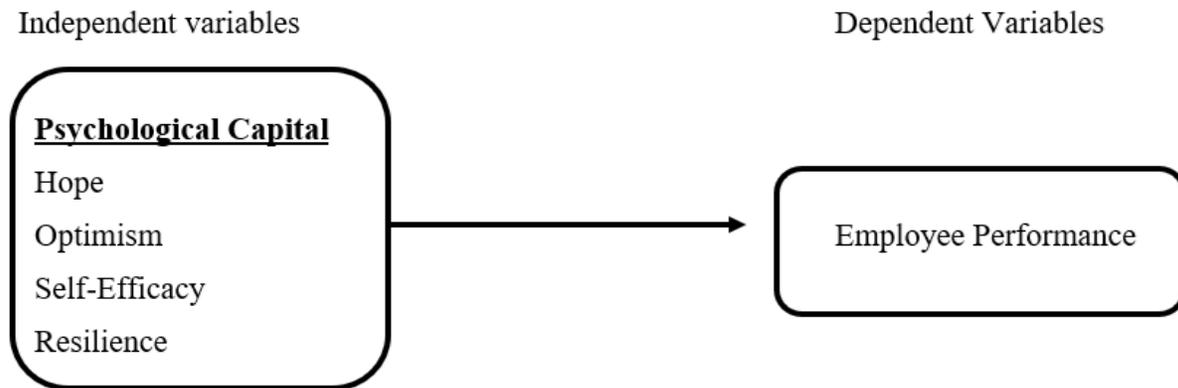
But research on manufacturing companies in Sri Lanka has not even investigated the consequences of psychological capitalization, even though the concept developed in 2002. Therefore, this current study fills the research gap.

#### VI. METHODOLOGY

##### *Study design*

This study investigated the impact of psychological capital on employee performance (with special reference to Lanka Salt Ltd-Hambantota).

##### *Conceptual framework*



**Figure 1 – Conceptual framework (Developed by the Researcher)**

##### *Model specification*

The initial regression equation can be written as follows;  
 $Y = a + bx_1$   
 Y = Dependent Variable (Employee Performance)  
 a = Slope of the line ( $\Delta X / \Delta Y$ )  
 b = Y axis intercept point  
 $X_1$  = Independent variables (hope, resilience, optimism, self-efficacy)

As a quantitative research, survey method used as a research strategy and questionnaire was distributed among respondents to collect data for the study. Questionnaire consists of two parts. Part one measures the personal information and part two measures impact of psychology capital on employee performance.

This research sample has been collected from the employees of Lanka Salt Limited, Hambantota as at 31st March 2020. The researcher used convenient sampling method to collect data from the population of this research. Convenient sampling is a non-probability sampling method that is intended to collect information from members of the population who are easy to supply. Convenient sampling is more convenience and low cost involvement (Sekaran & Bougie, 2012, p. 276).

Sample size from the target population it was selected randomly 100 employees from non-managerial level employees to obtain details for this research. The primary data has been collected using questionnaire. It was done as collect the details from the peoples who are working in the Lanka Salt Ltd in Hambantota district through distribute a structured questionnaire for the purpose of the research.

##### *Statement of Hypotheses*

The research study has been conducted as a hypothesis testing to examine the relationship between Employee Performance and Psychological Capital.

The following hypotheses are formulated for testing.

*H1*- There is a significant relationship between Psychological Capital and Employee Performances.

*H2*- There is a significant relationship between Hope and Employee Performance

H3-There is a significant relationship between optimism and Employee Performance

and Employee Performance

H4- There is a significant relationship between Self-efficacy

H5-There is a significant relationship between resilience and Employee Performance.

*Analysis of the Descriptive Statistics*

**Table 1**  
**Skewness and Kurtosis Values**

variables	skewness	Kurtosis
Self-efficacy	-.297	-.294
Hope	-.457	-.098
Resilience	-.460	-.159
Optimism	-.506	-.584
Job performance	-.438	-.056

*Source: (Survey Data, 2020)*

The result in Table 4.1 shows that all the skewness statistics are less than one (skewness value is  $\leq 1$ ). Therefore, all items have maintained an appropriate level of skewness.

The kurtosis statistics which range from -0.955 to 0.299 (Kurtosis value  $-2 > 2$ ) show that the data distribution is normal.

**Table 2**  
**Correlation Analysis**

<b>Correlations</b>					
	Mean_ Self	Mean_ Hope	Mean_ Resil	Mean_ Opt	Mean_ Dep
Mean_Self Pearson correlation	1	.595**	.522**	.513**	.483**
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	100	100	100	100	100
Mean_Hope Pearson correlation	.595**	1	.744**	.731**	.698**
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	100	100	100	100	100
Mean_Resil Pearson correlation	.522**	.744**	1	.719**	.649
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	100	100	100	100	100
Mean_Opt Pearson correlation	.513**	.731**	.719**	1	.694**
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	100	100	100	100	100
Mean_Dep Pearson correlation	.483**	.698**	.649	.694**	1
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	100	100	100	100	100

*Source: (Survey Data, 2020)*



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The above table indicates relationship between Self Efficacy and the Employee Job Performance of Lanka Salt Ltd, Hambantota has a positive correlation and significant at 95% level ( $r = 0.483$ ,  $P = 0.000$ ).

There is a strongly positive significant relationship between the Hope dimension of Psychological Capital and Employee's Job Performance since the  $r = 0.698$  and  $P = 0.000$ .

The Resiliency and Employee Performance indicates a strongly positive and a significant relationship, the correlation  $r = 0.649$  and  $P = 0.000$  significant at 95% confidence level.

The last dimension of Psychological Capital, Optimism has a positive relationship with the employee job performance of Lanka Salt Ltd ( $r = 0.649$ ,  $P = 0.000$ ). All together Psychological Capital (Self-efficacy, Hope, Resiliency, and Optimism) has a strongly positive relationship with the employee job performance. In comparison Self-efficacy has the lowest relationship with employee job performance and Hope dimension has the highest correlation.

*Regression Analysis*

**3 Model Summary**

Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-Watson
1	.756 <sup>a</sup>	.571	.553	.37806	1.621

*Source: (Survey Data, 2020)*

- a. Predictors: (constant), mean\_opt, mean\_self, Mean\_resil, Mean\_hope
- b. Dependent variable; mean\_dep

According to the data mentioned in the table multiple correlation coefficient (R) of 0.756<sup>a</sup> indicates that significance of the prediction of the employee's job performance by psychological capital. R square value of the model is 0.571. R square value explains to which extent the variance of the dependent variable is explained by the independent variable in the sample. The adjusted R<sup>2</sup> value implies how much variance in dependent variable is explained by the independent variables together.

Also adjusted R<sup>2</sup> gives us some idea of how well this model can be generalized and ideally it would like its value to be the same or very close to the value of R<sup>2</sup>. The adjusted R<sup>2</sup> value of this study is 0.553 which means 55.3% of variance in employee's job performance is explained by hope, resilience, self- efficacy and optimism together.

The error term will represent the effect of those variables which have not been included in the regression. For example assign error term the employee performance can be affected by factors such as work engagement, organization culture and commitment etc.

*Regression Results*

**Table 4**  
**Coefficient table**

Model	Unstandardized coefficients		Standardized	T	Sig.	Collinearity statistics
	B	Std.error	Beta			Tolerance
1 (constant)	.748	.298		2.507	.014	
Mean self	.043	.078	.047	.553	.000	.627
Mean hope	.287	.106	.315	2.714	.008	.334
Mean Res	.152	.108	.154	1.408	.000	.337
Mean Opt	.266	.087	.328	3.063	.003	.393

*Source: (Survey Data, 2020)*  
*Dependent Variable: Employee Performance*

Above 4.4 table shows the coefficient table of the regression analysis. The value of B represents the degree to which extent the dependent variable can be affected by a certain independent variable while other independent variables remain constant. These mentioned independent variables are statistically significant because their P values are less than 0.05.

According to above discussion the researcher developed the revised regression equation as follows.

$$EP = 0.748 + 0.043_{SES} + 0.287_H + 0.152_R + 0.266_O$$

The equation explains that, if all other variables (H, R, O) are constant, one unit increase in Self-efficacy will result in +0.043 or (increase 0.043) in employee Performance. Then we consider H, if all other variables (SES, R, O) are constant, one unite increase in Hope will result in +0.287 in employee performance. Beta value for Resiliency is +0.152 indicating that if Resiliency increase by one unit Employee Performance will increase by 0.152 units when effects of Hope, Self-Efficacy and optimism held constant. Same as others, all other variables (SES, H, R) are constant, one unit increase in O will result increase 0.266 in Employee Performance.

The fit of the regression model can be measured by using the ANOVA and if the p value is less than 0.05 the model is significant. The p-value in the Analysis of Variance table (ANOVA) indicates that the relationship between independent variables and dependent variable is statistically significant or not as mentioned above, it shows all significance values less than 0.05 (P< 0.05). Therefore, researcher confirmed the model is significant.

**VII. RESULT OF TEST OF HYPOTHESES**

In Hypothesis no 2 - hypothesis is accepted as a positive relationship has been identified between employee job performance and hope. In hypothesis no 3 – hypothesis is accepted as a positive relationship has been recognized between employee job performance and optimism. In hypothesis no 3 – is accepted as self-efficacy create a positive impact on employee performance. In hypothesis no 4 – hypothesis is accepted as a positive relationship has been identified between among resilience and job performance and as a finally in hypothesis no 1 – is accepted as a strong positive impact of psychological capital on employee performance.



#### VIII. CONCLUSION AND RECOMMENDATIONS

Researcher arrived at conclusions aimed toward 4 main matters from the current study. Both researchers and practitioners accept psychological capital as an essential phenomenon. To find the employees' job performance researcher did an initial survey and the results indicated that psychological capital is a slight problem in Lanka Salt Ltd as the outputs are closed to the neutral level effect of psychological capital rather than a negative impact of psychological capital.

The study concludes that Psychological Capital impact on employee performance and in order to increase the performance of their employees Lanka Salt Ltd, Hambantota can use Psychological Capital on their selection and promotion decisions. Management should select individuals who have high levels of self-efficacy, optimism, hope and resilience. These people will be motivated to engage in the behaviors that will help them perform well in the company. A measure of Psychological Capital state can be administered during the hiring/promotion process.

The researcher would also like to recommend the followings apart from the above mentioned points.

The Company should reconsider their Human Resource Policies and manuals of the organization and should revise or adjust them according to the changes in the industry. The Human Resource department should develop more effective planning or training schedules to enhance the job performance of the employees in the organization and should understand the factors that are highly contributing for the employees to develop their psychological factors and provide remedies for those factors.

Organization managers, supervisors, or immediate supervisors should reach out to employees in their workplace. They should identify the causes of employee dissatisfaction and try to provide solutions as soon as possible.

- Managers should encourage employees and supervisors to participate in the decision- making process of the organization core programs. This could help to improve the job performance of the employees of the company.
- Making adjustment for creating a flexible working environment with minimum supervision and minimum rules and regulations.

- The researcher recommended revising the salary scale of the employees. It is better for organizations to introduce non-monetary incremental schemes for the employees especially for those who are in entry-level job positions.

#### IX. SUGGESTIONS FOR FUTURE STUDIES

This study has selected only the manufacturing sector as the sample. In the future, this can be done by taking samples from the various sections indexed in CSE. There are more other variables that represent the Corporate Governance variable. Without being constrained to hope, optimism, self-efficacy and resilience, the checking out can be done by increasing the wide variety of independent variables related to the topic. The Population for the data collection can be further increased to 200, rather than depending on 100 of sample size.

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