

THE MEDIATING ROLE OF EMPLOYEE ENGAGEMENT IN THE RELATIONSHIP BETWEEN SPIRITUAL LEADERSHIP, WORKPLACE SPIRITUALITY, AND EMPLOYEE PERFORMANCE

Ahmad Sadjid Laeli

Master of Management Program, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, Indonesia

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Abstract

Background:

Employee performance has been widely viewed as an important issue in human resource management. In Islamic microfinance institutions, performance is not only linked with financial targets but also with service quality, ethical responsibility, and the ability to maintain trust among members. For this reason, spiritual values in leadership and the workplace may have a meaningful role. Still, the way spiritual leadership and workplace spirituality are translated into employee performance through employee engagement has not been fully explained, especially in the context of BMT.

Objective:

This study was designed to examine the mediating role of employee engagement in the relationship between spiritual leadership, workplace spirituality, and employee performance at BMT Beringharjo.

Methods:

A quantitative approach was used in this study. Data were obtained through a questionnaire distributed to employees of BMT Beringharjo. A total of 200 responses were processed. Each variable was measured using a five-point Likert scale. Spiritual leadership was reflected through vision, hope or faith, and altruistic love. Workplace spirituality was measured through meaningful work, sense of community, and alignment with organizational values. Employee engagement was assessed through vigor, dedication, and absorption, while employee performance was measured through work quality, quantity, punctuality, initiative, and work effectiveness. The data were analyzed by using Structural Equation Modeling with a mediation testing procedure.

Results:

The findings showed that workplace spirituality had a significant effect on employee engagement. Employee engagement was also found to have a significant effect on employee performance. In addition, workplace spirituality was shown to influence employee performance, both directly and through employee engagement. However, spiritual leadership was not found to have a significant direct effect on employee engagement and employee performance. The mediating effect of employee engagement was supported only in the relationship between workplace spirituality and employee performance.

Conclusion:

The study indicates that employee engagement plays an important role in linking workplace spirituality with employee performance. In the context of BMT Beringharjo, the spiritual atmosphere of the workplace seems to be more strongly felt by employees than leadership influence alone. This suggests that value-based work environments may become a practical path for strengthening employee engagement and improving performance. Spiritual leadership remains relevant, yet its influence may depend on how far spiritual values have already been embedded in daily organizational practices.

Keywords: Spiritual leadership; workplace spirituality; employee engagement; employee performance; mediation; Islamic microfinance institution; BMT Beringharjo; PLS-SEM.

1. INTRODUCTION

Employee performance has long been treated as one of the central concerns in human resource management. It is usually connected with the ability of an organization to reach its goals and to maintain its operational continuity (Pasaribu et al., 2023). In many organizations performance is often seen from work results only. Yet in value-based institutions this meaning becomes wider. Performance is not merely about completing tasks or achieving numerical targets. It is also related to service quality, ethical conduct, responsibility, and the ability of employees to carry organizational values into daily work (Hafni & Hatta, 2022). This issue becomes more relevant in Islamic microfinance institutions. In this type of organization, employee performance is not only assessed through financial output. It is also reflected in how services are delivered, how trust is maintained, and how Islamic principles are practiced in organizational activities. Employees are expected to work with professionalism, but at the same time their behavior is also expected to be aligned with values such as amanah, fairness, social concern, and responsibility. Because of this, the discussion of employee performance in Islamic microfinance cannot be separated from the moral and spiritual context of the workplace (Saefudin et al., 2024).

BMT Beringharjo provides an interesting setting for this study. As an Islamic microfinance institution, BMT Beringharjo operates within a community-based financial environment. Its activities are not only directed toward economic transactions. They are also related to member empowerment and social responsibility. This condition makes the organization different from conventional financial institutions. The relationship between employees and members is not built only through formal service procedures. It is also shaped by trust, closeness, and shared values. In such a context, employee performance becomes a reflection of both work capability and value commitment (Syahir et al., 2025). The organizational context of BMT Beringharjo also shows that human resources are required to face more complex demands. The need for professional service has increased (Wahyuningsih & Salsabela, 2025). Digital transformation has also changed the way financial services are provided. At the same time, Islamic microfinance institutions are expected to strengthen governance and maintain public trust. These conditions place employees in a position where technical ability alone may not be enough. Motivation, work meaning, emotional attachment, and value alignment are also needed. Without these elements, performance improvement may become rather mechanical and less sustainable (Triharjanti & Tjahjono, 2023).

For this reason, spiritual values in organizational life have gained more attention in human resource studies. Spirituality at work does not always refer to formal religious practice. It is more often understood as the experience of meaningful work, connectedness with others, and alignment between personal values and organizational values. In value-based organizations, this concept becomes quite natural. Work is not only viewed as an economic activity. It may also be understood as a form of contribution and responsibility. This view can influence how employees interpret their duties and how deeply they are attached to the organization (Rahmatika et al., 2022). Spiritual leadership is also considered important in this context. Leadership is expected to provide direction, but in spiritually oriented organizations it is also expected to create meaning. A leader is not only seen as a person who gives instructions (Nitu et al., 2025). The leader is also expected to build hope, support ethical behavior, and strengthen a shared vision. In Islamic microfinance institutions, spiritual leadership may be reflected through the way leaders communicate organizational purpose, encourage honesty, and maintain care for both employees and members. Such leadership may help employees see their work as something more valuable than routine tasks (Rifuddin et al., 2022).

Workplace spirituality may become even more visible in daily organizational practices. When employees feel that their work has meaning, when social relations are supportive, and when organizational values are felt as close to personal values, a stronger work experience may be formed. In BMT Beringharjo, values such as amanah, justice, and ukhuwah are not only symbolic values. They are expected to be practiced in service, teamwork, and decision making. This kind of workplace climate may shape employee attitudes in a more subtle way. It does not always appear as a formal rule, but it can be felt in the way people work and relate to each other (Samul, 2024). Employee engagement is therefore positioned as an important psychological condition in this study. Engaged employees tend to show energy, dedication, and deeper involvement in their work. In the article used as a model for this writing, work engagement was also treated as an important mechanism that explains how leadership may influence employee attitudes in an organization. This supports the idea that employee engagement can work as a bridge between organizational factors and employee outcomes. In the present study, this logic is brought into the context of BMT Beringharjo, with employee performance as the main outcome (Bismala et al., 2024).

Although spiritual leadership, workplace spirituality, employee engagement, and employee performance have been discussed in previous organizational studies, the relationship among these variables still needs to be explained more carefully. In several studies, spiritual leadership has been reported to improve employee engagement and performance. In other studies, the effect has been found to be indirect or even not significant. This mixed evidence indicates that the influence of spiritual leadership may not always be simple. It may depend on the psychological

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condition of employees and also on the values that have already been formed inside the organization (Chouhan, 2025). A similar issue has also been found in studies of workplace spirituality. Workplace spirituality is usually associated with meaningful work, a sense of community, and alignment between individual and organizational values. These elements are often believed to strengthen engagement and performance. However, the strength of this relationship may differ across organizational settings. In some institutions, spiritual values may be formally stated but not always experienced in daily work. In other institutions, these values may already become part of the work culture. This difference makes the role of workplace spirituality worth being tested in a more specific context (Ekowati, 2022).

The empirical gap of this study is related to the inconsistent findings in earlier research. Some studies have shown that spiritual leadership directly increases employee performance. Other studies suggest that its influence works through mediating variables such as engagement, meaningful work, job satisfaction, or organizational commitment. The same pattern has also been reported in research on workplace spirituality. These findings show that employee engagement may be an important mechanism, but it has not always been placed at the center of the model. Because of that, the mediating role of employee engagement still needs further examination. This is especially important when the dependent variable is employee performance (Riaz, 2024).

Most previous studies have also been conducted in large companies, public organizations, healthcare institutions, or general service sectors. The example article used in this writing examined servant leadership, work engagement, and affective commitment in an Indonesian public health institution through a mediation and moderation framework. The study showed that work engagement had an important role as a mediating variable. This gives a useful direction for the present article, although the context and variables are different. In this study, the focus is placed on spiritual leadership and workplace spirituality in relation to employee performance. The mediating role is assigned to employee engagement (Candra, 2025).

The contextual gap can be seen from the limited number of studies that specifically discuss Islamic microfinance institutions in Indonesia. BMT as a community-based Islamic financial institution has a unique organizational character. It is not only expected to achieve financial sustainability. It is also expected to maintain sharia values, social responsibility, and trust among members. Because of this, the meaning of employee performance in BMT cannot be understood only from technical work results. It is also connected with value-based behavior and service ethics.

BMT Beringharjo was selected as the setting of this study because it represents an Islamic microfinance institution that has been developed within a value-based organizational environment. Spiritual values such as amanah, justice, and ukhuwah are not only treated as abstract principles. They are expected to be reflected in daily work practices. At the same time, the organization is also faced with modern organizational demands such as professionalism, digital service transformation, and stronger governance. This condition makes BMT Beringharjo a relevant setting for testing the relationship between spiritual values, employee engagement, and employee performance (Janitra et al., 2024).

The novelty of this study lies in the integration of spiritual leadership, workplace spirituality, employee engagement, and employee performance in one research model. Earlier studies have often examined these variables separately or only through partial relationships. In this study, the model is built to explain both direct and indirect effects. Spiritual leadership and workplace spirituality are placed as antecedent variables. Employee engagement is positioned as the mediating variable. Employee performance is placed as the main outcome. Through this model, a more complete understanding is expected to be obtained.

Another contribution is offered through the organizational context. By using BMT Beringharjo as the research setting, this study provides evidence from an Islamic microfinance institution. This context has not been explored as much as conventional companies or public service organizations. Therefore, the findings are expected to enrich human resource management literature, especially in relation to spiritual values and employee behavior in value-based organizations.

The practical contribution is also considered important. The results of this study may provide input for BMT management in strengthening employee performance. If employee engagement is proven to mediate the relationship between workplace spirituality and employee performance, then organizational efforts should not only be directed toward formal leadership practices. Attention also needs to be given to the work climate, meaning of work, togetherness, and alignment of values. These elements may help employees become more engaged and perform better in a more natural way (Fahmy et al., 2025).

Based on the explanation above, this study aims to examine the mediating role of employee engagement in the relationship between spiritual leadership, workplace spirituality, and employee performance at BMT Beringharjo. More specifically, this study is intended to analyze whether spiritual leadership and workplace spirituality affect employee engagement, whether employee engagement affects employee performance, and whether employee

engagement mediates the relationship between spiritual leadership, workplace spirituality, and employee performance. In line with this objective, the study is expected to answer the need for a more contextual model of employee performance. The model does not only place performance as a result of managerial control. It is also viewed as an outcome of meaning, value alignment, and employee attachment to work. This perspective may be more suitable for organizations such as BMT, where economic responsibility and spiritual values are expected to move together.

2. LITERATURE REVIEW

2.1 Spiritual Leadership

Spiritual leadership has been understood as a leadership approach that is built on values, meaning, and inner motivation. In this view, leadership is not only directed toward the achievement of organizational targets. It is also directed toward the formation of purpose in work. Employees are not merely guided to complete tasks. They are encouraged to see their work as something meaningful and connected with a wider organizational mission (Syarif & Fadhlil, 2023). The concept of spiritual leadership is commonly associated with the work of Fry. In this theory, spiritual leadership is reflected through vision, hope or faith, and altruistic love. Vision is needed so that organizational direction can be understood by employees. Hope or faith is related to confidence that the vision can be achieved. Altruistic love refers to care, respect, and sincere concern shown in organizational relations. These three elements are expected to create a sense of calling and membership among employees (Gunawan et al., 2022).

In a value-based organization, spiritual leadership becomes more relevant. The role of the leader is not limited to giving instructions or monitoring performance. A leader is also expected to strengthen shared values and create a moral climate at work. In an Islamic microfinance institution such as BMT, this kind of leadership is closely related to values such as amanah, fairness, honesty, and social responsibility. Leadership is therefore expected to be felt not only through formal authority but also through ethical behavior and care for people. Previous studies have shown that spiritual leadership may influence employee attitudes and performance. It has been linked with engagement, job satisfaction, commitment, and work outcomes. However, the influence may not always be direct. In some organizational contexts, spiritual leadership may need to be translated first into psychological conditions such as meaningful work or employee engagement. For this reason, spiritual leadership is treated in this study as an antecedent variable that may affect employee performance directly and indirectly through employee engagement. The operational indicators used in this study are vision, hope or faith, and altruistic love (Moniung & Thung, 2025).

2.2 Workplace Spirituality

Workplace spirituality refers to the condition in which employees experience meaning, connectedness, and value alignment in the workplace. It should not be understood only as religious activity at work. The concept is broader than that. It is more closely related to how employees feel that their job has meaning, how they build relationships with others, and how far their personal values are aligned with organizational values (Oktaviana, 2026). Ashmos and Duchon explained workplace spirituality through three major dimensions. The first is meaningful work. This dimension shows that work is experienced as something valuable and not only as a routine obligation. The second is sense of community. This reflects the feeling of togetherness and mutual support among employees. The third is alignment with organizational values. This dimension appears when employees feel that their values are not in conflict with the values promoted by the organization (Utomo & Pamungkas, 2022).

In Islamic microfinance institutions, workplace spirituality may have a stronger position. Spiritual and ethical values are already part of the organizational identity. Work is often understood not only as an economic activity but also as a form of responsibility and contribution. Values such as honesty, trust, fairness, and concern for members can shape the way employees interpret their work. Because of that, workplace spirituality is not only written as a formal value. It can also be felt in service behavior, teamwork, and daily decision making (Utomo & Pamungkas, 2022). Several empirical studies have indicated that workplace spirituality can improve employee engagement and employee performance. A workplace that provides meaning and value alignment may make employees more emotionally involved in their work. It may also encourage better work behavior because employees feel that their job is useful and connected with a larger purpose. In this study, workplace spirituality is positioned as an important antecedent of employee engagement and employee performance. Its indicators are meaningful work, sense of community, and alignment with organizational values (Effendi et al., 2024).

2.3 Employee Engagement

Employee engagement is generally described as a positive work-related condition in which employees are physically, emotionally, and cognitively involved in their job. Engaged employees do not only perform tasks because they are required to do so. They tend to show energy, seriousness, and deeper involvement in the work process. This

condition is often viewed as an important bridge between organizational factors and employee outcomes (Evi et al., 2026). Schaufeli and Bakker described engagement through three dimensions. The first is vigor, which refers to energy and mental resilience while working. The second is dedication, which reflects enthusiasm, pride, and a sense of significance in the job. The third is absorption, which refers to deep concentration and being immersed in work. These dimensions show that engagement is not only about satisfaction. It is more active and more directly related to how work is experienced (Rahmadani, 2025).

Employee engagement has been widely used in human resource studies because it helps explain why some employees perform better than others. Employees with high engagement are usually more willing to invest effort. They are also more likely to stay focused when facing work pressure. In the perspective of organizational behavior, engagement can be shaped by leadership, work climate, culture, and organizational support. When work is seen as meaningful and when relationships at work are supportive, engagement tends to be stronger (Jingga et al., 2025). In this study, employee engagement is placed as a mediating variable. This position is considered important because spiritual leadership and workplace spirituality may not always improve performance directly. Their effects may be passed through employee engagement first. The example article used as the journal model also shows that work engagement can function as a mediating mechanism in the relationship between leadership and employee attitudes. This supports the placement of employee engagement as a bridge in the present research model.

2.4 Employee Performance

Employee performance refers to the level of work achievement shown by employees in carrying out their duties. It is usually assessed based on how well tasks are completed according to organizational standards. In a simple sense, performance is related to work results. Yet in organizational studies, performance is not only viewed from quantity. Quality, punctuality, initiative, and effectiveness are also included (A. Z. Pasaribu, 2024). In modern human resource management, employee performance is often explained through the interaction between ability, motivation, and opportunity. Employees may have the ability to work, but performance may not appear strongly when motivation is weak or when the work environment does not support them. This means that performance is not only an individual matter. It is also shaped by leadership, organizational values, work meaning, and psychological attachment (Anggraini et al., 2022).

In Islamic microfinance institutions, employee performance has a more specific meaning. It is not only about achieving financial or operational targets. It is also related to service ethics and compliance with Islamic values. Employees are expected to provide good service, maintain trust, and work responsibly. Because of this, performance in BMT is better understood as a combination of technical achievement and value-based behavior (Andrianto, 2022). This study uses employee performance as the dependent variable. The indicators include work quality, work quantity, punctuality, work initiative, and work effectiveness. These indicators are considered suitable because they describe performance in a practical way while still allowing the value-based context of BMT to be considered. Employee performance is therefore expected to be influenced by spiritual leadership, workplace spirituality, and employee engagement.

3. HYPOTHESES DEVELOPMENT

3.1 Spiritual Leadership and Employee Engagement

Spiritual leadership is often understood as a leadership approach that is built through vision, hope or faith, and altruistic love. Through this approach, employees are not only directed to complete their work. A deeper meaning of work is also expected to be developed. When a leader is perceived as able to provide moral direction and a meaningful vision, employees may feel that their work has a clearer purpose. In value-based organizations such as BMT, spiritual leadership is considered important because the work process is not separated from ethical and religious values. A leader who is able to show care and fairness may help employees feel more accepted in the organization. This condition may strengthen emotional involvement in work. Therefore, employee engagement is expected to be formed when spiritual leadership is practiced in a consistent way.

H1: Spiritual leadership is hypothesized to have a positive effect on employee engagement.

3.2 Workplace Spirituality and Employee Engagement

Workplace spirituality is reflected in meaningful work, sense of community, and alignment with organizational values. When these elements are experienced by employees, the workplace may be felt not only as a place to earn income. It may also be seen as a space where contribution, togetherness, and personal values are expressed. In the context of BMT Beringharjo, workplace spirituality becomes highly relevant. The organization is based on Islamic values and community service. Because of this, employees may feel that their work has a social and

moral meaning. When work is perceived as meaningful, engagement tends to be stronger. Employees may show more energy and dedication because the work is felt as close to their own values.

H2: Workplace spirituality is hypothesized to have a positive effect on employee engagement.

3.3 Employee Engagement and Employee Performance

Employee engagement refers to the condition in which employees are involved in their work with energy, dedication, and concentration. Engaged employees usually do not only perform tasks at a minimum level. More effort is often shown because the work is felt as important. Performance may be improved when employees are engaged. This happens because engaged employees tend to be more persistent and more careful in completing their duties. In service-based organizations, this condition becomes quite important. Good performance is not only produced through ability. It is also supported by willingness and psychological attachment to work.

H3: Employee engagement is hypothesized to have a positive effect on employee performance.

3.4 Spiritual Leadership and Employee Performance

Spiritual leadership may also be related directly to employee performance. A leader who provides a clear vision and moral support can help employees understand what should be achieved. Work direction becomes clearer. The values behind the work are also easier to understand. In Islamic microfinance institutions, leadership with spiritual values may encourage responsible work behavior. Employees may be more careful in serving members and in maintaining trust. However, the effect of spiritual leadership on performance may not always appear in a direct way. In some organizations, leadership values may already be absorbed into the work system. Even so, the direct relationship remains important to be tested.

H4: Spiritual leadership is hypothesized to have a positive effect on employee performance.

3.5 Workplace Spirituality and Employee Performance

Workplace spirituality may support employee performance because it creates a work climate that gives meaning and emotional comfort. When employees feel that their work is meaningful, they may become more serious in completing their responsibilities. A supportive community at work may also help employees maintain consistency in their performance. In BMT Beringharjo, values such as amanah, fairness, and ukhuwah are expected to be practiced in daily activities. These values may shape how employees serve members and how they cooperate with colleagues. For this reason, workplace spirituality is expected to become one of the important factors that strengthens employee performance.

H5: Workplace spirituality is hypothesized to have a positive effect on employee performance.

3.6 The Mediating Role of Employee Engagement between Spiritual Leadership and Employee Performance

The relationship between spiritual leadership and employee performance may not always be direct. Spiritual leadership may first influence the way employees feel attached to their work. When employees feel that leadership gives meaning, care, and moral direction, their engagement may become stronger. This engagement may then be translated into better performance. Employee engagement is therefore placed as a mediating variable. It is expected to explain how spiritual leadership can be connected with employee performance. In this model, spiritual leadership is not only viewed as a managerial factor. It is also viewed as a source of meaning that may strengthen engagement before performance is improved.

H6: Employee engagement is hypothesized to mediate the relationship between spiritual leadership and employee performance.

3.7 The Mediating Role of Employee Engagement between Workplace Spirituality and Employee Performance

Workplace spirituality may influence performance through employee engagement. When employees experience meaningful work and feel connected with the organization, they may become more engaged. This engagement can make employees more willing to invest energy and attention in their work. In value-based organizations, this pathway is quite reasonable. A spiritual work environment may not only shape work behavior directly. It may also create inner attachment first. Through this attachment, employees may show better performance. Therefore, employee engagement is expected to become an important bridge between workplace spirituality and employee performance.

H7: Employee engagement is hypothesized to mediate the relationship between workplace spirituality and employee performance.

4. RESEARCH FRAMEWORK

Based on the hypotheses above, the research framework is developed to show the direct and indirect relationships among variables. Spiritual leadership and workplace spirituality are placed as independent variables. Employee engagement is placed as the mediating variable. Employee performance is placed as the dependent variable.

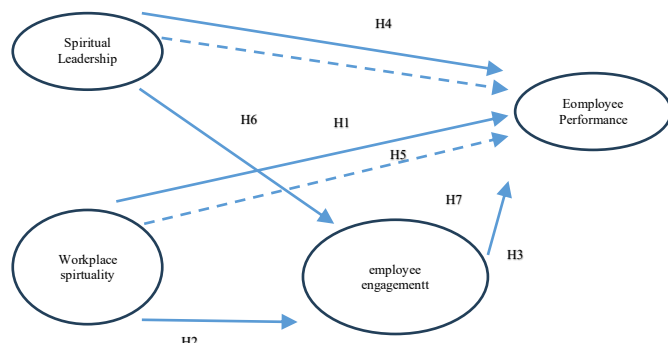


Figure 1 Research Framework

5. RESEARCH METHODS

5.1 Research Design

This study was conducted by using a quantitative approach. A causal research design was applied since the study was intended to examine the effect of spiritual leadership and workplace spirituality on employee performance. Employee engagement was also positioned as a mediating variable in the proposed model. The quantitative design was considered suitable because the relationship among variables had been developed through hypotheses. The model was not only used to describe the condition of employees. It was also used to test whether one variable could explain changes in another variable. In this study, the direct and indirect effects among spiritual leadership, workplace spirituality, employee engagement, and employee performance were examined.

5.2 Population and Sample

The population of this study consisted of employees of BMT Beringharjo. Since the population was accessible, the census technique was used. All employees who met the research criteria were invited to participate as respondents. A total of 200 responses were processed in the analysis. This number was considered adequate for structural model testing. It also reflected the organizational context more fully because the respondents came from different work units and demographic backgrounds within BMT Beringharjo.

5.3 Data Collection Procedure

Primary data were collected through a structured questionnaire. The questionnaire was prepared based on the operational definition of each variable. It was distributed to employees of BMT Beringharjo as the respondents of the study. Before the data were analyzed, the responses were checked to reduce data problems. This step was needed to ensure that incomplete answers and unsuitable responses did not affect the quality of the analysis. The data were then coded and processed for descriptive analysis and model testing.

5.4 Measurement Scale

All research variables were measured using a five-point Likert scale. The scale ranged from **1 = strongly disagree** to **5 = strongly agree**. This scale was used because it allowed respondents to express their level of agreement with each statement in a simple way. The use of a Likert scale was considered appropriate for measuring perceptions related to leadership, workplace values, engagement, and performance. These variables are psychological and behavioral in nature. Therefore, they were better captured through employee responses rather than through only numerical work records.

5.5 Operational Definition of Variables

Spiritual leadership was defined as a leadership approach that builds vision, hope or faith, and altruistic love in the organization. It reflects the ability of leaders to provide meaning, moral direction, and concern for employees. The indicators used for this variable were vision, hope or faith, and altruistic love.

Workplace spirituality was defined as the condition in which employees experience meaningful work, social connectedness, and alignment between personal values and organizational values. In the context of BMT Beringharjo, this variable was closely related to the values practiced in daily work. The indicators were meaningful work, sense of community, and alignment with organizational values. Employee engagement was defined as the level of emotional, cognitive, and physical involvement of employees in their work. Engaged employees are usually shown through energy, dedication, and deep concentration while working. The indicators were vigor, dedication, and absorption. Employee performance was defined as the level of work achievement shown by employees in carrying out their duties based on organizational standards. In this study, performance was not only viewed from output. It was also related to quality and responsibility in work. The indicators were work quality, work quantity, punctuality, work initiative, and work effectiveness.

5.6 Data Analysis Technique

The data were analyzed through several stages. First, descriptive statistics were used to describe the profile of respondents and the general tendency of each variable. This analysis was used to see the condition of spiritual leadership, workplace spirituality, employee engagement, and employee performance among employees of BMT Beringharjo.

Second, the measurement model was evaluated. This stage was carried out to test whether the indicators were valid and reliable in measuring their constructs. Third, the structural model was tested to examine the relationships among variables. The hypotheses were tested based on the path coefficients and significance values.

Structural Equation Modeling with the Partial Least Squares approach was used in this study. PLS-SEM was selected because the proposed model involved several latent variables and mediation paths. This method is also suitable for testing prediction-oriented models in management research.

5.7 PLS-SEM Procedure

The PLS-SEM analysis was conducted in two main steps. The first step was the assessment of the measurement model. In this stage, the quality of the indicators and constructs was examined. The second step was the assessment of the structural model. In this stage, the direct and indirect relationships among the constructs were tested. The measurement model was assessed through outer loading, reliability, convergent validity, and discriminant validity. After the measurement model met the required criteria, the structural model was evaluated. The structural model was tested through path coefficients, R-square, Q-square, and bootstrapping results. This procedure was used because the study did not only test whether variables were related. It also examined how strong the relationships were and whether employee engagement could act as a mediating variable.

5.8 Validity and Reliability Testing

Indicator validity was assessed through outer loading values. Indicators with adequate loading values were considered able to represent their constructs. Convergent validity was assessed through the Average Variance Extracted value. A construct was considered to have acceptable convergent validity when the indicators were able to explain sufficient variance of the construct. Reliability was assessed through Cronbach's alpha and composite reliability. These two values were used to see the internal consistency of each construct. A construct was considered reliable when the reliability values met the recommended threshold. Discriminant validity was assessed through the Heterotrait-Monotrait Ratio. This test was used to ensure that each construct was different from the other constructs in the model.

5.9 Structural Model and Mediation Testing

After the measurement model was accepted, the structural model was tested. The direct effects were examined to test the influence of spiritual leadership and workplace spirituality on employee engagement and employee performance. The effect of employee engagement on employee performance was also tested. The mediating effect was tested by examining the indirect path. In this study, two mediation paths were assessed. The first path was the effect of spiritual leadership on employee performance through employee engagement. The second path was the effect of workplace spirituality on employee performance through employee engagement. Bootstrapping was used to determine the significance of the direct and indirect effects. The mediation was considered supported when the indirect effect was statistically significant. This procedure allowed the study to explain whether employee engagement functioned as a bridge between spiritual values in the organization and employee performance.

6. RESULTS

6.1 Respondent Profile

The respondents in this study were employees of BMT Beringharjo. A total of 200 questionnaires were processed and used in the analysis. Based on gender, the respondents were mostly male. Male respondents accounted for 169 employees or 84.5%. Female respondents accounted for 31 employees or 15.5%. This composition shows that the employee profile in the study was more strongly represented by male employees. Based on age, the largest group was employees aged 25–30 years. This group consisted of 72 respondents or 36.0%. The second largest group was employees aged 31–40 years with 62 respondents or 31.0%. Respondents aged above 40 years reached 46 employees or 23.0%. The smallest group was employees below 25 years with 20 respondents or 10.0%. The data indicate that most employees were in a productive working age.

The educational background was dominated by undergraduate degree holders. Respondents with a bachelor degree reached 154 employees or 77.0%. The remaining respondents had senior high school or vocational school education, diploma, postgraduate education, and other educational backgrounds. This profile shows that the organization was supported by employees with a relatively good educational base. The respondents were also distributed across several work units and branches. The largest group came from the head office with 47 respondents or 23.5%. Other respondents were spread across branches such as Bandung, Bintaro, Caruban, Dolopo, Garut, Kauman, Kediri, Kulon Progo, Madiun, Magetan, Malioboro, Ngawi, Pabringan, Ponorogo, Semarang, Tasikmalaya, and other units. This distribution gives a wider view of the organizational condition, although the head office remained the largest source of responses.

6.2 Descriptive Statistics

The descriptive analysis showed that all variables were perceived at a high level. Workplace spirituality had the highest mean score at 4.40. Employee engagement followed with a mean score of 4.38. Spiritual leadership had a mean score of 4.33. Employee performance had a mean score of 4.27. All of these scores were placed in the “strongly agree” category. This pattern suggests that the work environment in BMT Beringharjo was already perceived as meaningful and value-based. The high score of workplace spirituality indicates that meaningful work, togetherness, and value alignment were strongly felt by employees. Employee engagement was also high. This means that employees were generally involved in their work with energy and dedication. Employee performance was slightly lower than the other variables, yet it still remained in the very high category.

Table 1 Descriptive Statistics of Research Variables

Variable	Mean	Category
Spiritual Leadership	4.33	Strongly agree
Workplace Spirituality	4.40	Strongly agree
Employee Engagement	4.38	Strongly agree
Employee Performance	4.27	Strongly agree

The relatively small difference among the four variables shows that the organizational condition was quite stable. Still, workplace spirituality appeared as the strongest variable. It seems that the spiritual work climate was felt more directly by employees than leadership influence alone.

6.3 Measurement Model Evaluation

The measurement model was evaluated through convergent validity, discriminant validity, and construct reliability. The outer loading values showed that all indicators were above the required threshold. The loading values ranged from 0.700 to 0.890 across all constructs. Therefore, all indicators were retained in the model. No item was removed from the analysis. The loading values for spiritual leadership ranged from 0.751 to 0.888. Workplace spirituality ranged from 0.779 to 0.890. Employee engagement ranged from 0.700 to 0.890. Employee performance ranged from 0.801 to 0.846. These results show that the indicators were able to represent their constructs properly.

6.4 Construct Validity

Convergent validity was assessed through the Average Variance Extracted value. The AVE values for all variables were above 0.50. Employee engagement had an AVE value of 0.673. Employee performance had an AVE value of 0.687. Spiritual leadership had an AVE value of 0.703. Workplace spirituality had an AVE value of 0.683. These results indicate that each construct had acceptable convergent validity.

Table 2 Convergent Validity

Construct	AVE
Employee Engagement	0.673
Employee Performance	0.687
Spiritual Leadership	0.703
Workplace Spirituality	0.683

The AVE results show that the indicators explained the constructs in a sufficient way. In other words, the measurement items were not only valid individually. They also formed a clear construct structure.

6.5 Reliability Test

Reliability was assessed by using Cronbach's alpha and composite reliability. The results showed that all constructs had values above 0.70. This means that the measurement items were consistent and reliable. The document also states that the reliability criteria had been fulfilled and that the data were adequate for further analysis.

Table 3 Construct Reliability

Construct	Cronbach's Alpha	Composite Reliability
Employee Engagement	0.945	0.953
Employee Performance	0.949	0.956
Spiritual Leadership	0.953	0.959
Workplace Spirituality	0.948	0.956

These results indicate that the questionnaire items had strong internal consistency. The high reliability scores also suggest that the respondents understood the items in a relatively consistent way.

6.6 Discriminant Validity

Discriminant validity was tested using the HTMT criterion. The HTMT values were below the threshold of 0.90. Employee engagement and employee performance had an HTMT value of 0.841. Spiritual leadership and employee engagement had a value of 0.610. Spiritual leadership and employee performance had a value of 0.531. Workplace spirituality and employee engagement had a value of 0.825. Workplace spirituality and employee performance had a value of 0.824. Workplace spirituality and spiritual leadership had a value of 0.706.

Table 4 HTMT Results

Relationship	HTMT
Employee Engagement – Employee Performance	0.841
Spiritual Leadership – Employee Engagement	0.610
Spiritual Leadership – Employee Performance	0.531
Workplace Spirituality – Employee Engagement	0.825
Workplace Spirituality – Employee Performance	0.824
Workplace Spirituality – Spiritual Leadership	0.706

The results show that the constructs were different from one another. The variables did not overlap too much in their measurement. This supports the use of the structural model in the next stage.

6.7 Structural Model Evaluation

The structural model was assessed through R-square values. The R-square value for employee engagement was 0.627. This means that spiritual leadership and workplace spirituality explained 62.7% of the variance in employee engagement. The R-square value for employee performance was 0.710. This means that spiritual leadership, workplace spirituality, and employee engagement explained 71.0% of the variance in employee performance. Both values were categorized as strong.

Table 5 R-square Results

Endogenous Variable	R-square	Adjusted R-square
Employee Engagement	0.627	0.624
Employee Performance	0.710	0.705

The Q-square result was also reported to be above zero. This indicates that the model had predictive relevance. Therefore, the model was not only able to explain the current data. It also had predictive value for the relationship among spiritual leadership, workplace spirituality, employee engagement, and employee performance.

6.8 Hypothesis Testing

The hypotheses were tested by using the bootstrapping procedure. The results show that spiritual leadership did not have a significant effect on employee engagement. The path coefficient was 0.094 with a t-statistic of 0.882 and a p-value of 0.378. Thus, H1 was not supported. Spiritual leadership also did not have a significant effect on employee performance. The coefficient was -0.077 with a t-statistic of 1.112 and a p-value of 0.267. Thus, H4 was not supported. Workplace spirituality had a positive and significant effect on employee engagement. The coefficient was 0.725 with a t-statistic of 6.940 and a p-value of 0.000. Thus, H2 was supported. Workplace spirituality also had a significant effect on employee performance. The coefficient was 0.453 with a t-statistic of 2.553 and a p-value of 0.011. Thus, H5 was supported. Employee engagement had a significant effect on employee performance. The coefficient was 0.490 with a t-statistic of 3.593 and a p-value of 0.000. Thus, H3 was supported.

Table 6 Direct Effect Testing

Hypothesis	Path	Coefficient	T-statistic	P-value	Decision
H1	Spiritual Leadership → Employee Engagement	0.094	0.882	0.378	Not supported
H2	Workplace Spirituality → Employee Engagement	0.725	6.940	0.000	Supported
H3	Employee Engagement → Employee Performance	0.490	3.593	0.000	Supported
H4	Spiritual Leadership → Employee Performance	-0.077	1.112	0.267	Not supported
H5	Workplace Spirituality → Employee Performance	0.453	2.553	0.011	Supported

The mediation test showed different results for the two indirect paths. The indirect effect of spiritual leadership on employee performance through employee engagement was not significant. The coefficient was 0.046 with a t-statistic of 0.940 and a p-value of 0.348. Therefore, H6 was not supported. In contrast, the indirect effect of workplace spirituality on employee performance through employee engagement was significant. The coefficient was 0.355 with a t-statistic of 2.423 and a p-value of 0.016. Therefore, H7 was supported.

Table 7 Mediation Effect Testing

Overall, three direct hypotheses were supported. These were H2, H3, and H5. Two direct hypotheses were not supported. These were H1 and H4. For the mediation paths, only H7 was supported. H6 was not supported. The results indicate that workplace spirituality became the more dominant factor in explaining employee engagement and employee performance. Employee engagement also worked as a bridge between workplace spirituality and employee performance, but not between spiritual leadership and employee performance.

6. DISCUSSION

7.1 General Interpretation of the Findings

The findings of this study provide a rather interesting picture of how spiritual values are working inside BMT Beringharjo. The results do not simply show which hypothesis was supported and which one was rejected. More than that, the findings show that employee performance in this organization is shaped more strongly by the spiritual atmosphere of the workplace than by the direct role of spiritual leadership. Workplace spirituality was found to have a strong and significant effect on employee engagement. It was also found to have a significant effect on employee performance. These findings indicate that the work environment in BMT Beringharjo has been experienced by employees as meaningful and value-based. The values of the organization seem to have been felt in daily work. They are not only placed as formal symbols or written principles.

Employee engagement was also proven to have a significant effect on employee performance. This means that performance was not produced only by technical ability. It was also supported by the willingness of employees to be involved in their work. Employees who felt energetic, dedicated, and absorbed in their work were more likely to show better performance. On the other side, spiritual leadership was not found to have a significant effect on employee engagement and employee performance. This result should not be read too quickly as a sign that leadership is not important. A more careful reading is needed. In BMT Beringharjo, spiritual values may already have been absorbed into the work culture. Because of that, the effect of leadership may no longer be felt as a separate and direct influence. It may have become part of the organizational system itself. This pattern is quite relevant for a mature value-based organization. When values have been internalized in routines, employees may respond more strongly to the workplace climate than to the leader as an individual figure. In other words, the organization may have moved from leader-centered spirituality to culture-based spirituality. This is not a small finding. It gives a more grounded view of how spiritual values may work in an Islamic microfinance institution.

7.2 Spiritual Leadership and Employee Engagement

The first hypothesis was not supported. Spiritual leadership was not found to have a significant effect on employee engagement. This result is different from the common expectation that spiritual leadership should increase employees' emotional and psychological involvement in work. There are several possible explanations for this finding. First, the spiritual values promoted by leaders may already have become part of the organizational culture. When values are already internalized in work routines, employees may no longer perceive leadership as the main source of their engagement. Their engagement may be shaped more by the working atmosphere, peer relations, and daily experience in the organization.

Second, employee engagement may require more direct work experiences. Employees may become engaged when they feel that their tasks are meaningful, their colleagues are supportive, and their values are aligned with the organization. These experiences are closer to workplace spirituality than to leadership behavior. A leader may provide direction, but engagement is often formed through repeated experiences in work itself. Third, the demographic and organizational condition of BMT Beringharjo may also influence this result. Most employees were in productive age and had enough educational background to understand their responsibilities. In such a condition, employees may not depend heavily on direct leadership influence. They may already know what is expected from them. The role of leadership is still present, but its effect may be more backgrounded.

This finding does not reject the relevance of spiritual leadership. Rather, it shows that spiritual leadership may not always produce engagement directly. Its influence may need to be supported by a workplace system that makes spiritual values visible in daily work. Without this translation into real work climate, leadership values may remain too abstract for employees. A similar idea can be seen in the reference article. Leadership was not always able to influence employee outcomes directly. The effect was often shaped by other psychological mechanisms and work conditions. This gives support to the view that leadership should not be understood as a single direct force in employee behavior.

7.3 Workplace Spirituality and Employee Engagement

The second hypothesis was supported. Workplace spirituality had a positive and significant effect on employee engagement. This finding is one of the strongest results in the study. It shows that employees became more engaged when work was experienced as meaningful, when a sense of community was felt, and when organizational values were aligned with personal values. In BMT Beringharjo, this result is very reasonable. The organization is built on Islamic values and community-based financial services. Employees do not only deal with financial transactions. They also serve members and support economic empowerment. This kind of work may create a stronger sense of meaning. Work is not only seen as a daily routine. It can be felt as a contribution. Meaningful work seems to be central here. When employees understand that their work has value beyond individual income, their psychological attachment may increase. A person who sees work as meaningful will usually be more willing to give attention and energy. This is how workplace spirituality may become a source of engagement.

The sense of community is also important. In a BMT environment, cooperation and trust are needed. Employees often work with colleagues, members, and branch networks. When social relationships are supportive, employees may feel less isolated. A better sense of belonging may be formed. This feeling may then support dedication and emotional involvement in work. Alignment with organizational values also matters. If employees feel that organizational values are close to their own values, the work becomes easier to accept. There is less inner conflict. Employees may feel that they are not only working for an institution, but also living values that are personally meaningful. This condition is important in value-based organizations.

Thus, workplace spirituality appears as a more direct and concrete source of engagement than spiritual leadership. It is experienced in the workplace. It is felt in tasks, relations, and shared values. That may explain why its effect was stronger and statistically significant.

7.4 Employee Engagement and Employee Performance

The third hypothesis was supported. Employee engagement had a positive and significant effect on employee performance. This result confirms that employees who are more engaged tend to show better work outcomes. Employee engagement is often shown through vigor, dedication, and absorption. These three dimensions are very close to performance behavior. Vigor supports energy at work. Dedication supports seriousness and responsibility. Absorption helps employees stay focused when tasks are being completed. When these conditions are present, better performance becomes more likely. In BMT Beringharjo, engagement may be especially important because employees are required to work with both technical and value-based responsibilities. Their work is not only about completing administrative duties or reaching targets. It is also about maintaining trust, serving members properly, and acting in line with Islamic values. This requires more than routine compliance.

The result indicates that performance was improved when employees were psychologically attached to their work. A task may be done because it is required. Yet better performance usually appears when the employee is willing to give extra attention. This extra attention is not always visible in formal job descriptions. It appears in service quality, carefulness, punctuality, and initiative. This finding is in line with the logic used in the reference article. Work engagement was treated as an important mechanism because engaged employees invest physical, emotional, and cognitive energy in their roles. When employees are engaged, stronger employee outcomes are more likely to appear. From this perspective, employee engagement should not be seen as a soft issue only. It has a practical effect. If engagement is weakened, performance may become merely procedural. Employees may still work, but the depth of responsibility may decrease. For an Islamic microfinance institution, this would be risky because service quality and trust are closely related to employee behavior.

7.5 Spiritual Leadership and Employee Performance

The fourth hypothesis was not supported. Spiritual leadership did not have a significant direct effect on employee performance. The result is interesting because spiritual leadership was descriptively perceived at a high level, but its direct statistical effect on performance was not significant. This finding suggests that positive perception of leadership does not always become direct performance improvement. Employees may respect leaders and may agree that leaders provide vision and care. However, this perception may not directly change how performance is produced. In daily work, performance may be influenced more by work systems, work climate, task demands, and the degree of engagement.

Another explanation is related to the maturity of organizational values. If spiritual values have already become part of the system, the leader's role may be less visible as a direct cause of performance. The influence of leadership may have been absorbed into organizational norms. Employees then perform not because the leader directly influences them, but because the organization has already formed certain work expectations. The finding also shows that spiritual leadership should be operationalized more clearly in practice. Vision, hope, and altruistic love are important. Still, these values may need to be translated into concrete managerial actions. For example, coaching, performance feedback, fair workload distribution, and recognition may be needed. Without these practical forms, spiritual leadership may be appreciated but not strong enough to produce measurable performance changes.

This does not mean that spiritual leadership has no value. It means that its effect on performance may be indirect, delayed, or dependent on other organizational mechanisms. Leadership can shape culture. Culture can shape engagement. Engagement can shape performance. But the direct path from leadership to performance may not always be strong. The reference article also reported that leadership did not always directly affect affective commitment. It was explained that individual differences, job characteristics, and organizational dynamics may influence employee outcomes. This interpretation is useful for reading the present finding because the effect of leadership may depend on how employees experience the broader work setting.

7.6 Workplace Spirituality and Employee Performance

The fifth hypothesis was supported. Workplace spirituality had a positive and significant effect on employee performance. This result shows that a meaningful and value-aligned work environment can directly support better employee outcomes. In BMT Beringharjo, workplace spirituality is not an external concept. It is closely connected with the identity of the institution. Values such as amanah, justice, and ukhuwah are expected to guide employee behavior. When these values are felt in the workplace, employees may work with a stronger sense of responsibility.

Performance becomes not only a matter of meeting targets. It also becomes a matter of fulfilling trust. The direct effect of workplace spirituality on performance may appear because spiritual work climate affects how employees approach their tasks. If work is seen as meaningful, tasks may be carried out more seriously. If the work community is supportive, employees may be more willing to help each other. If organizational values are aligned with personal values, employees may show more stable commitment to their duties.

This finding is important because it shows that workplace spirituality has a practical meaning. It is not only about feelings or abstract beliefs. It can be connected with concrete work outcomes. Quality of work, punctuality, initiative, and effectiveness may be strengthened when employees experience the workplace as meaningful and supportive. For BMT Beringharjo, this finding may be read as evidence that organizational culture has become a valuable performance resource. The workplace itself seems to function as a source of motivation. This is different from a situation where employees need to be pushed continuously by formal supervision. Here, the work environment has already carried some motivational force.

7.7 The Mediating Role of Employee Engagement between Spiritual Leadership and Employee Performance

The sixth hypothesis was not supported. Employee engagement did not mediate the relationship between spiritual leadership and employee performance. This means that the pathway from spiritual leadership to engagement and then to performance was not statistically confirmed. This result is consistent with the non-significant direct effect of spiritual leadership on employee engagement. Since spiritual leadership did not significantly influence engagement, the mediation path could not be formed strongly. In mediation logic, the first path is important. If the antecedent does not move the mediator, the indirect effect will usually become weak. The finding may be interpreted in several ways. First, leadership influence may already be institutionalized. Employees may no longer depend on the leader's spiritual direction to become engaged. Their engagement may come from the workplace itself. Second, leadership may be perceived as good but too general. A good leader does not automatically create engagement if daily work experiences are not directly shaped by that leader.

Third, the role of leadership may have a more long-term effect. Spiritual leadership may shape organizational values over time. Yet the present model tested a direct and immediate psychological mechanism. The effect may be too subtle to appear as a significant mediation path. This result gives a useful theoretical note. Employee engagement is not always a universal mediator for every leadership-performance relationship. Its mediating role depends on whether the leadership style is strongly experienced by employees as part of their daily work. In this study, that condition was not strong enough. For BMT Beringharjo, this finding may indicate that leadership development should be made more connected with employee experience. Spiritual leadership needs to be felt not only through values and vision, but also through daily managerial behavior. Employees may need to experience guidance, appreciation, involvement, and support in a more practical way.

7.8 The Mediating Role of Employee Engagement between Workplace Spirituality and Employee Performance

The seventh hypothesis was supported. Employee engagement mediated the relationship between workplace spirituality and employee performance. This is one of the most important findings of the study. The result shows that workplace spirituality influenced employee performance through employee engagement. In other words, a spiritual workplace first strengthened employee engagement. After that, engagement improved performance. This path gives a clearer explanation of how values become work outcomes. This finding is meaningful because values do not automatically become performance. Values need to be experienced by employees. They need to be internalized. After that, they may appear as energy, dedication, and involvement in work. Through this process, performance can be improved. In BMT Beringharjo, workplace spirituality may be experienced through meaningful work, togetherness, and alignment with Islamic values. These experiences can make employees feel that their work matters. When this feeling is formed, employees may become more engaged. Engagement then becomes the psychological bridge that carries spiritual values into performance behavior.

The result also shows that the work environment has both direct and indirect effects. This makes workplace spirituality a key factor in the model. It does not only influence performance by itself. It also works through engagement. This dual effect gives workplace spirituality a stronger position than spiritual leadership in the present study. This finding is also aligned with the mediation logic found in the reference article. In that study, work engagement was found to mediate the relationship between leadership and affective commitment. Although the variables are not the same, the underlying idea is similar. Engagement works as a mechanism that connects organizational factors with employee outcomes.

7.9 Theoretical Interpretation

Theoretically, the findings suggest that employee performance in a value-based organization may be better explained through the interaction between workplace values and employee psychological attachment. Spiritual leadership remains an important concept. Yet in this study, the strongest explanatory role was shown by workplace spirituality and employee engagement. This result supports the idea that values must be embedded in work experience. Spiritual values that stay only at the leadership level may not be enough. They need to be felt in the workplace. Employees must experience meaning, community, and value alignment before those values can affect engagement and performance.

The findings also give a contextual contribution to human resource management literature. Much of the discussion on engagement and performance has been built in corporate, healthcare, or public sector settings. This study brings the issue into an Islamic microfinance institution. The result shows that value-based organizations may have a different pattern. The culture and workplace atmosphere may become stronger than leader influence. A more nuanced view of spiritual leadership is also offered. Spiritual leadership may not always act as a direct predictor. Its role may depend on organizational maturity. In an organization where spiritual values are already well embedded, leadership may work more as a background influence. This is not always captured by direct path analysis. Employee engagement is also confirmed as an important mechanism, but not in every relationship. It mediated the effect of workplace spirituality, yet it did not mediate the effect of spiritual leadership. This shows that mediation should not be assumed automatically. The mediator works when the independent variable is close enough to employee experience.

7.10 Practical Meaning for BMT Beringharjo

The findings have several practical meanings for BMT Beringharjo. First, workplace spirituality should be maintained as an organizational strength. The results show that meaningful work, togetherness, and value alignment have a strong role in shaping engagement and performance. These elements should not be treated as informal culture only. They need to be managed intentionally. Second, employee engagement should be strengthened through daily work practices. Employees need to feel that their work is meaningful and supported. This can be done through clearer task meaning, better communication, fair appreciation, and stronger team relations. Engagement will not grow only from slogans. It needs to be supported by real work conditions.

Third, spiritual leadership still needs attention even though its direct effect was not significant. Leadership should be brought closer to employees' daily experience. Leaders may need to show spiritual values through concrete actions such as fair decision making, open communication, mentoring, and care for employee development. When leadership becomes more visible in daily work, its effect may become stronger. Fourth, the management of BMT Beringharjo may need to avoid relying too much on formal leadership messages. The findings suggest that employees respond more strongly to the work climate. Therefore, programs for improving performance should be focused not only on leaders but also on the whole workplace system. Team culture, value alignment, and employee involvement should be developed together. Finally, performance improvement in BMT Beringharjo should be understood as a value-based process. Performance is not only a matter of target achievement. It is also connected with trust, service, and responsibility. When employees feel attached to meaningful work, performance is more likely to grow in a sustainable way. This is where the strength of BMT as an Islamic microfinance institution can be maintained.

8. CONCLUSION

8.1 Conclusion

This study was conducted to examine the mediating role of employee engagement in the relationship between spiritual leadership, workplace spirituality, and employee performance at BMT Beringharjo. Based on the findings, workplace spirituality was shown to be the most important factor in the model. It had a significant effect on employee engagement and employee performance. This means that meaningful work, a sense of community, and alignment with organizational values were strongly related to the way employees became involved in their work and performed their duties. Employee engagement was also found to have a significant effect on employee performance. This result indicates that performance was not shaped only by skills or formal work procedures. It was also supported by the energy, dedication, and focus shown by employees in their daily tasks. When employees were more engaged, their work performance tended to become stronger. Different results were found for spiritual leadership. Spiritual leadership did not have a significant effect on employee engagement and employee performance. This finding does not mean that leadership has no value in the organization. Rather, it may show that spiritual values at BMT Beringharjo have already been absorbed into the work culture. Because of this, employees may feel the spiritual climate more through daily work practices than through direct leadership influence.

The mediation test also showed a clear pattern. Employee engagement did not mediate the relationship between spiritual leadership and employee performance. However, employee engagement mediated the relationship between workplace spirituality and employee performance. This finding suggests that workplace spirituality can improve performance when it first strengthens employee engagement. In a simple way, values become stronger when they are felt by employees and then turned into work involvement. Overall, this study concludes that employee performance in BMT Beringharjo is more strongly explained by workplace spirituality and employee engagement. Spiritual leadership remains relevant, but its role may need to be made more practical and closer to employees' daily experience.

8.2 Theoretical Implications

Theoretically, this study contributes to human resource management literature by showing that the relationship between spiritual values and employee performance is not always direct. In this study, workplace spirituality was shown to be more influential than spiritual leadership. This gives a useful note for studies on value-based organizations. The findings also strengthen the role of employee engagement as a mediating variable. Employee engagement was able to explain how workplace spirituality was connected with employee performance. However, the same mediating role was not found in the relationship between spiritual leadership and employee performance. This means that engagement should not be assumed as an automatic mediator in every model. It works when the antecedent is really experienced by employees in their work situation.

This study also gives contextual evidence from an Islamic microfinance institution. Previous studies often focused on large companies, public organizations, or healthcare settings. In this study, the context of BMT Beringharjo was used to show how spiritual values, work meaning, and employee attachment may operate in a community-based Islamic financial institution. This becomes one of the main theoretical contributions of the study. The original research material also states that studies integrating spiritual leadership, workplace spirituality, employee engagement, and employee performance in the BMT context are still limited.

8.3 Practical Implications

For BMT Beringharjo, the findings suggest that workplace spirituality should be maintained as an organizational strength. The organization needs to keep work meaningful for employees. A sense of community also needs to be protected. Value alignment should not only be written in formal documents. It should be felt in service, teamwork, communication, and decision making. Employee engagement also needs to be managed more seriously. Management can strengthen engagement by creating clearer work meaning, fair appreciation, supportive supervision, and better team relations. Employees who feel engaged are more likely to show better performance. This is important because employee performance in BMT is not only related to work output. It is also linked with trust, service quality, and responsibility toward members.

Spiritual leadership still needs to be developed, although its direct effect was not significant in this study. Leadership should be translated into more concrete actions. Leaders may need to show spiritual values through fairness, mentoring, honest communication, and concern for employee growth. If spiritual leadership is only expressed as a vision, its effect may remain too abstract. It needs to be experienced in everyday work. For performance improvement, management should not rely only on formal instructions. The findings show that the work climate plays a stronger role. Therefore, programs to improve performance should be directed toward strengthening workplace values, employee engagement, and practical leadership behavior at the same time.

8.4 Limitations

This study has several limitations. First, the research was conducted only at BMT Beringharjo. Because of this, the findings may not fully represent all Islamic microfinance institutions in Indonesia. The organizational culture of each BMT may be different. Second, the study used a quantitative survey method. The data were collected through employee perceptions. This method was useful for testing the model, but it may not capture deeper personal experiences. Some meanings behind spiritual values and engagement may be better understood through interviews.

Third, the study used a cross-sectional design. The data were collected at one point in time. Because of this, the causal relationship among variables should be interpreted carefully. Changes in leadership, workplace spirituality, engagement, and performance may need longer observation. Fourth, employee performance was measured through questionnaire indicators. It was not combined with objective performance records. This may create a certain limitation because self-reported performance can be influenced by personal judgment.

8.5 Suggestions for Future Research

Future research may examine the same model in other Islamic microfinance institutions. This would help show whether the findings of this study are specific to BMT Beringharjo or can also be found in other BMTs. Further studies may also use a mixed-method approach. Quantitative data can be combined with interviews so that the meaning of spiritual leadership and workplace spirituality can be explored more deeply. This is useful because spiritual values are often experienced in subtle ways.

Future research may add other mediating or moderating variables. For example, organizational commitment, job satisfaction, psychological empowerment, or meaningful work may be included. These variables may help explain why spiritual leadership did not show a significant effect in this study. Longitudinal research is also recommended. By observing employees over a longer period, future studies may better explain how spiritual values and engagement develop over time. This may provide a more complete understanding of performance improvement in value-based organizations.

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THE MEDIATING ROLE OF EMPLOYEE ENGAGEMENT IN THE RELATIONSHIP BETWEEN SPIRITUAL LEADERSHIP, WORKPLACE SPIRITUALITY, AND EMPLOYEE PERFORMANCE

Ahmad Sadjid Laeli

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