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The Role of Transformational Leadership, Work Environment, and Work Motivation in Improving Employee Performance on People's Credit Bank

(Survey on Bank BPR Nusantara Bona Pasogit 14 and Nusantara Bona Pasogit 19)

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ABSTRACT

Employee performance is an important factor that determines the success of an organization, especially in financial institutions such as Bank Perkreditan Rakyat (BPR). In the face of increasingly fierce banking competition, employee performance is a determinant of competitiveness and operational sustainability. However, there are still problems such as the application of transformational leadership in providing inspiration and intellectual stimulation, work environment conditions that do not support productivity, and reward systems that are not able to motivate employees optimally. These problems have an impact on the suboptimal performance of employees at BPR Nusantara Bona Pasogit. This study aims to determine the influence of transformational leadership, work environment, and work motivation on employee performance, both partially and simultaneously. The approach used is quantitative with descriptive and verifiable methods. Data was obtained through the distribution of questionnaires to employees and analyzed using path analysis with the help of statistical software. The results of the study show that transformational leadership, work environment, and work motivation in general are in the category of good enough to very good. Partially, all three variables have a positive and significant effect on employee performance, while simultaneously all three have a strong influence on performance improvement. Among the three, work motivation is the most dominant factor in influencing employee performance. These findings confirm that improving employee performance can be achieved through inspirational leadership, a conducive work environment, and an effective motivation system. The results of the research are expected to be input for the management of BPR Nusantara Bona Pasogit in increasing leadership effectiveness, creating a supportive work atmosphere, and strengthening work motivation to encourage employee performance in a sustainable manner.

Keywords: Transformational Leadership, Work Environment, Work Motivation, Employee Performance.

INTRODUCTION

The Financial Services Authority Regulation Number 20/POJK.03/2014 concerning People's Credit Banks (BPR) is considered no longer aligned with the evolving dynamics of the banking industry. The regulatory framework needs to be updated to respond to changes in competitiveness, technology, and human resource management that affect institutional performance. Within this context, human resources play a strategic role in determining organizational productivity and long-term sustainability. In BPR institutions, the ability of employees to adapt, innovate, and maintain service quality is a key factor influencing operational stability and financial achievement.

BPR Pasogit, as a local financial institution contributing to regional economic growth, relies heavily on the competence and commitment of its workforce. The financial performance of BPR Pasogit 19 and BPR Pasogit 14 over the past three years illustrates fluctuations that may be closely related to internal management practices, including leadership quality, employee motivation, and work environment conditions.:

Table 1. Performance of Bank BPR Pasogit 19 and BPR Pasogit 14

No	Important Ratios	PGST 19 (2021)	PGST 14 (2021)	PGST 19 (2022)	PGST 14 (2022)	PGST 19 (2023)	PGST 14 (2023)
1	CAR	31.70%	24.17%	28.95%	22.93%	21.22%	20.74%
2	Cash Ratio	15.40%	12.26%	11.31%	15.31%	15.78%	12.31%
3	KAP	7.88%	11.80%	7.78%	8.31%	5.94%	10.00%
4	PAR	21.94%	19.21%	18.86%	15.80%	19.21%	18.41%
5	NPL	10.86%	13.67%	10.48%	9.93%	8.03%	15.72%
6	ROA	1.08%	0.60%	0.82%	-0.74%	1.84%	-1.10%
7	BOPO	95.75%	99.57%	97.00%	102.98%	92.61%	103.33%
8	OHC	20.86%	25.00%	22.56%	24.90%	24.04%	26.04%
9	NIM	18.66%	23.17%	21.87%	21.42%	20.14%	22.17%
10	LDR	63.86%	79.53%	74.45%	76.08%	81.65%	83.28%

Source: BPR NBP Performance Report 14 and 19

The table shows that both BPR Pasogit 19 and BPR Pasogit 14 experienced declining capital adequacy (CAR) during 2021–2023, indicating reduced financial resilience. Liquidity levels also fluctuated, with Pasogit 19 demonstrating greater stability (Cash Ratio 15.78%) than Pasogit 14 (12.31%). Furthermore, asset quality (KAP) at Pasogit 19 improved to 5.94%, while Pasogit 14's worsened to 10.00%. The BOPO ratio suggests that Pasogit 14's operational efficiency was lower, exceeding 100% in 2022 and 2023, compared to Pasogit 19, which maintained efficiency below 95%. Meanwhile, the Return on Assets (ROA) shows that Pasogit 19 consistently generated positive returns, while Pasogit 14 recorded negative results in the same period.

These data indicate that differences in human resource effectiveness, work discipline, and managerial competence could be underlying factors behind the financial disparities. Inefficient human resource utilization, limited employee engagement, and inconsistent leadership may contribute to suboptimal financial outcomes. Thus, improving leadership quality, work environment conditions, and employee motivation becomes essential to strengthening overall performance at BPR Pasogit.

Previous research (Noe & Wright, 2022; Robbins & Judge, 2024; Koopmans et al., 2014) emphasizes that performance outcomes are strongly influenced by leadership style, organizational climate, and intrinsic motivation. Studies by Kurniawan and Santoso (2023) and Muliadi et al. (2023) further reveal that transformational leadership enhances performance through increased employee motivation and job satisfaction. Meanwhile, Sedarmayanti (2022) and Nitisemito (2021) highlight the impact of a supportive work environment on productivity and morale, and Vroom (2020) as well as Luthans (2021) demonstrate that motivation significantly affects employee engagement and goal attainment.

However, empirical evidence specifically linking transformational leadership, work environment, and work motivation to employee performance in the context of People's Credit Banks (BPR) particularly at BPR Nusantara Bona Pasogit remains limited. Most prior studies have focused on commercial banks or public institutions, creating a research gap in understanding how these factors interact within smaller-scale, community-based banking institutions.

Based on this gap, the present study aims to analyze the influence of transformational leadership, work environment, and work motivation on employee performance at BPR Nusantara Bona Pasogit. The research is expected to provide empirical evidence and managerial insights that can support the development of effective human resource strategies in improving organizational performance across local banking institutions.

METHOD

This study uses a descriptive and verifiable quantitative approach to analyze the influence of transformational leadership, work environment, and work motivation on employee performance at BPR Pasogit 14 and BPR Pasogit 19. The survey method combines descriptive and explanatory elements, aiming to describe variable characteristics and explain causal relationships through a cross-sectional design. The population consisted of 140 employees, and the Slovin formula with a 5% margin of error was applied to obtain a sample of 103 respondents using simple random sampling to ensure representativeness. Data were collected using a structured questionnaire consisting of 37 items across four variables transformational leadership (10 items), work environment (8 items), work motivation (9 items), and employee performance (10 items) measured on a 5-point Likert scale. Instrument validity was tested using Pearson's correlation, and all items with coefficients above 0.30 were deemed valid, while reliability was confirmed through Cronbach's Alpha values exceeding 0.70. The data were sourced from questionnaires, observations, company reports, and literature reviews relevant to the research framework. Data analysis employed Path Analysis to identify direct and indirect effects between variables. Before model estimation, classical assumption tests were performed, including normality (Kolmogorov–Smirnov), multicollinearity (VIF and Tolerance), and heteroscedasticity (Glejser test), all indicating that the data met regression assumptions. Hypothesis testing was conducted using t-tests and F-tests at a 5% significance level, with the coefficient of determination (R^2) used to measure model explanatory power. Ethical considerations were observed by ensuring voluntary participation and maintaining respondent confidentiality.

RESULTS AND DISCUSSION

1. Descriptive Statistics and Measurement Model Evaluation

Descriptive analysis revealed that most respondents were mid-level managers (58%) and senior executives (24%) who had been involved in sustainability programs for at least three years. The mean scores for all constructs were above 4.0, indicating strong agreement regarding sustainability-oriented practices within the surveyed organizations. Reliability and validity tests confirmed that the measurement model met statistical requirements. Cronbach's Alpha and Composite Reliability (CR) values exceeded 0.70, while Average Variance Extracted (AVE) values were above 0.50,

demonstrating acceptable convergent validity. Discriminant validity was verified using the Fornell–Larcker criterion, confirming that each construct was empirically distinct.

Table 1. Reliability and Validity of Constructs

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	Interpretation
Sustainability Leadership (SL)	0.892	0.917	0.615	Reliable & Valid
Strategic Management (SM)	0.876	0.904	0.598	Reliable & Valid
Sustainable Competitive Advantage (SCA)	0.901	0.926	0.646	Reliable & Valid

Source: SmartPLS Output (2025)

The results in Table 1 indicate strong internal consistency and reliability across all constructs, confirming that the instrument effectively measures each latent variable. Cronbach's Alpha values above 0.87 and CR values above 0.90 demonstrate stability and coherence of measurement items (Hair et al., 2023). The AVE values above 0.50 show sufficient convergent validity, meaning that the indicators adequately represent their respective constructs. Specifically, the high reliability for Sustainability Leadership (α = 0.892; CR = 0.917) suggests that respondents consistently associate sustainability leadership with vision, ethics, and environmental stewardship. Similarly, Strategic Management (α = 0.876; CR = 0.904) reflects perceptions of integration between planning, innovation, and stakeholder collaboration, while Sustainable Competitive Advantage (α = 0.901; CR = 0.926) represents multidimensional outcomes—economic, environmental, and social performance. These results confirm that the measurement model is statistically robust and theoretically coherent, consistent with prior sustainability leadership studies (Rahman et al., 2024; Bai et al., 2025).

2. Structural Model Evaluation

The PLS-SEM structural analysis revealed significant and positive relationships among all hypothesized constructs. The R^2 value for Strategic Management (SM) was 0.589, indicating that Sustainability Leadership (SL) explains approximately 58.9% of the variance in strategic management. Meanwhile, the R^2 for Sustainable Competitive Advantage (SCA) was 0.647, suggesting that SL and SM together explain 64.7% of the variance in sustainable competitiveness. Predictive relevance (Q^2) values exceeded 0.35, confirming strong model predictive power.

Table 2. Structural Model Results

Hypothesis	Relationship	Path Coefficient (β)	t-value	p-value	Result
H1	SL → SM	0.768	15.214	0.000	Supported
H2	SM → SCA	0.542	9.781	0.000	Supported
H3	SL → SCA	0.297	4.923	0.001	Supported

Source: SmartPLS Output (2025)

The results in Table 2 confirm that all hypothesized relationships are statistically significant ($p < 0.05$). The strongest relationship is observed between Sustainability Leadership and Strategic Management (β = 0.768; t = 15.214), demonstrating that

sustainability-oriented leaders have a substantial influence on how organizations design and execute strategic initiatives. This finding supports Transformational Leadership Theory, which argues that visionary and ethical leaders inspire followers to embrace shared organizational goals and drive change toward sustainability (Bass & Avolio, 1994; Surono et al., 2023).

The second significant relationship (SM → SCA; β = 0.542; t = 9.781) highlights that strategic management is a crucial mechanism that links sustainability leadership to long-term competitive outcomes. This result aligns with the Resource-Based View (RBV), suggesting that internal strategic capabilities such as planning, innovation, and stakeholder integration are valuable, rare, and inimitable assets that strengthen organizational competitiveness (Barney, 1991; Lopez-Torres et al., 2022). In other words, sustainability-oriented strategic management transforms intangible resources such as environmental knowledge and stakeholder trust—into tangible performance advantages.

The third path (SL → SCA; β = 0.297; t = 4.923) shows that sustainability leadership also has a direct but smaller effect on competitive advantage, implying that leadership alone cannot produce sustainable outcomes without being institutionalized through strategic processes. This partial mediation effect of strategic management supports the Natural Resource-Based View (NRBV), which argues that environmental and ethical capabilities become sources of sustained competitive advantage when integrated into strategic systems (Hart, 1995; Ghobakhloo & Iranmanesh, 2024). The high explanatory power of the model (R^2 = 0.647) confirms that sustainability leadership and strategic management together explain most of the performance variance, consistent with recent empirical findings that leadership–strategy alignment is essential for organizational resilience in dynamic environments (Nguyen & Lee, 2024).

Discussion

The findings provide strong empirical evidence that sustainability leadership functions as a catalyst for developing effective strategic management practices, which in turn lead to sustainable competitive advantage. The significant effect of SL on SM (β = 0.768) underscores the role of transformational and ethical leaders in embedding sustainability values across organizational systems (Freeman et al., 2024). Such leaders cultivate innovation, collaboration, and stakeholder engagement—key pillars of sustainability-oriented management. The confirmed mediation of SM in the SL–SCA relationship implies that leadership's impact on competitive advantage is maximized when supported by systematic strategic mechanisms such as planning, innovation, and performance monitoring (Rahman et al., 2024).

These results substantiate theoretical propositions from both RBV and NRBV, which view leadership and strategy as dynamic capabilities that enable organizations to reconfigure internal competencies and external relationships to achieve superior performance (Hart, 1995; Bai et al., 2025). Practically, this means that firms combining visionary sustainability leadership with structured strategic execution tend to display greater adaptability, stakeholder trust, and innovation capability. In line with Nguyen & Lee (2024), the integration of sustainability leadership into strategic management fosters organizational learning and resilience, allowing firms to thrive amid environmental and market uncertainties. The interpretation of both measurement and structural results demonstrates that the synergy between sustainability leadership and strategic management creates a dynamic system of continuous improvement and innovation, transforming sustainability from an ethical obligation into a strategic source of long-term competitive advantage.

Moreover, recent studies strengthen these findings. For example, Enhancing the impact of transformational leadership on sustainability through agility and resilience with application of Lewin's Change Model in sustainable manufacturing (2025) shows that transformational leadership significantly influences organizational agility, which in turn shapes sustainable outcomes. The study found serial mediation through agility and resilience, highlighting that leadership sets in motion change ("unfreezing"), enabling agility and resilience ("moving"), and finally embedding sustainability practices ("refreezing") (Gloria et al., 2025). This aligns with the current model's mediated pathway via strategic management.

In addition, research on Green Transformational Leadership, Green Human Resource Management, and Environmental Performance in Indonesia reveals that green leadership positively influences environmental performance, mediated by green work engagement, although with green organizational culture playing a less strong role in some cases (Sekolah Tinggi Ilmu Ekonomi, 2025) (Satriadi, Agusven, Marhalinda et al., 2025). Such findings suggest that while culture is important, engagement and operationalization via strategic practices may serve as more immediate channels for leadership impact.

Another recent study, Transformational Leadership and Sustainable Practices: How Leadership Style Shapes Employee Pro-Environmental Behavior (2024), shows that environmentally specific transformational leadership (ESTL) significantly enhances employee environmental awareness, which in turn boosts pro-environmental behaviors. The study also points out that high emotional exhaustion can weaken this mediation effect, emphasizing the need for leadership to also attend to employee well-being (Ren, Li, & Mavros, 2024). This underscores that in our model, leadership's direct effect (SL → SCA) may be attenuated or moderated by internal factors such as emotional burnout, suggesting avenues for future research. Overall, integrating these recent studies with our results strengthens the validity of the model, emphasizing that the transformational leadership → strategic management → sustainable competitive advantage pathway is robust across sectors. Our findings, combined with these external studies, support the idea that leadership must be more than visionary: it must translate vision into action via agility, engagement, supportive culture, and attention to human factors.

CONCLUSIONS

The study provides strong empirical evidence that sustainability leadership is a crucial antecedent of effective strategic management, which subsequently drives sustainable competitive advantage. The mediation results confirm that leadership's influence on competitiveness operates most effectively when embedded within structured strategic systems, emphasizing that visionary leadership alone is insufficient without operational alignment. This finding highlights the pivotal role of strategic management in translating sustainability visions into measurable outcomes through innovation, stakeholder collaboration, and performance monitoring. Theoretically, the results validate both the RBV and NRBV perspectives, affirming that sustainability leadership and strategy serve as dynamic capabilities that enable organizations to adapt, learn, and reconfigure resources in response to environmental and market challenges. Practically, the study implies that companies investing in sustainability-driven leadership development, digital transformation, and green innovation are better positioned to sustain competitive advantages in volatile global environments. Future research should explore moderating factors such as organizational culture, digital maturity, and stakeholder engagement intensity to deepen understanding of how leadership and strategic mechanisms jointly shape long-term sustainable performance

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