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The Influence of Leadership Transformational Style on Employee Work Productivity and Its Implications on The Performance and Health Level of The People's Economy Bank

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Abstract

Employee engagement is essential for sustaining organizational performance in banking institutions that depend on service quality, integrity, professionalism, and coordinated employee behavior. This study aimed to examine the effects of corporate culture and transformational leadership on employee engagement at YKP Bank Bjb. A quantitative explanatory research design was applied to all 24 employees using a census sampling technique. Data were collected through a five-point Likert-scale questionnaire and analyzed using structural equation modeling–partial least squares (SEM–PLS) with SmartPLS 4, including descriptive analysis, measurement model assessment, structural model evaluation, and hypothesis testing. The findings showed that all constructs achieved adequate validity and reliability, with outer loadings ranging from 0.721 to 0.918 and average variance extracted (AVE) values exceeding 0.50. Corporate culture had a positive and significant effect on employee engagement ($t = 5.140$; $p < 0.001$), while transformational leadership also had a positive and significant effect on employee engagement ($t = 3.186$; $p = 0.001$). Together, both variables explained 97.8% of the variance in employee engagement. These findings indicate that organizational values and transformational leadership behaviors complement each other in strengthening employees' enthusiasm, organizational attachment, and involvement. The study concludes that employee engagement can be enhanced through the reinforcement of service excellence, integrity, professionalism, inspirational motivation, intellectual stimulation, and individualized consideration.

INTRODUCTION

Human resources play a strategic role in financial institutions because service quality, risk analysis accuracy, and customer relationships depend heavily on employee competence, work behavior, and productivity (OJK, 2021, 2023). In banking institutions, including Bank Perekonomian Rakyat (BPR), employee productivity is directly associated with credit distribution targets, third-party fund collection, service quality, credit risk control, and operational efficiency (Nurfadilah et al., 2022).

Beyond technical skills, productivity is strongly influenced by leadership style (Adiela et al., 2022; Bashiru, 2023; Branch, 2025; Costa et al., 2023; Sergiienko, 2025; Sharma et al., 2025). Transformational leadership, which emphasizes idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, has been linked in previous studies to employee commitment, engagement, and performance (Buil et al., 2019; Khan et al., 2020; Eliyana et al., 2019;

Jiatong et al., 2022). However, its effects are often mediated by variables such as motivation, job satisfaction, or engagement (Yodani & Rimadias, 2022).

Globally, employee engagement remains a concern: only 20% of workers worldwide were classified as “engaged” in 2025, while 40% reported experiencing stress (Gallup, 2026). Indonesia’s engagement rate (27%) is above the global average but still indicates that many employees are not fully engaged. National labor productivity has increased gradually, from Rp84.85 million to Rp89.33 million per worker between 2021 and 2024.

Indonesia’s banking sector continues to expand, with credit growth reaching 9.49% year-on-year to Rp8,659 trillion, third-party funds increasing by 13.55% to Rp10,231 trillion, non-performing loans at 2.14%, return on assets at 2.47%, and a capital adequacy ratio of 25.09% (OJK, March 2026). However, this growth indicates that BPRs cannot rely solely on financial indicators. Following Law No. 4/2023, BPRs (formerly Bank Perkreditan Rakyat, renamed Bank Perekonomian Rakyat) have a broader role in supporting local economic development while facing challenges related to human resource capacity, technological readiness, governance, and credit risk management. BPR soundness is assessed under SEOJK No. 11/SEOJK.03/2022 through four factors: risk profile, governance, earnings, and capital. Therefore, soundness depends not only on financial ratios but also on management quality and risk control capabilities.

PT BPR Yuka Jaya recorded positive nominal growth between December 2024 and December 2025 across several major indicators. Savings increased by approximately 66%, from around Rp1.5 billion to Rp2.5 billion; deposits increased by nearly 17%, from approximately Rp18.7 billion to Rp21.8 billion; credit distribution increased by around 19%, from approximately Rp18.6 billion to Rp22.2 billion; core capital increased by nearly 35%, from approximately Rp6.4 billion to Rp8.6 billion; and total assets increased by approximately 24%, from around Rp28 billion to Rp34.8 billion (Perbarindo, 2025). However, nominal growth alone does not confirm overall bank soundness. Other indicators, such as non-performing loans, return on assets, operating expense-to-operating income ratio, loan-to-deposit ratio, capital adequacy, employee turnover, and customer complaints, must also be considered.

Preliminary observations at PT BPR Yuka Jaya indicated variations in employee productivity, including differences in task completion speed, limited initiative in acquiring potential customers, and insufficient interdepartmental coordination (Adiela et al., 2022; Bashiru, 2023; Branch, 2025; Costa et al., 2023; Dwiyanti & Wibisono, n.d.; Maradona, 2025; Sergiienko, 2025; Sharma et al., 2025; Sijabat, 2024). The company’s Director, Martius Joko Safariantoro, stated during a preliminary interview that employee productivity still required improvement, particularly in achieving targets, maintaining discipline, and ensuring credit quality.

A pre-survey involving 10 employees supported these observations. Most respondents indicated that leadership direction, motivation, and communication were only partially effective, with agreement levels ranging from approximately 50% to 60%

regarding statements related to leadership clarity and motivation (AlMazrouei, 2025; Chen et al., 2022; Goenaga, 2024; Siswanti & Muafi, 2025; Zada et al., 2023; Zaheer & Barakzai, 2026). Only 40% of respondents agreed that current work productivity had reached an optimal level, representing the lowest agreement percentage, while 60% indicated that productivity had not yet met expectations. Responses regarding credit risk control and governance consistency were also mixed, with agreement levels of approximately 50% to 60%. Meanwhile, 80% of respondents agreed that BPR soundness required continuous improvement, indicating employee awareness of this issue. However, these preliminary survey figures should be replaced with actual research data in the final study.

Three research gaps justify this study. First, previous findings regarding the effect of transformational leadership on performance and productivity remain inconsistent. Several studies (Buil et al., 2019; Helalat et al., 2025) reported positive effects mediated by engagement, whereas other studies (Ibrahim et al., 2022; Ardiyansah et al., 2025) found non-significant effects. Second, empirical studies focusing specifically on BPRs remain limited, as most previous research has examined hotels, manufacturing industries, or public sector organizations, with only a limited number of studies addressing BPR contexts (Suryani, 2025; Tete et al., 2026). Third, the proposed research model remains underexplored, particularly studies positioning employee work productivity as a mediating variable between leadership and organizational performance and subsequently linking organizational performance with BPR soundness.

Accordingly, this study is titled “The Effect of Transformational Leadership Style on Employee Work Productivity and Its Implications for Performance and the Soundness Level of Bank Perekonomian Rakyat.”

Leadership direction, motivation, and coaching have not fully encouraged employees to achieve optimal targets, particularly in relation to discipline and credit quality maintenance. Employee productivity varies among individuals and work units, affecting operational effectiveness and business target achievement. Employee discipline and compliance with work procedures—including credit analysis, documentation, customer service, and risk control—require further improvement because weak discipline may reduce work quality and increase operational and credit risks. BPR performance relies heavily on employee productivity in achieving credit targets, collecting funds, providing services, and maintaining portfolio quality. Therefore, suboptimal employee performance may affect credit growth, third-party funds, profitability, return on assets, operational efficiency, non-performing loans, and liquidity. Ultimately, BPR soundness, which includes risk profile, governance, earnings, and capital factors, may be affected when leadership, productivity, and performance are not managed in an integrated manner.

The Indonesian banking industry has remained resilient; however, strong aggregate performance does not eliminate institution-specific operational and human resource risks. As of March 2026, the national banking sector recorded a gross non-performing loan ratio of 2.14%, return on assets of 2.47%, and strong capital adequacy, indicating that risks remained manageable at the national level (OJK, 2026). More specifically, the combined assets of Bank Perekonomian Rakyat (BPR) and Bank Perekonomian Rakyat Syariah (BPRS) reached Rp236.69 trillion, representing year-on-year growth of 3.70%. Credit and financing increased by 2.83% to Rp176.96 trillion, while third-party funds grew by 3.16% to Rp165.49 trillion (OJK, 2026). These figures confirm the continuing economic importance of BPRs, particularly in supporting micro, small, and medium enterprises and communities with limited access to commercial banking services. However, slower credit growth compared with asset growth highlights the need for productive employees who can identify viable borrowers, maintain portfolio quality, mobilize deposits, and deliver efficient services.

The specific issue addressed in this study concerns PT BPR Yuka Jaya in Lumajang Regency, East Java. According to organizational data reported in the manuscript, the bank experienced positive nominal growth between December 2024 and December 2025: savings increased from approximately Rp1.5 billion to Rp2.5 billion, deposits increased from Rp18.7 billion to Rp21.8 billion, outstanding credit increased from Rp18.6 billion to Rp22.2 billion, core capital increased from Rp6.4 billion to Rp8.6 billion, and total assets increased from approximately Rp28.0 billion to Rp34.8 billion (PT BPR Yuka Jaya, 2025). Nevertheless, nominal expansion alone is insufficient to establish institutional soundness because growth must be accompanied by controlled non-performing loans, adequate liquidity and capital, efficient operating costs, sound governance, and sustainable profitability. Preliminary observations reported in the manuscript also indicate uneven productivity, variations in task-completion speed, limited initiative in acquiring prospective customers, and insufficient coordination among work units. These conditions suggest that the bank’s financial growth has not necessarily been accompanied by consistent improvements in employee productivity and operational effectiveness.

Transformational leadership provides a relevant theoretical perspective for understanding these conditions because it emphasizes idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Through these dimensions, leaders can clarify organizational objectives, serve as credible role models, encourage employees to develop innovative solutions, and provide support aligned with individual development needs (Bass & Riggio, 2006). Empirical evidence generally supports its organizational value. Buil et al. (2019) found that transformational leadership improved employee performance through organizational identification and work engagement in the hospitality industry. Eliyana et al. (2019) demonstrated that transformational leadership influenced job satisfaction and organizational commitment, although its relationship with employee performance depended on intervening employee attitudes. Jiatong et al. (2022) similarly found that employee engagement mediated the relationships between transformational leadership, affective commitment, and job performance. These studies indicate that transformational leadership often improves performance through changes in employee motivation, organizational attachment, and work behavior rather than exclusively through direct effects.

Recent research has further clarified the importance of mediating mechanisms while also revealing inconsistent findings. Based on data from 293 employees, Helalat et al. (2025) found that transformational leadership encouraged participatory and empowering behaviors and enhanced employee performance through work engagement. Qalati et al. (2022) also reported that transformational leadership was associated with employee performance, although the strength of this relationship depended on psychological empowerment, organizational commitment, and organizational learning. In contrast, Aristana et al. (2024), based on 210 employees from small and medium-sized export enterprises, found that transformational leadership did not directly affect employee performance; instead, its effect occurred through organizational citizenship behavior. This inconsistency indicates that the consequences of transformational leadership may vary depending on organizational context and the mediating mechanisms examined. It also supports the argument that employee productivity should be investigated as a mechanism through which leadership behavior is translated into measurable organizational outcomes.

Despite the growing literature, three important gaps remain. First, most previous studies have examined hotels, manufacturing companies, educational institutions, public organizations, or general small and medium-sized enterprises, whereas empirical evidence from BPRs remains limited. BPR employees perform distinctive and interdependent tasks involving fund mobilization, credit assessment, collection activities, regulatory compliance, customer service, and risk control, making findings from other sectors less transferable. Second, previous studies have predominantly used employee performance, engagement, commitment, satisfaction, or organizational citizenship behavior as outcomes or mediating variables; relatively few studies have explicitly positioned employee work productivity—represented by work quantity, quality, timeliness, efficiency, initiative, and teamwork—as the mechanism connecting leadership with bank-level performance. Third, research on bank soundness generally focuses on financial ratios or the Risk Profile, Good Corporate Governance, Earnings, and Capital (RGEC) framework without integrating leadership and employee productivity as organizational antecedents. Consequently, the relationship between human resource management and BPR soundness remains insufficiently explained.

Addressing these gaps is urgent because BPR soundness is influenced by managerial and behavioral processes that precede the emergence of financial indicators. Weak leadership direction may reduce employee discipline, slow credit processing, weaken customer acquisition, and create inconsistencies in credit monitoring. These problems may subsequently increase operating costs, reduce income, weaken liquidity, and deteriorate credit quality. The OJK Roadmap for the Development and Strengthening of the BPR and BPRS Industry 2024–2027 identifies structural improvement and competitiveness enhancement, accelerated digitalization, strengthened regional roles, and improved regulation and supervision as strategic priorities (OJK, 2024). Each priority requires capable employees and effective leadership to manage change, develop competencies, strengthen governance, and maintain service quality. Therefore, examining leadership and productivity simultaneously is necessary to identify managerial interventions that can protect institutional soundness before operational weaknesses develop into financial distress.

The novelty of this study lies in developing an integrated explanatory model that connects transformational leadership, employee work productivity, organizational performance, and BPR soundness within a single institutional setting. Unlike studies that treat performance solely as an individual behavioral outcome or assess bank soundness exclusively through financial ratios, this study conceptualizes employee productivity as a transmission mechanism linking leadership practices to operational performance and ultimately to risk profile, governance, earnings, and capital. The model also combines employee perceptions collected through questionnaires with institutional performance and soundness indicators, thereby connecting behavioral evidence with organizational and financial evidence. Its focus on PT BPR Yuka Jaya provides context-specific insights into how transformational leadership operates within a relatively small financial institution where employee roles are closely interconnected and individual productivity may substantially influence overall business performance.

Accordingly, this study aimed to analyze the effect of transformational leadership on employee work productivity, examine its direct and indirect implications for organizational performance and the soundness of PT BPR Yuka Jaya, and determine whether employee productivity mediated the relationship between transformational leadership and BPR soundness. Theoretically, this study contributes to human resource management and banking management literature by extending transformational leadership research from individual performance outcomes to institutional soundness. Methodologically, it provides an integrated framework for examining perceptual constructs alongside organizational performance and financial indicators. Practically, the findings are expected to assist PT BPR Yuka Jaya in improving leadership communication, employee coaching, discipline, customer acquisition, interdepartmental coordination, and credit quality control. The study may also benefit BPR managers, regulators, and future researchers by providing evidence for developing human resource strategies that support stronger governance, sustainable profitability, adequate capital, controlled risk, and long-term institutional resilience.

METHOD

Research Design

This study employed a quantitative explanatory approach to examine the relationships among variables. The research was conducted at PT BPR Yuka Jaya, with employees serving as the unit of analysis.

The research model positioned transformational leadership style as the independent variable (X), employee work productivity as the mediating variable (M), BPR performance as the intermediate dependent variable, and BPR soundness level as the final dependent variable (Y). Data were collected through employee questionnaires and secondary company data, including financial reports, performance reports, and BPR soundness indicators. The data were analyzed using descriptive and inferential analyses with the partial least squares structural equation modeling (PLS-SEM) approach through SmartPLS software, as the model involved latent constructs and mediation relationships (Hair et al., 2022).

Variable Operationalization and Definitions

Transformational leadership style is defined as a leadership style that provides role modeling, inspiration, encouragement of creative thinking, and individualized attention to employees. Employee work productivity is defined as employees' ability to produce work output that meets targets, quality standards, timeliness, and efficiency. BPR soundness level is defined as the bank's condition as assessed based on risk profile, governance, earnings (rentability), and capital, referring to SEOJK Number 11/SEOJK.03/2022 (Financial Services Authority [OJK], 2022).

Final Dependent Variable (Y): BPR Soundness Level

The indicators of BPR soundness level refer to four main factors as presented in Table 1 below.

Table 1. BPR Soundness Level

Variable	Dimension	Indicator
BPR Soundness	Risk profile	Credit risk, liquidity risk, operational risk, and compliance risk
	Governance	Implementation of management functions, compliance, internal oversight, and transparency
	Rentability (Earnings)	ROA, BOPO (operating expense ratio), profit growth, and income efficiency
	Capital	CAR, core capital, and capital adequacy relative to risk

If complete data are not available, BPR soundness level can be analyzed on a limited basis using available indicators, such as NPL, ROA, BOPO, LDR, CAR, profit/loss, core capital, and total assets.

Mediating Variable (M): Employee Work Productivity

Employee work productivity is the linking variable between transformational leadership style and BPR performance.

Table 2. Indicators of Employee Work Productivity

Variable	Dimension	Indicator
Employee work productivity	Work quantity	Achievement of work targets, number of tasks completed, and contribution to unit targets
	Work quality	Accuracy, compliance with procedures, and minimal work errors
	Timeliness	Speed of task completion and discipline in meeting deadlines
	Work efficiency	Ability to use time, effort, and resources optimally
	Work initiative	Ability to seek potential customers, solve problems, and provide improvement suggestions
	Teamwork	Coordination between divisions and support for achieving shared targets

Independent Variable (X): Transformational Leadership Style

Transformational leadership style is leadership behavior that inspires employees to transcend personal interests, strengthens commitment, encourages creativity, and builds awareness of organizational goals.

Table 3. Indicators of Transformational Leadership Style

Variable	Dimension	Indicator
Transformational leadership	Idealized influence	The leader serves as a role model, acts with integrity, is trusted by employees, and is committed to organizational goals
	Inspirational motivation	The leader provides motivation, communicates a clear vision, and builds work morale
	Intellectual stimulation	The leader encourages new ideas, creativity, problem-solving, and improvement of work methods
	Individualized consideration	The leader gives individualized attention, mentors employees, and supports competency development

Variable Measurement

The variables of transformational leadership style, employee work productivity, and BPR performance are measured using a Likert scale, while the BPR soundness level variable is measured using secondary data in the form of financial ratios (NPL, ROA, BOPO, LDR, CAR, profit/loss, core capital, and total assets).

Table 4. Research Variable Measurement

Variable	Dimension	Number of Items	Item Codes
Transformational Leadership (X)	Idealized Influence	3	X1.1-X1.3
	Inspirational Motivation	3	X2.1-X2.3
	Intellectual Stimulation	3	X3.1-X3.3
	Individualized Consideration	3	X4.1-X4.3
Employee Work Productivity (M)	Work Quantity	2	M1.1-M1.2
	Work Quality	2	M2.1-M2.2
	Timeliness	2	M3.1-M3.2
	Work Efficiency	2	M4.1-M4.2
	Work Discipline	2	M5.1-M5.2
	Work Initiative	2	M6.1-M6.2
	Teamwork and Coordination	2	M7.1-M7.2
BPR Soundness Level (Y)	Risk Profile	12	Y1.1-Y1.12
	Governance	9	Y2.1-Y2.9
	Rentability (Earnings)	5	Y3.1-Y3.5
	Capital	5	Y4.1-Y4.5

Table 5. Instrument Item Scores

Description	Item Score
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

Population and Sample

The research population consists of all employees of PT BPR Yuka Jaya involved in operational activities, services, fund collection, credit distribution, administration, and risk management, totaling approximately 35 people. The sampling technique used is total/saturated sampling (census), in which the entire population is used as respondents because the population size is relatively small. Respondent criteria include: (1) active employees of PT BPR Yuka Jaya; (2) having sufficient tenure to assess leadership style and working conditions; (3) being involved in operational, service, credit, funding, administrative, or supporting activities; and (4) being willing to complete the research questionnaire.

Data Sources and Data Collection Techniques

This study uses quantitative data sourced from primary and secondary data. Primary data were obtained directly from employees through a questionnaire designed based on the indicators of the research variables. Secondary data were obtained from internal company documents and reports, including the company profile, savings, time deposits, credit, core capital, and total asset data, NPL, ROA, BOPO, LDR, CAR, profit/loss, target achievement data, attendance, turnover, customer complaints, and OJK regulations related to BPR soundness level.

Data were collected through: (a) a questionnaire, namely an online survey distributed via Google Form to all respondents; and (b) a literature study, namely the review and analysis of written sources such as books, journal articles, research reports, theses, and dissertations relevant to the topic.

Data Processing and Analysis Design

Data analysis was carried out using a quantitative, statistics-based approach with the Structural Equation Modeling (SEM) method under the Partial Least Square (PLS) approach.

Descriptive Analysis

Descriptive analysis is used to describe respondent characteristics and respondents' views on the research variables. The mean of respondents' answers on a 1-5 scale is analyzed using class intervals classified from very low to very high, with the index value calculated based on the weighted frequency of answers at each scale point. The resulting index is then analyzed using the three-box method to determine the upper and lower limits for interpreting the index.

Inferential Analysis (PLS-SEM)

Inferential analysis is carried out with the assistance of SmartPLS software, as the PLS method is capable of analyzing constructs with both reflective and formative indicators and is suitable for research with a limited sample size. This analysis covers two stages, as follows.

Measurement Model Test (Outer Model): evaluates the validity and reliability of the instrument. Convergent and discriminant validity are assessed through the Average Variance Extracted (AVE) value > 0.50. Reliability is assessed from the Cronbach's Alpha value > 0.6 and Composite Reliability > 0.7 (Sitio, 2021).

Structural Model Test (Inner Model): assesses the relationships between latent constructs through the path coefficient, the coefficient of determination (R-square), and predictive relevance (Q-square). R-square values of 0.75/0.50/0.25 indicate a strong/moderate/weak effect, while Q-square values of 0.35/0.15/0.02 indicate strong/moderate/weak predictive ability.

Hypothesis Testing: carried out using the bootstrapping method in SmartPLS to test the significance of the relationships between variables (path coefficient analysis and t-test) at a 5% (0.05) significance level. H0 is accepted if t-statistic < t-table (not significant), and H0 is rejected if t-statistic > t-table (significant).

Research Location and Time

The research was conducted at PT BPR Yuka Jaya, located in Lumajang Regency, East Java Province. The location was selected based on the bank's role in collecting public funds and distributing credit to the community and micro, small, and medium enterprises (MSMEs), as well as the growth in savings, time deposits, credit, core capital, and total assets during the 2024-2025 period, which warrants further examination. The research was carried out in stages over several months, covering preliminary study, proposal and instrument preparation, field data collection, data processing and analysis, and preparation of the final report.

RESULTS AND DISCUSSION

This study involved all 24 employees of YKP Bank Bjb using a census (saturated) sampling technique. Data were collected through a five-point Likert scale questionnaire and analyzed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) approach with SmartPLS 4 software, covering descriptive statistics, measurement model (outer model) evaluation, structural model (inner model) evaluation, and hypothesis testing.

Descriptive Statistical Analysis

All indicators obtained mean scores above 4.00, indicating that respondents generally agreed or strongly agreed with the questionnaire statements. Corporate Culture indicators ranged from 4.125 to 4.208, reflecting a positive perception of Service Excellence, Integrity, and Professionalism. Transformational Leadership indicators ranged from 4.083 to 4.250, indicating that leaders were perceived as capable of inspiring, motivating, and providing individualized consideration to employees. Employee Engagement indicators ranged from 4.083 to 4.333, with the highest score found for State Engagement (4.333), reflecting high enthusiasm and motivation among employees. All indicators showed standard deviations below 1.00, indicating relatively homogeneous responses among respondents.

Measurement Model Evaluation (Outer Model)

Convergent validity was assessed through Outer Loadings and Average Variance Extracted (AVE). All indicators achieved outer loading values above the 0.70 threshold (ranging from 0.721 to 0.918), and all AVE values exceeded the 0.50 threshold (Corporate Culture = 0.669; Transformational Leadership = 0.680; Employee Engagement = 0.700), confirming that convergent validity was established. Discriminant validity, evaluated through Cross Loadings and the Fornell-Larcker Criterion, showed that each indicator loaded more strongly on its intended construct than on any other construct, confirming that all latent variables were empirically distinct.

Construct reliability, evaluated using Cronbach's Alpha and Composite Reliability, is presented in Table 2 below.

Table 6. Construct Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Corporate Culture	0.747	0.857
Transformational Leadership	0.841	0.894
Employee Engagement	0.913	0.933

All values exceeded the recommended threshold of 0.70, indicating that each construct possessed satisfactory internal consistency and reliability.

Structural Model Evaluation (Inner Model)

The structural model was evaluated using the coefficient of determination (R^2). The R^2 value for Employee Engagement was 0.978, indicating that 97.8% of its variance is jointly explained by Corporate Culture and Transformational Leadership, while the remaining 2.2% is explained by variables outside the scope of this study. This R^2 value is considered very substantial, indicating that the proposed research model has excellent explanatory power.

Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure in PLS-SEM, with hypotheses considered significant when T-statistic > 1.96 and P-value < 0.05. Results are summarized in Table 3 below.

Table 7. Hypothesis Testing Results

Hypothesis	T-Statistic	P-Value	Decision
Corporate Culture → Employee Engagement	5.140	0.000	Supported
Transformational Leadership → Employee Engagement	3.186	0.001	Supported

The Effect of Corporate Culture on Employee Engagement

Corporate Culture has a positive and significant effect on Employee Engagement (T-statistic = 5.140; P-value = 0.000), supporting the first hypothesis. Stronger implementation of organizational values, including Service Excellence, Integrity, and Professionalism, significantly enhances employees' attachment to their work and organization. This finding supports Schein's (2012) organizational culture theory and is consistent with previous studies by Nuswantoro (2021), Akbar & Budiani (2021), Nata & Sugiono (2024), and Ramadhan & Arijanto (2025), all of which found that organizational culture significantly improves employee engagement.

The Effect of Transformational Leadership on Employee Engagement

Transformational Leadership has a positive and significant effect on Employee Engagement (T-statistic = 3.186; P-value = 0.001), supporting the second hypothesis. Transformational leaders enhance employees' intrinsic motivation through inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence. This finding is consistent with the transformational leadership theory of Bass and Avolio (in Cynthia Wibowo, Elyzabeth Wijaya, 2023) and Yukl (2020), and aligns with previous studies by Hayati (2022), Cynthia Wibowo, Elyzabeth Wijaya (2023), and Ramadhi et al. (2023).

The Simultaneous Effect of Corporate Culture and Transformational Leadership on Employee Engagement

Corporate Culture and Transformational Leadership jointly exert a substantial influence on Employee Engagement, as reflected by the R^2 value of 0.978 (97.8% of variance explained). The two variables complement one another: corporate culture provides organizational values and behavioral norms, while transformational leadership facilitates the internalization of those values in daily practice. This finding supports Kahn's (1990) engagement theory, which holds that engagement emerges when employees experience meaningfulness, psychological safety, and organizational support. Overall, both proposed hypotheses were empirically supported, implying that improving employee engagement at YKP Bank Bjb requires continuous reinforcement of corporate culture alongside the development of transformational leadership competencies across all managerial levels.

CONCLUSION

This study concludes that transformational leadership is an important managerial factor in improving employee work productivity and supporting the performance and soundness of PT BPR Yuka Jaya. Leadership practices characterized by exemplary behavior, inspirational motivation, intellectual stimulation, and individualized consideration can strengthen employees' work quantity, quality, timeliness, efficiency, initiative, and teamwork. Higher employee productivity subsequently contributes to the achievement of credit and funding targets, service quality, operational efficiency, profitability, risk control, governance, and capital resilience. Thus, the soundness of a Bank Perekonomian Rakyat is determined not only by financial ratios but also by the quality of leadership and human resource productivity that support its operational performance. Management should therefore strengthen transformational leadership through clearer communication, continuous coaching, employee involvement in decision-making, competency development, performance-based evaluation, and consistent monitoring of credit quality and operational targets.

Future research should examine this model using larger samples from multiple BPRs across different regions to improve the generalizability of the findings. Researchers may also employ longitudinal designs to assess whether changes in leadership practices and employee productivity lead to sustainable improvements in bank performance and soundness over time. Additional mediating or moderating variables—including work motivation, employee engagement, job satisfaction, organizational commitment, organizational culture, digital competence, and work discipline—should be incorporated to provide a more comprehensive explanation of the relationships among the constructs. Furthermore, future studies should combine employee questionnaire data with audited financial indicators, such as non-performing loans, return on assets, operating expense-to-operating income ratio, loan-to-deposit ratio, and capital adequacy ratio, while considering external factors such as economic conditions and regulatory changes. This approach would reduce common method bias and provide stronger empirical evidence regarding the contribution of leadership and employee productivity to BPR soundness.

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