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The Influence of Organizational Support and Work Engagement on Employee Performance with Work Loyalty as an Intervening Variable Among Employees of the Batik Satrio Manah UMKM Center

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ABSTRACT*:* Employee performance in the MSME sector is a crucial factor for business sustainability, yet in practice often faces challenges such as limited organizational support, suboptimal work engagement, and fluctuating employee loyalty. This study aims to analyze the influence of organizational support and work engagement on employee performance, with work loyalty as an intervening variable, among employees of the Batik Satrio Manah MSME Center. A quantitative research approach with a survey design was employed. The research sample consisted of 52 employees of the Batik Satrio Manah MSME Center, selected using a total sampling technique. Data analysis was conducted using PLS-SEM. The findings indicate that: organizational support has a positive and significant effect on employee performance; work engagement has a positive and significant effect on employee performance; organizational support does not significantly affect employee performance through work loyalty; and work engagement significantly affects employee performance through work loyalty. These findings highlight the importance of human resource management strategies in MSMEs with a focus on enhancing employee engagement. Work loyalty is proven to strengthen the impact of engagement on performance; therefore, MSMEs need to foster a supportive work environment, increase recognition of employee contributions, and develop performance-based reward systems to sustain competitiveness and ensure long-term business sustainability.

KEYWORDS: Organizational Support, Work Engagement, Work Loyalty, Employee Performance

I. INTRODUCTION

Employee performance is a fundamental determinant of organizational success because it directly affects productivity, work quality, and the achievement of business goals (Diamantidis & Chatzoglou, 2019; Ribeiro et al., 2018). In the Micro, Small, and Medium Enterprises (MSME) sector, this issue becomes even more critical due to limited resources and high dependence on manual labor. The effectiveness of each worker determines production continuity, operational stability, and long-term business competitiveness (George et al., 2020). Unlike large organizations with standardized managerial systems, MSMEs operate within more personal work dynamics, making employees' psychological and emotional conditions a central factor shaping performance.

This condition is evident at the Batik Satrio Manah MSME Center in Tulungagung, one of the regional producers of stamped batik. Although market demand remains relatively stable, production capacity has significantly declined over the past three years. Internal records show that stamped batik output dropped from 9,100 sheets in 2021 to 6,200 sheets in 2023. This decrease indicates declining employee performance despite sustained market opportunities. Preliminary interviews with the owner revealed that the decline is not driven by demand fluctuations but rather by reduced motivation, higher absenteeism, and weakened individual initiative to meet daily production targets.

Changes in work behavior are closely linked to decreasing organizational support. Incentives have been reduced, workplace facilities deteriorated, and two of the three main production machines are no longer functioning well. These working conditions lower employees' perceptions of appreciation, concern, and organizational care—factors that are known to increase motivation, trust, and commitment (Gani et al., 2021; Şanliöz et al., 2023).

Work engagement has also shown a downward trend. Based on HR data, attendance rates fell from 95% in 2021 to 81% in 2023, accompanied by increasing reports of mental fatigue and long leave requests. These symptoms indicate weakened vigor, dedication, and absorption—the three core components of engagement. In labor-intensive work such as batik production, which requires concentration, precision, and consistency, declining engagement directly affects product quality and output.

Work loyalty, which reflects employees' long-term commitment to the organization, has also shifted. Table 3 shows a decrease in the percentage of employees intending to stay. In 2021, 88% expressed willingness to remain for more than two years, but the figure dropped to 69% in 2023. Although turnover remains low, the declining loyalty trend suggests weakening emotional attachment between employees and the organization—especially when employee needs no longer align with company policies. Loyalty is crucial in MSMEs because it maintains production continuity and reduces training and adaptation costs for new workers (Chikazhe et al., 2020; Melisani et al., 2024).

Theoretically, the relationship between organizational support, work engagement, loyalty, and performance can be explained by Social Exchange Theory (SET) (Blau, 1964), which posits that work relationships operate through reciprocity. Positive treatment from the organization is reciprocated by employees through loyalty, higher engagement, and improved performance (Koomson, 2022; Wardana et al., 2024). However, the situation in Batik Satrio Manah suggests that reciprocal mechanisms may not always function linearly. Initial data indicate that loyalty is primarily shaped by long tenure and strong social ties rather than organizational support. This highlights a theoretical gap regarding how SET operates in labor-intensive MSMEs, where informal structures and interpersonal relations dominate over formal support systems.

Beyond theoretical gaps, empirical studies also show inconsistent findings. Some studies report significant effects of organizational support on performance (Musenze et al., 2021; Şanliöz et al., 2023), while others found no meaningful effect (Wardana et al., 2024). Similarly, the link between work engagement and performance is significant in several studies (Koomson, 2022; Nasurdin et al., 2018), but not in others(Indraswara et al., 2024; Rifai & Atiningsih, 2019). Moreover, only a few studies have examined work loyalty as a mediating variable—particularly in MSME settings such as batik production, where work rhythms are manual, repetitive, and psychologically demanding.

Based on these theoretical and empirical gaps, this study offers a new perspective by examining the influence of organizational support and work engagement on employee performance with work loyalty as a mediating variable in a labor-intensive MSME context. The study not only tests direct relationships but also identifies the psychological mechanisms connecting organizational treatment to employee behavior. It expands the application of Social Exchange Theory within informal work environments and provides empirical evidence rarely explored in Indonesian stamped-batik industries. Practically, this research offers evidence-based recommendations for MSME owners and policymakers to strengthen productivity through more human-centered, adaptive, and sustainable human resource strategies.

II. THEORETICAL FRAMEWORK

A. Social Exchange Theory (SET)

Social Exchange Theory (SET), introduced by Blau (1964) is one of the most influential frameworks in industrial–organizational psychology used to explain work-related attitudes and behaviors. SET posits that social relationships, including those between employees and organizations, are built on the principle of reciprocity. Individuals willingly engage in exchanges when they perceive that the benefits received outweigh the costs incurred. In organizational settings, employees who feel valued and supported are more likely to reciprocate by demonstrating stronger work engagement, loyalty, and performance.

B. Employee Performance

Employee performance refers to the extent to which work behaviors meet established standards and achieve expected outcomes (Şanliöz et al., 2023). Melisani et al. (2024) define performance as the achievement of work quality, quantity, and goals, highlighting that high-performing employees continuously improve their competencies to produce optimal results. Within the SET framework, organizations that treat employees fairly and provide adequate support are more likely to receive positive behavioral returns in the form of improved performance. According to Nugraha & Kharismasyah (2024) employee performance can be measured through three indicators: (1) work quality, (2) speed and agility, and (3) productivity.

C. Organization Support

Organizational support refers to the extent to which employees perceive that the organization values their contributions and cares about their well-being (Şanliöz et al., 2023). Nasurdin et al. (2018) emphasize that organizational support strengthens employees' sense of security and loyalty by signaling appreciation and concern for their needs. In the context of SET,

organizational support is viewed as an exchange mechanism in which positive treatment from the organization elicits positive employee responses. Sun et al. (2023) identify three indicators of organizational support: (1) emotional support and well-being, (2) recognition and appreciation, and (3) social support and collaboration.

D. Work Engagement

Work engagement is a positive psychological state characterized by energy, dedication, and deep involvement in one's work (George et al., 2020). Melisani et al. (2024) note that engagement reflects strong emotional connection with work tasks, motivating employees to contribute at their highest capacity. Aligned with SET, work engagement emerges as a reciprocation to organizational support and positive treatment. According to Karatepe & Aga (2016) work engagement consists of three indicators: (1) energy and vitality, (2) dedication and commitment, and (3) absorption and deep involvement.

E. Work Loyalty

Work loyalty represents employees' long-term commitment to the organization, influenced by job satisfaction, supportive work environments, and social or financial rewards (Melisani et al., 2024). Loyalty is expressed not only as an attitude but also as active involvement, positive relationships, and high responsibility toward tasks (Wardana et al., 2024). From the perspective of SET, loyalty is viewed as a form of reciprocal behavior in response to fair treatment and organizational support. According to Sun et al. (2023) loyalty can be assessed using three indicators: (1) long-term commitment and satisfaction, (2) dedication and effort, and (3) resistance to external offers.

F. Conceptual Framework

Effect of Organizational Support on Employee Performance

Within the SET framework, organizational support is considered a form of positive input that elicits reciprocal behaviors in the form of improved employee performance (Blau, 1964). Support may include resources, recognition, and conducive working conditions that enable employees to carry out tasks more effectively. Several studies confirm the significant positive effect of organizational support on performance (Musenze et al., 2021; Şanliöz et al., 2023; Silva & Lopes, 2023). However, findings are not entirely consistent. Wardana et al. (2024) report that organizational support does not significantly influence performance, suggesting that the effect may be overshadowed by mediating variables such as job satisfaction, leadership style, or loyalty. These inconsistencies imply that the direct relationship may not always be linear and may depend on intermediary psychological mechanisms.

H1: Organizational support has a significant positive effect on employee performance.

Effect of Work Engagement on Employee Performance

Work engagement reflects enthusiasm, focus, and dedication to work tasks. Employees with high engagement generally demonstrate higher performance because they feel personally responsible for their work outcomes and organizational success. From the SET viewpoint, engagement represents employees' reciprocal response to supportive and positive treatment from the organization. Research by Melisani et al. (2024) and Nasurdin et al. (2018) supports the positive link between engagement and performance. However, other studies Indraswara et al. (2024) and Rifai & Atiningsih (2019) found no significant relationship, suggesting that contextual factors such as work characteristics or mediating variables may influence the connection.

H2: Work engagement has a significant positive effect on employee performance.

Effect of Organizational Support on Employee Performance Through Work Loyalty

SET posits that loyalty is a reciprocal outcome arising from organizational support (Blau, 1964). When employees feel fairly treated and supported, they develop stronger commitment, which then enhances motivation, dedication, and task completion. Musenze et al. (2021) found that organizational support increases work loyalty, which subsequently improves performance. This implies that supportive practices, such as recognition, comfortable work environments, and development opportunities, can strengthen the employee–organization relationship and indirectly enhance performance.

H3: Organizational support has a significant positive effect on employee performance mediated by work loyalty

Effect of Work Engagement on Employee Performance Through Work Loyalty

According to SET, work engagement reflected through energy, dedication, and involvement, encourages employees to develop stronger loyalty toward the organization (Blau, 1964). Melisani et al. (2024) found that work engagement enhances loyalty, which then contributes to improved performance. Engaged employees tend to form emotional bonds with their work and organization, increasing their commitment to delivering quality performance. Thus, loyalty acts as a psychological pathway that strengthens the engagement–performance relationship.

H4: Work engagement has a significant positive effect on employee performance mediated by work loyalty.

Figure 1 illustrates the proposed research framework, highlighting the relationships among variables.

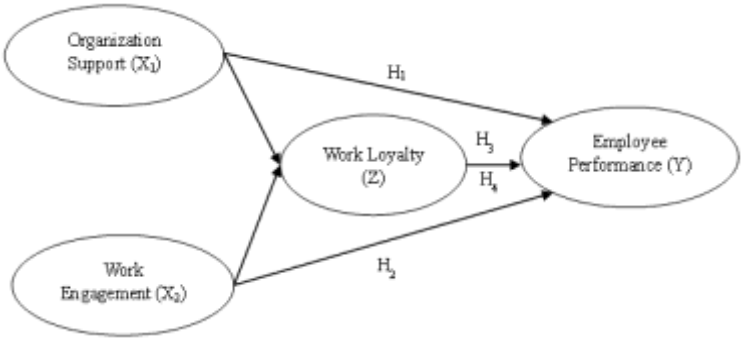


Figure 1. Conceptual Model

III. RESEARCH METHOD

This study was conducted at Sentra UMKM Batik Satrio Manah, located in Bangoan Village, Kedungwaru District, Tulungagung Regency, East Java. The site was selected purposively because it is a center of stamped and hand-drawn batik production that has experienced a significant decline in production capacity over the past three years. This condition indicates potential issues in employee performance, making the location relevant for examining the factors that influence performance in a labor-intensive UMKM context.

A quantitative survey approach was employed to test the causal relationships among organizational support, work engagement, work loyalty, and employee performance. This approach was chosen because it allows objective empirical measurement through structured instruments (Sugiyono, 2012). The questionnaire was developed based on theoretical indicators of each variable and distributed online using Google Forms to facilitate independent responses. A closed-ended questionnaire with a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) was used, which is commonly applied to measure attitudes, perceptions, and levels of employee engagement.

The population consisted of all 52 employees of Sentra UMKM Batik Satrio Manah. Due to the relatively small population size, the sampling technique used was saturated sampling or census sampling, in which the entire population served as the research sample (Sugiyono, 2012). This method ensured maximum representation of employee characteristics, particularly because variations in tenure and social structure within UMKM settings significantly influence loyalty and engagement formation.

Data analysis was carried out in two main stages. First, descriptive statistics were used to present the respondents' profiles and the distribution of responses for each indicator. This analysis provides an overview of employees' general perceptions regarding organizational support, work engagement, work loyalty, and performance. Descriptive analysis was processed using IBM SPSS Statistics 25. Second, to test the relationships among latent variables, the study employed Structural Equation Modeling using Partial Least Squares (PLS-SEM). This method was selected because it is suitable for complex structural models, accommodates small sample sizes, and does not require multivariate normal data distribution (Hair et al., 2019). he PLS-SEM analysis was conducted using SmartPLS 3.

The PLS-SEM procedure consisted of evaluating the outer model and the inner model. The outer model evaluation ensured adequate validity and reliability of the indicators. Convergent validity was assessed through loading factors and Average Variance Extracted (AVE), while discriminant validity was examined using cross-loadings. Construct reliability was evaluated using Composite Reliability and Cronbach's Alpha, as recommended by Ghozali & Latan (2012). After confirming that the measurement model met validity and reliability criteria, the inner model evaluation was conducted to analyze relationships among latent variables using R^2 values, predictive relevance (Q^2), and the significance of path coefficients based on t-statistics and p-values obtained through bootstrapping. Hypothesis testing was performed by assessing the significance of both direct and indirect effects, with p-values less than 0.05 indicating significance. This approach enabled the identification of whether work loyalty functioned as an intervening variable mediating the effects of organizational support and work engagement on employee performance.

IV. RESULTS

A. Respondent Profile

The respondent profile provides an overview of the demographic characteristics of employees at Sentra UMKM Batik Satrio Manah, which serves as the basis for understanding the condition of the workforce. The profile includes gender, age, educational background, and tenure.

Table 1. Respondent Profile

Category	Classification	Frequency	Percentage
Gender	Male	27	51,9%
	Female	25	48,1%
Age	18–25 years	4	7,7%
	26–35 years	9	17,3%
	36–45 years	19	36,5%
	46–55 years	16	30,8%
	>55 years	4	7,7%
Education	Elementary School	4	7,7%
	Junior High School	2	3,8%
	Senior High School/Vocational	41	78,8%
	Diploma	5	9,6%
	Bachelor/Master	0	0,0%
Tenure	<1 year	1	1,9%
	1–3 years	6	11,5%
	4–6 years	13	25,0%
	7–10 years	12	23,1%
	>10 years	20	38,5%
Total Respondents		**52**	**100%**

The results in Table 1 indicate that employees are predominantly within the productive age range of 36–45 years (36.5%). The gender composition is balanced, with a slight dominance of male employees (51.9%). Most respondents have worked for more than 10 years (38.5%), demonstrating strong retention and long-term commitment. In terms of education, the majority completed senior high school or vocational school (78.8%), which aligns with the technical skill requirements of the batik industry. Overall, the profile reflects an experienced and stable workforce with educational backgrounds aligned with operational needs.

B. Descriptive Statistics of Variables

Descriptive analysis was conducted to examine employee perceptions of the research variables using mean scores on a 1–5 Likert scale. A summary is presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	Indicator	Statement (Translated)	Mean
Organization Support (X_1)	$X_1.1$	I feel that the company cares about my well-being.	3,81
	$X_1.2$	My contributions are appreciated by my supervisor.	4,00
	$X_1.3$	I feel I have a good working relationship with my colleagues.	4,02
Work Engagement (X_2)	$X_2.1$	I feel enthusiastic when working at this batik center.	3,67
	$X_2.2$	I am proud of my job here.	3,50
	$X_2.3$	I am so involved in my work that time passes quickly.	3,75
Work	Z.1	I intend to continue working at this batik center.	3,54

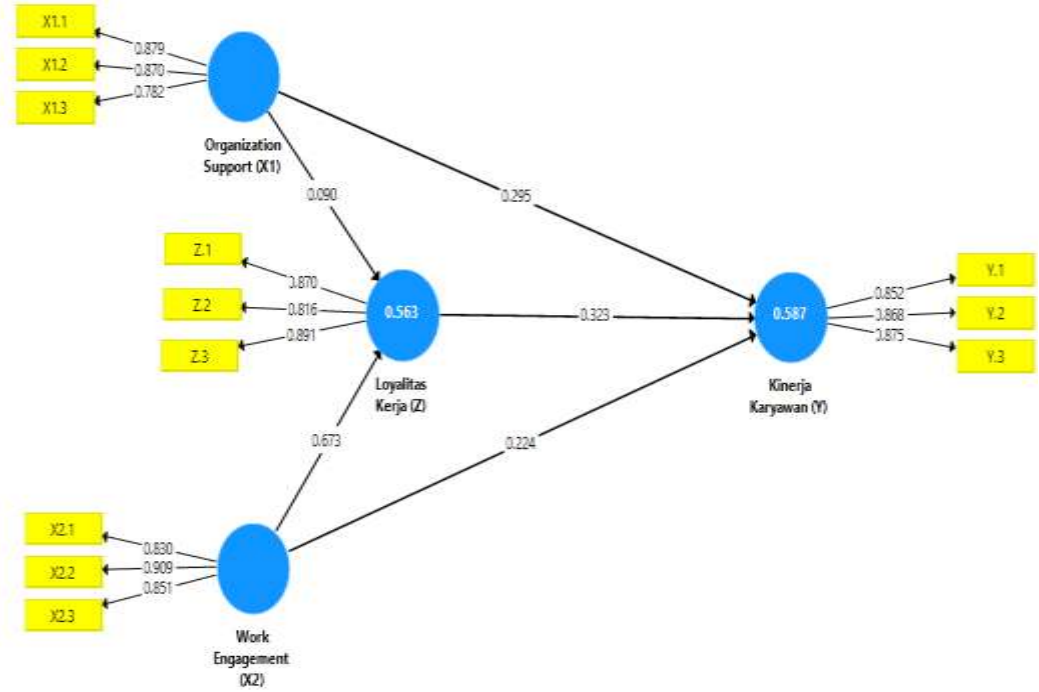
Loyalty (Z)	Z.2	I keep putting in my best effort even when facing challenges.	3,92
	Z.3	I am not interested in seeking employment elsewhere.	3,46
Employee Performance (Y)	Y.1	Employees complete work according to the required quality standards.	4,06
	Y.2	Employees achieve the work targets set for them.	4,02
	Y.3	Employees complete tasks efficiently and on time.	3,79

Based on Table 2, all variables are perceived at a high level. For Organizational Support (X1), the highest score appears on the indicator related to coworker relationships (X1.3 = 4.02), highlighting strong social support among employees. Meanwhile, perceived organizational care for employee well-being (X1.1 = 3.81) remains an area for improvement. For Work Engagement (X2), the absorption indicator (X2.3 = 3.75) shows that many employees feel immersed in their work. However, pride in work (X2.2 = 3.50) scores the lowest, indicating the need to strengthen job identity and work-related pride. In the Work Loyalty variable (Z), dedication (Z2 = 3.92) is the strongest indicator, reflecting high commitment. Conversely, resistance to external job offers (Z3 = 3.46) is relatively lower, suggesting potential mobility or declining attachment. For Employee Performance (Y), the highest score appears on work quality (Y1 = 4.06), demonstrating employees' ability to maintain production standards. Efficiency and timeliness (Y3 = 3.79) are lower but still fall within the high category.

Overall average scores for the variables are high: organizational support (3.94), work engagement (3.64), work loyalty (3.64), and employee performance (3.96). These findings indicate that human resource conditions at Sentra UMKM Batik Satrio Manah are generally strong, although areas such as organizational care, work pride, and work efficiency require further attention. Strengthening organizational support and employee engagement is likely to enhance performance outcomes more optimally.

C. PLS–SEM Analysis

Partial Least Squares–Structural Equation Modeling (PLS-SEM) was employed to examine the relationships among latent variables through two main stages: (1) evaluation of the outer model (validity and reliability of indicators) and (2) evaluation of the inner model (structural relationships among variables).



Gambar 1. Model Struktural and Pengukuran PLS-SEM

D. Outer Model (Validity and Reliability)

Convergent validity assesses the extent to which indicators accurately represent the constructs they measure. An indicator is considered valid when its outer loading value is ≥ 0.70.

Table 3. Convergent Validity (Outer Loadings)

Variable	Indicator	*Outer Loading*	Description
Organization Support (X_1)	X_1.1	0,879	Valid
	X_1.2	0,870	Valid
	X_1.3	0,782	Valid
Work Engagement (X_2)	X_2.1	0,830	Valid
	X_2.2	0,909	Valid
	X_2.3	0,851	Valid
Work Loyalty (Z)	Z.1	0,870	Valid
	Z.2	0,816	Valid
	Z.3	0,891	Valid
Employee Performance (Y)	Y.1	0,852	Valid
	Y.2	0,868	Valid
	Y.3	0,875	Valid

All indicators meet the convergent validity requirement (>0.70). The highest loading value is shown by indicator X2.2 (0.909), indicating a very strong contribution to the work engagement construct. Although X1.3 (0.782) is the lowest loading value, it remains above the minimum threshold, confirming that it is valid.

Next, reliability testing was conducted using Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE). Reliability is considered satisfactory when Cronbach's Alpha and Composite Reliability ≥ 0.70, and AVE ≥ 0.50.

Table 4. Reliability Test (Cronbach's Alpha, Composite Reliability, AVE)

Variable	***Cronbach Alpha***	***Composite Reliability***	**AVE**	Description
Organization Support (X_1)	0,799	0,882	0,714	Reliable
Work Engagement (X_2)	0,830	0,898	0,747	Reliable
Employee Performance (Y)	0,832	0,899	0,748	Reliable
Work Loyalty (Z)	0,823	0,895	0,739	Reliable

All variables demonstrate high reliability with composite reliability values ranging from 0.882 to 0.899 and Cronbach's Alpha values ranging from 0.799 to 0.832. The AVE values (0.714–0.748) indicate that each construct adequately explains the variance of its indicators. These results confirm that the outer model meets all validity and reliability requirements, allowing for the structural evaluation in the inner model.

E. Inner Model

The inner model was evaluated to assess the quality of the structural relationships among latent variables using R-Square (R^2) and Predictive Relevance (Q^2). The R^2 value indicates the explanatory power of exogenous variables on endogenous variables, while Q^2 evaluates the predictive strength of the model.

Table 5. R-Square and Predictive Relevance (Q^2)

Endogenous Variable	R-Square	Category	Q^2	Interpretation
Employee Performance (Y)	0,587	Moderate	0,410	Strong predictive relevance
Work Loyalty (Z)	0,563	Moderate	0,378	Strong predictive relevance

The R^2 values of 0.587 for employee performance and 0.563 for work loyalty indicate that the model has moderate yet stable explanatory power. Meanwhile, Q^2 values above 0.35 confirm that the model possesses strong predictive relevance for explaining employee behavior at Sentra UMKM Batik Satrio Manah.

F. Hypothesis Testing Results (Path Coefficient)

Hypothesis testing was conducted to examine both the direct and indirect effects among variables in the structural model. The evaluation was based on T-statistics and p-values generated through the bootstrapping procedure in PLS-SEM. Following Ghozali & Latan (2012), a hypothesis is accepted when T-statistics ≥ 1.96 and p-value ≤ 0.05; otherwise, the hypothesis is rejected.

Table 6. Direct Effects

Hypothesis	Path Coefficient	Sample Mean (M	Standard Deviation (STDEV)	T-Statistics (|O/STDEV|)	P Values
Organization Support (X_1) -> Employee Performance (Y)	0,324	0,335	0,151	2,144	0,032
Work Engagement (X_2) -> Employee Performance (Y)	0,441	0,439	0,159	2,777	0,006

H1: There is a significant positive effect of Organizational Support on Employee Performance. The results show that organizational support significantly improves employee performance (T = 2.144; p = 0.032). This indicates that the higher the level of support perceived by employees, the better their performance.

H2: There is a significant positive effect of Work Engagement on Employee Performance. Work engagement demonstrates the strongest direct effect on performance (T = 2.777; p = 0.006). Employees who feel energized, dedicated, and absorbed in their work tend to deliver higher-quality output.

Tabel 1. Indirect Effects (Mediation)

Hypothesis	Path Coefficient	Sample Mean (M	Standard Deviation (STDEV)	T-Statistics (|O/STDEV|)	P Values
Organization support (X_1) -> Work Loyalty (Z) ->Employee Performance (Y)	0,029	0,043	0,069	0,419	**0,675**
Work engagement (X_2) -> Work Loyalty (Z) ->Employee Performance (Y)	0,217	0,208	0,094	2,309	0,021

H3: There is a significant positive effect of Organizational Support on Employee Performance mediated by Work Loyalty. This mediation effect is not significant (T = 0.419; p = 0.675). Organizational support does not enhance performance through loyalty, likely because loyalty among employees at Sentra UMKM Batik Satrio Manah is already stable due to long tenure, making it less responsive to variations in organizational support.

H4: There is a significant positive effect of Work Engagement on Employee Performance mediated by Work Loyalty. The mediation effect is significant (T = 2.309; p = 0.021). Higher work engagement increases work loyalty, and this strengthened loyalty subsequently enhances employee performance.

V. DISCUSSION

A. The Effect of Organizational Support on Employee Performance at Sentra UMKM Batik Satrio Manah

The results indicate that organizational support has a positive and significant effect on employee performance, confirming the proposed hypothesis. Organizational support effectively enhances work quality because employees feel valued, supported, and work within a socially harmonious environment. Descriptive findings show that the highest indicator of organizational support is the strong interpersonal relationships among coworkers. This condition is highly relevant to the batik production process, which depends heavily on coordination—from pencantingan to finishing. Solid workplace relationships enable smoother and more consistent production flows, contributing directly to the highest performance indicator: employees' ability to meet established quality standards.

Within the framework of Social Exchange Theory (SET) proposed by Blau (1964), organizational support is viewed as a form of social investment that stimulates reciprocal behaviors, including higher performance. When employees experience appreciation, comfort, and adequate support at work, they respond by maintaining quality and productivity—even in UMKM

environments with limited formal resources. These findings align with Musenze et al. (2021), Şanliöz et al. (2023), and Silva & Lopes (2023) who also highlight the motivational and psychological effects of organizational support on performance. However, the results differ from Wardana et al. (2024) who found no significant relationship between organizational support and employee performance. Such differences may stem from sectoral characteristics; in UMKM settings like Sentra Batik Satrio Manah, interpersonal support and social cohesion play a more dominant role than in more formal industrial environments.

Overall, the findings confirm that organizational support is a key factor driving employee performance at Sentra UMKM Batik Satrio Manah. The stronger the support perceived by employees—whether material or emotional—the higher their motivation to perform optimally. This reinforces the core principle of Social Exchange Theory, which posits that positive reciprocal relationships produce optimal organizational outcomes.

B. The Effect of Work Engagement on Employee Performance at Sentra UMKM Batik Satrio Manah

The findings show that work engagement positively and significantly influences employee performance, supporting the proposed hypothesis. Higher levels of work engagement result in better work quality and performance outcomes. Descriptive analysis reveals that the highest engagement indicator corresponds to the statement, "I am so involved in my job that time passes quickly." This reflects a flow state, in which employees work with complete focus and immersion. Such a condition aligns with the highest performance indicator: employees' ability to meet quality standards, demonstrating that deep emotional and psychological engagement directly enhances work outcomes.

These results support Social Exchange Theory (SET), which explains work engagement as a form of reciprocal behavior toward positive organizational treatment (Blau, 1964). When employees receive support, recognition, and a conducive work environment, they respond with increased energy, dedication, and commitment (Gani et al., 2021). In the context of Sentra UMKM Batik Satrio Manah, work engagement yields tangible benefits, as batik production requires high levels of accuracy, concentration, and patience. Employees experiencing flow tend to produce more precise batik patterns, reduce errors, and maintain productivity even when task demands are high. High engagement also fosters a stronger sense of ownership over their work, further motivating employees to deliver high-quality products.

This study's findings are consistent with Melisani et al. (2024) and Nasurdin et al. (2018) who also found that work engagement significantly improves performance, particularly in roles requiring creativity and perseverance. Differences from Indraswara et al. (2024) and Rifai & Atiningsih (2019) may be attributed to variations in industry characteristics, work autonomy, and job demands. Thus, the present study reinforces that work engagement is a key driver of employee performance at Sentra UMKM Batik Satrio Manah. The higher the employee's energy, dedication, and concentration, the greater their achievement of performance targets. This supports the core premise of Social Exchange Theory: work engagement serves as a direct and meaningful form of reciprocity toward positive organizational treatment.

C. The Effect of Organizational Support on Employee Performance Through Work Loyalty

The findings show that the indirect effect of organizational support on employee performance through work loyalty is not significant; therefore, the hypothesis is rejected. This indicates that increased organizational support does not meaningfully change employees' loyalty levels, making loyalty an ineffective mediator between support and performance. Descriptive evidence reinforces this result. The highest indicator of organizational support—"having good working relationships with colleagues"—shows that social support among coworkers is the most influential factor in driving productivity. Strong coordination and teamwork directly enhance production processes and product quality, as reflected in the highest performance indicator, namely "completing work according to established quality standards." Thus, harmonious social relationships are sufficient to improve performance without requiring changes in loyalty.

Within the framework of Social Exchange Theory (SET) (Blau, 1964) these findings suggest that reciprocal mechanisms do not operate through loyalty but instead occur directly: organizational support → improved performance. Although SET posits that support should generate loyalty, which then enhances performance, in this context loyalty remains unchanged despite increased organizational support. Descriptive findings on loyalty clarify this: the highest item—"I continue to give my best even when facing challenges"—indicates that employees' dedication is already inherently high. This dedication reflects personal commitment rather than a response to organizational treatment. In addition, loyalty stability is supported by respondent characteristics, where 38.5% of employees have worked for more than 10 years. Such long tenure creates deeply rooted loyalty that does not shift easily. Therefore, when organizational support increases, the effect emerges directly in performance outcomes rather than in loyalty.

These findings align with Indraswara et al. (2024) and Rifai & Atiningsih (2019) who also identified loyalty as an inconsistent mediator—particularly among employees with strong emotional attachment. However, the results differ from Musenze et al. (2021), Nasurdin et al. (2018), and Silva & Lopes (2023) who found loyalty to be an effective mediator in organizations with more fluctuating employee loyalty. Consequently, this study contributes to SET literature by demonstrating that loyalty mediation may be insignificant when loyalty is already high and stable. SET remains relevant, but in this UMKM context, reciprocal processes occur through direct effects rather than through additional loyalty formation.

D. The Effect of Work Engagement on Employee Performance Through Work Loyalty

The results show that work engagement has a significant indirect effect on employee performance through work loyalty, indicating that the mediation hypothesis is accepted. Higher engagement strengthens employee loyalty, which in turn enhances performance. Descriptive findings support this mechanism. The highest work engagement indicator—"I am so involved in my work that time passes quickly"—reflects a flow state, characterized by deep focus and immersion. This condition is highly relevant in batik production, which requires accuracy, concentration, and patience. When employees reach flow, work quality improves and production errors decline. This high engagement aligns with the strongest loyalty indicator—"I continue to give my best despite challenges"—showing that engaged employees develop emotional loyalty and remain committed even under production pressure or resource limitations. This loyalty, in turn, reinforces the highest performance indicator: "completing work according to established quality standards."

These results are consistent with Social Exchange Theory (SET), which explains engagement as a psychological investment that emerges when employees experience supportive, rewarding, and meaningful work environments (Blau, 1964). As a reciprocal response, employees develop stronger loyalty and increase their performance. At Sentra UMKM Batik Satrio Manah, stable working conditions, positive social relationships, and opportunities to refine technical skills strengthen this reciprocal cycle. The findings align with Melisani et al. (2024) and Suprihatin & Tuti Wediawati (2024) who found that engagement improves performance through loyalty. Differences from Indraswara et al. (2024) and Rifai & Atiningsih (2019) are likely due to variations in job characteristics; in labor-intensive UMKM settings, technical and repetitive work often intensifies the link between emotional engagement, loyalty, and performance. Respondent characteristics also support the mediation effect. Although some employees have relatively long tenure, their loyalty is not stagnant; instead, engagement from daily work experiences continues to strengthen it. Thus, work loyalty remains an effective mediator.

In conclusion, work engagement influences performance both directly and indirectly through loyalty. For UMKM management, these findings underscore the importance of creating a work environment that fosters emotional and psychological engagement, as the loyalty that emerges becomes an additional driver of sustained employee performance.

VI. CONCLUSIONS

The findings of this study demonstrate that organizational support and work engagement play an essential role in enhancing employee performance at Sentra UMKM Batik Satrio Manah. Organizational support shows a significant direct effect on performance, indicating that employees who feel appreciated, receive adequate assistance, and experience positive working relationships tend to perform their tasks more effectively. Work engagement also exerts a significant and positive influence on employee performance. Employees who work with enthusiasm, focus, and experience a flow state are able to deliver consistent results and meet established quality standards.

However, work loyalty does not mediate the relationship between organizational support and performance. This outcome is largely shaped by the characteristics of the respondents, many of whom have worked for more than a decade, resulting in a level of loyalty that is deeply rooted and not easily influenced by additional organizational support. In contrast, work loyalty successfully mediates the relationship between work engagement and performance, indicating that high engagement fosters emotional loyalty, which subsequently strengthens productive work behaviors.

Overall, this study highlights that, within the UMKM context, improving performance is more effective when driven through enhanced work engagement rather than through organizational support aimed at building additional loyalty. Engagement emerges as the primary mechanism through which employees develop stronger commitment and deliver higher-quality performance.

Based on these findings, several recommendations are proposed. First, future research may incorporate variables related to peer relationships—such as peer support or the quality of interpersonal work relations—given that interpersonal indicators received the highest scores. Second, additional psychological variables such as job passion or psychological empowerment could be included to deepen the understanding of factors that shape work engagement. Third, examining organizations with more

diverse employee tenure would enable clearer observation of how loyalty functions as a mediator. Lastly, future studies may adopt a mixed-methods approach to capture emotional, cultural, and contextual elements that are not fully represented through quantitative questionnaires.

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