

## The Influence of Ethical Leadership and Spirituality on Performance with Motivation as a Mediating Variable (A Study at BSI Lampung Province, Indonesia)



Ahmad Rubyantoro<sup>1</sup>, Ayi Ahadiyat<sup>2</sup>, Keumala Hayati<sup>3</sup>

<sup>1,2,3</sup> Master of Management University of Lampung, Bandar Lampung, Indonesia

**ABSTRACT:** This study examines the influence of ethical leadership, spirituality, and motivation on employee performance in the banking sector in Indonesia, with a focus on Bank Syariah Indonesia (BSI) in Lampung Province. The background of this study includes the importance of banking ethics and regulatory compliance as key factors in maintaining the bank's reputation and operational success. Additionally, this research highlights the role of ethics and spirituality in shaping employee motivation and performance. The objective of this study is to understand how ethical leadership and spirituality can influence employee motivation and performance, and how motivation can mediate the relationship between ethical leadership and spirituality with employee performance. The population of this study consists of employees of BSI in Lampung Province, with a total population of 292 employees and a sample size of 290 respondents. The research method involves testing the Structural Equation Model (SEM) with the assistance of AMOS 24 software. This study aims to examine the influence of ethical leadership and spirituality on employee performance, with motivation as a mediating variable at BSI Lampung Province. The results indicate that ethical leadership does not have a direct positive and significant effect on employee performance, while spirituality has a positive and significant effect. Additionally, motivation mediates the effects of both ethical leadership and spirituality on employee performance.

**KEYWORDS:** ethical leadership, motivation, performance, spirituality, banking employees

### I. INTRODUCTION

Indonesia's banking system consists of private and state-owned banks, which include both national (BUMN) and regional (BUMD) entities. These institutions play a crucial role in the economy by collecting funds from the public and distributing them through credit to improve living standards. The credit process involves legal agreements between borrowers and banks, often secured with collateral, and follows strict administrative procedures. However, fraudulent activities, such as falsifying documents, can lead to criminal offenses, as seen in notable cases of corruption and fictitious loan applications.

Banking ethics are fundamental to the success and reputation of financial institutions. Consistent implementation of ethical standards enhances a bank's image, builds customer loyalty, and minimizes operational risks. Ethical behavior within banks fosters a positive work environment and promotes good corporate governance, which is essential for sustainable growth. Employees are expected to uphold a code of conduct and report violations through established whistleblowing systems, ensuring accountability and integrity within the organization.

Ethical leadership significantly impacts employee motivation and performance. Leaders who embody honesty, fairness, and strong moral principles create a culture where employees feel challenged and supported. This type of leadership encourages self-motivation and aligns employee competencies with organizational values, ultimately improving job satisfaction and performance. Furthermore, spiritual values in the workplace can enhance employees' connection to their work and colleagues, fostering a sense of purpose and contributing to overall performance.

Motivation serves as a crucial mediator between ethical leadership, spirituality, and performance. When employees are motivated, they are more likely to overcome challenges and achieve their goals. Effective performance management involves setting clear expectations, providing continuous feedback, and aligning individual goals with organizational objectives. By

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promoting ethical leadership and spiritual values, banks can create a supportive environment that drives employee engagement, enhances productivity, and ensures long-term organizational success.

### **Ethical Leadership**

Understanding the theoretical concept of ethical leadership was introduced by (Brown & Treviño, 2006) who defined that ethical leadership is one of the implementation and behavior that is normatively appropriate through personal actions and interpersonal relationships and promotions for member's followers through two-way communication, in terms of reinforcement and decision-making. Ethical leadership characteristics are considered honest and trustworthy, besides ethical leadership is also seen as a maker fair and principled decisions that take matters into account in general in society at large. Ethical leadership is a representative of leaders' proactive efforts to influence the ethical and unethical behavior of para employee. Leaders who make moral ethics part of their goals leadership by communicating ethical messages and values by modeling ethical behavior in real and deliberate ways and using reward system to account for ethical behavior. As for Ethical leadership plays the role of conveying messages that get people attention to followers by standing out socially against the background organizational background that is often neutral (Treviño et al., 2003).

One of the benefits of implementing ethical leadership is creating a healthy work environment. Leaders make decisions based on correct principles and values, employees will feel appreciated and supported. Employees will feel that leaders set an example in integrity and morality. Ethical leadership will create a solid foundation for building good relationships between leaders and team members. Leaders who are ethical and transparent in communicating more easily gain trust and support from the team.

### **Spirituality**

Organizational sustainability is now a priority for many organizations. Organizations as religious entities arise from the fact that people. Nowadays tend to spend most of their time at work, so Their spiritual identity also develops and grows within the organization (Sholihah et al., 2019). This trend is driven by increasing members' need for individual inner achievement and human values. Facing problems in the form of low spirituality, psychological and emotional problems uncertain, therefore the role of the leader is responsible for more emphasizes more humanistic values.

Spirituality developed by (Fry, 2003) emphasizes motivation intrinsic which concerns main aspects such as religion, emphasizes compassion and mobility. The form applied is in the form of ethics includes treatment of other people, development of the work environment, and culture in respecting the spiritual character of others. Spirituality can also boost the self-esteem of subordinates by provide personal and collective influence (Sholikhah et al., 2019; Aryee et al., 2003; Shamir et al., 1993). The spiritual role also has an impact on subordinates by showing care and respect through training, coaching and other development opportunities. Spiritual leadership too considered to be the values, attitudes, and behaviors that a person must adapt to actively motivate yourself and others, so that both will increase spiritual well-being through vocation membership (Fry, 2003).

### **Motivation**

Theorists such as Maslow (1954), Herzberg et al. (1959), and Alderfer (1972) attempted to explain employee motivation by adhering to the assumption that all individuals have the same needs and therefore determine the characteristics that must be present in the job. These theorists have provided managers with opportunities to design motivational schemes to influence performance. What needs to be answered are the motivational factors that encourage the performance of mining sector employees in Indonesia. Various theorists explain motivation as a process that regulates one's own choices (Rodrigo & Palacios, 2021). Motivational processes may be internal or external to the individual that generate enthusiasm and persistence to pursue a particular course of action. The motivation process starts from a lack or physiological or psychological need that activates a behavior or impulse aimed at a goal (Bhattacharyya, 2009).

Motivation is a process that directs and sustains performance. Motivation drives employees internally to help them achieve certain goals or tasks assigned to them (Sohail et al., 2014). Employee work effectiveness can inspire them in their work and create work motivation and greater commitment to their work (Sitopu et al., 2021). Work motivation can be created by providing incentives to employees in the form of money so that they can be felt as people who are supported and have a place in the organization. Moynihan & Pandey (2014) explained that emotional attachment and employee loyalty are the most important factors in work motivation. This can bond people to stay organized.

### **Performance**

In Koopmans et al. (2011) stated that the widely supported definition of performance is that of Campbell, who defines performance as behavior or actions that are relevant to organizational goals. Three notions accompany this definition: 1) performance should be defined in terms of behavior rather than results, 2) performance includes only those behaviors that are

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relevant to the organization's goals, and 3) performance is multidimensional. Because it is difficult to distinguish between behavior and outcomes, other researchers have included outcomes in the definition of performance. For example, Viswesvaran and Ones (2000) define performance as scalable actions, behaviors and results performed or produced by employees that are related to and contribute to organizational goals. While Koopmans et al. (2014) revealed that performance is behavior or actions related to the goals of an organization, meaning that the behavior or activities carried out must be in accordance with the goals of the organization. In this study, researchers used the definition concept explained by Koopmans et al. (2014).

Gibson (2000) suggests the following factors that influence performance: (1). Individual factors, which include abilities, skills, background employees, experience, demographics, and social status. (2). Psychological factors, which include psychological factors, namely perception person, role, attitude, personality, motivation, work environment, work stress, and job satisfaction. Organizational factors that can influence performance are job design, leadership, rewards and organizational structure.

## II. METHODOLOGY

This research is a quantitative research with the population were the employees from BSI Lampung Province. The total population of this study was 292 employees. Determining the minimum sample size in this study refers to the guidelines of Hair et al., (2010) using the  $n \times 5$  formula with 50 items/statements or the same as using an observation to variable ratio of 5:1 which is used to measure 4 variables, so that respondents who required is 290 respondents. Data collection is carried out through survey methods or questionnaires distributed to respondents. Data collection is carried out through survey methods or questionnaires distributed to respondents, and the data collected will be analysed using Structural Equation Modelling (SEM) techniques through the AMOS 24 application.

## III. RESULT

### Convergent Validity Test and Reliability Test

Validity tests and reliability tests are carried out to find out whether a set of tools is used measuring is precisely measuring what should be measured. As for the validity test in this research consists of convergent validity and discriminant validity. Parameters used in the convergent validity test using loading factor parameters and Average Variance Extracted (AVE) values. Meanwhile, the parameters used in the reliability test use Cronbach's alpha and Composite Reliability (CR) values. The measurement standard used are Loading Factor > 0.7, AVE > 0.5, Composite Reliability > 0.7 and Cronbach's alpha >0.7 (Hair et al., 2019). The results are shown in table 1 below:

**Table 1. Results of Convergent Validity Test and Reliability Test**

Variabel	SLF > 0,50	Error	CR > 0,70	AVE > 0,50	Kesimpulan
<b>Ethical Leadership</b>					
EL1	0.54	0.71	0,89	0,50	Reliabel
EL2	0.69	0.52			Valid
EL3	0.73	0.47			Valid
EL4	0.65	0.58			Valid
EL5	0.85	0.28			Valid
EL6	0.75	0.44			Valid
EL7	0.75	0.44			Valid
EL8	0.62	0.61			Valid
EL9	0.56	0.68			Valid
EL10	0.53	0.72			Valid
<b>Spiritualitas</b>					
SP1	0.62	0.62	0,86	0,54	Reliabel
SP2	0.71	0.49			Valid
SP3	0.55	0.79			Valid
SP4	0.56	0.69			Valid
SP5	0.53	0.72			Valid
SP6	0.75	0.44			Valid
SP7	0.79	0.38			Valid
SP8	0.77	0.4			Valid
<b>Motivasi</b>					
MT1	0.69	0.53	0,83	0,56	Reliabel
MT2	0.73	0.47			Valid
MT3	0.77	0.4			Valid
MT4	0.72	0.49			Valid
MT5	0.57	0.67			Valid
MT6	0.54	0.71			Valid
<b>Kinerja</b>					
KJ1	0.66	0.56	0,90	0,54	Reliabel
KJ2	0.68	0.53			Valid
KJ3	0.8	0.36			Valid
KJ4	0.83	0.31			Valid
KJ5	0.74	0.46			Valid
KJ6	0.78	0.4			Valid
KJ7	0.73	0.46			Valid
KJ8	0.6	0.64			Valid

Source: Primary Data (2024)

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## Structural Model Test Results

Model suitability test results (goodness of fit) in the structural equation modeling (SEM) will be described in the table 2 below:

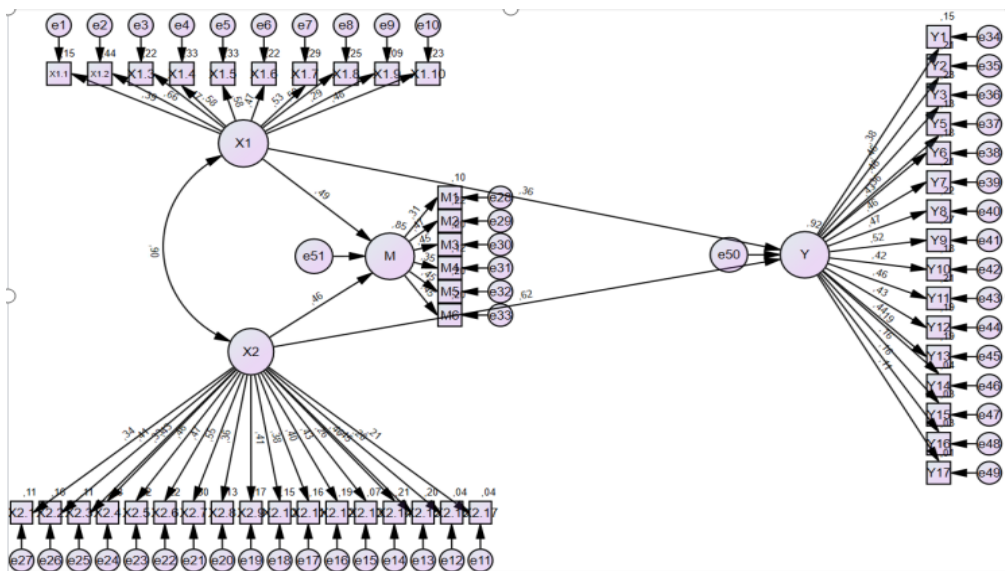
**Table 2. Result of Goodness of Fit**

Overall Fit	Nilai Hasil	Nilai Standar	Kesimpulan
RMSEA	0,022	≤ 0,05	Good fit
GFI	0,91	≥ 0,90	Good fit
AGFI	0,97	≥ 0,90	Good fit
NFI	0,98	≥ 0,90	Good fit
CFI	1,00	≥ 0,90	Good fit
NCP	40.25	0.0 ; 99.52	Good fit
ECVI	3,02	2,86 ; 3,23	Good fit
RMR	0,040	≤ 0,80	Good fit

Source: Primary Data (2024)

## Hypothesis Testing

The results of the analysis can be seen through the summary below:



**Figure 1. Standardized Solution (Overall Model)**

Source: Primary Data (2024)

The results of hypothesis testing in this research used Structural Equation Modeling (SEM) processed through the LISREL application with hypothesis test results as follows:

Hipotesis	Jalur		Estimate	S.E.	C.R.	P-Value	Result
H <sub>1</sub>	Ethical Leadership	→ Kinerja	0,059	0,055	1,082	0,279	Rejected
H <sub>2</sub>	Spiritualitas	→ Kinerja	0,750	0,062	12,180	0,000	Accepted
H <sub>3</sub>	Ethical Leadership	→ Motivasi	0,389	0,060	6,475	0,000	Accepted
H <sub>4</sub>	Spiritualitas	→ Motivasi	0,316	0,070	4,531	0,000	Accepted

Source: Primary Data (2024)

## DISCUSSION AND CONCLUSION

Based on the results of hypothesis testing in Table 10, it can be explained as follows:

- The first hypothesis states that ethical leadership affects employee performance. Based on the results of the hypothesis test, the p-value is 0.279, which is greater than 0.05. Therefore, it can be concluded that ethical leadership does not affect

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employee performance. Consequently, the first hypothesis, which states that ethical leadership influences employee performance, is rejected.

- The test of the effect of spirituality on employee performance resulted in a p-value of 0.05. This result indicates a p-value at the 5% significance level, suggesting a positive and significant effect of spirituality on employee performance. Therefore, the hypothesis is accepted. This finding illustrates that spirituality can enhance employee performance.
- The test of ethical leadership with motivation as a mediating variable yielded a p-value of 0.05. This value indicates that ethical leadership can be mediated by the motivation variable. The test results confirm that the hypothesis is accepted.
- The test of spirituality with motivation as a mediating variable resulted in a p-value of 0.05. The interpretation indicates that the hypothesis is accepted, with a p-value of 0.005. This finding suggests that spirituality can mediate the relationship between motivation and employee performance.

### IV. CONCLUSION AND SUGGESTION

This research aims to determine the influence of Ethical Leadership, Spirituality on Performance with Motivation as a mediating variable in banking employees. Based on the research results and discussions that have been described, it can be concluded that: (1) Ethical Leadership does not have a positive and significant direct effect on the performance of employees at BSI Lampung Province. (2) Spirituality has a positive and significant effect on the performance of employees at BSI Lampung Province. (3) Motivation mediates the effect of ethical leadership on the performance of employees at BSI Lampung Province. (4) Motivation mediates the effect of spirituality on the performance of employees at BSI Lampung Province.

Based on the data analysis, ethical leadership has not yet positively contributed to improving employee performance at BSI Lampung Province. Therefore, leaders play a crucial role in enhancing leadership styles that are principled and uphold high morals, such as honesty, integrity, fairness, and a sense of responsibility. A leader should not only focus on achieving goals or results but also consider how to achieve them and the impact on the company's environment, especially at BSI Lampung Province. It is also important for leaders to spend time with branch employees outside of work to strengthen their relationships. BSI Lampung Province is expected to develop more effective and efficient ways of working and focus on employee career development, enabling them to avoid fraudulent behaviors. Furthermore, the leadership at BSI is expected to instill spiritual values within the company, helping employees align their work with their life goals.

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