

Employee Engagement as a Mediator Between Empowerment, Motivation, and Performance in Bank Jatim Madiun

Yetty Fitria Suprapto

Master of Management, Sekolah Tinggi Ilmu Ekonomi Indonesia, Surabaya,
Indonesia

yettyfauzi78@gmail.com

Budiyanto

Sekolah Tinggi Ilmu Ekonomi Indonesia, Surabaya, Indonesia
budiyanto@stiesia.ac.id

Suhermin

Sekolah Tinggi Ilmu Ekonomi Indonesia, Surabaya, Indonesia
suhermin@stiesia.ac.id

Abstract

This study investigates the influence of psychological empowerment and work motivation on employee performance at Bank Jatim Madiun, Indonesia, a regional branch operating in a competitive and service-driven banking environment. Employee performance, crucial to ensuring service quality and operational success, remains below institutional expectations despite ongoing efforts. The study addresses this issue by exploring whether psychological empowerment and work motivation directly affect performance and whether employee engagement mediates these relationships. Using a quantitative research design and a saturated sampling of 110 employees, data were collected via structured questionnaires based on validated instruments and analyzed using PLS-SEM with SmartPLS. Results show that psychological empowerment significantly enhances both engagement and performance, and that engagement mediates this relationship. In contrast, while work motivation positively affects engagement, it has no direct or indirect impact on performance. These findings imply that fostering psychological empowerment by promoting autonomy, competence, and purpose may be more effective in improving performance than relying on motivation alone. The study recommends that banks adopt empowerment-oriented human resource strategies to enhance engagement and organizational outcomes.

Keywords: Psychological Empowerment; Employee Motivation; Employee Engagement; Employee Performance; Bank Jatim

DOI : <http://dx.doi.org/10.32503/jmk>.

Article History : Article received (June 16, 2025); revised (November 26, 2025); accepted (November 4, 2025)

Email Co-Author : yettyfauzi78@gmail.com



This work is licensed under a Creative Commons
Attribution-ShareAlike 4.0 International License

Introduction

The banking industry is a pivotal component of a nation's financial infrastructure, serving as a primary catalyst for economic growth. This sector is intricate and varied, comprising commercial banks, investment banks, non-bank financial institutions, and other financial entities. Fundamentally, banking supports economic development by granting businesses access to capital, fostering investment, and mobilizing savings. Additionally, banks are instrumental in mitigating economic inequality by providing financial services to underserved populations. On a global scale, the banking sector is indispensable in delivering financial services that sustain economic activity, growth, and stability. The relentless progression of technology and global dynamics continues to influence the industry's evolution, while regulatory frameworks and policies are crucial for maintaining the security and resilience of the financial system.

Due to its complexity and diversity, the banking industry necessitates a highly skilled workforce. In an increasingly competitive landscape, banks require teams proficient in crafting innovative products and services that align with evolving market demands. This situation demands employees with a deep understanding of market trends, customer needs, and opportunities for innovation. As Yashaswini et al. (2023) emphasize, managing human resources in the banking sector presents significant challenges, particularly given the intricate nature of financial systems. Fathima (2015) also notes that banking has evolved into a highly complex activity within financial markets, directly and indirectly impacting national growth and serving as a vital part of the global banking environment. Consequently, banks and financial institutions need highly effective teams and the right talent to execute their daily operations.

Employee performance is a crucial determinant of an organization's overall success. As highlighted by Nduati and Wanyoike (2022), employee involvement, motivation, and commitment are essential in helping organizations achieve their objectives. In the banking sector, where service quality and operational efficiency are paramount, employee performance becomes even more vital. Rahaman et al. (2023) stress that banks must prioritize staff performance to sustain growth and remain competitive in the long run. Understanding the factors that influence employee productivity is critical for management, especially in industries that provide services directly to customers.

Bank Jatim, a regional bank in East Java, Indonesia, plays a significant role in supporting the region's economic development. One of its branches, located in Madiun, offers essential banking services to local businesses and communities. Like many financial institutions, the branch operates in an environment influenced by broader economic conditions. During times of economic uncertainty, both businesses and individuals tend to be more cautious in borrowing and investing, which can impact a bank's ability to generate income from lending. Similarly, customer behavior regarding saving or withdrawing funds can affect the bank's liquidity and financial stability. These dynamics underscore the increasing need for a capable and responsive workforce that can navigate operational challenges and maintain service quality under varying economic conditions.

Organizational performance is closely linked to employee performance, with productivity often reflecting how well individuals meet their key performance

expectations. At Bank Jatim Madiun, employee performance is evaluated using Key Performance Indicators (KPI), which track individual contributions to organizational goals. Indicators such as customer satisfaction, sales outcomes, and task completion serve as both leading and lagging measures of effectiveness. In recent years, the average KPI scores have shown modest improvement, rising from 2.02 in 2021 to 3.21 in 2023. However, this remains below the institutional target of at least 4, with an aspirational benchmark of 5. This gap indicates a need for immediate attention, as continued underperformance may affect service quality, operational efficiency, employee productivity, regulatory compliance, and overall competitiveness. Strengthening KPI outcomes is, therefore, essential to ensure that the bank's operational goals are consistently and sustainably met.

Declining employee productivity can lead to higher operational costs and reduced profits. In terms of financial indicators, a high rate of non-performing loans may result from ineffective credit risk management or weak credit evaluation processes. On the service side, low customer satisfaction may reflect inconsistent or unresponsive service delivery. These conditions highlight the need for strategic efforts to improve employee KPI achievement at Bank Jatim Madiun so that it meets the expected performance threshold.

Organizational goals are achieved through the combined contributions of every part of the organization. This collective effort provides both direction and energy for organizational progress. To fulfill these goals, businesses engage in various activities that reflect the execution of their corporate mission. In essence, business refers to organizational activities involving the sale of goods or services to individuals or other companies, aiming to generate profit through daily operations Haigh & Hoffman (2012).

In the realm of organizational performance, grasping the key factors that shape employee behavior and contributions is crucial. Work motivation, psychological empowerment, and employee engagement are widely acknowledged as pivotal drivers of employee performance. Motivation encompasses the internal and external forces that initiate and guide behavior Zacher et al. (2021). Psychological empowerment refers to the sense of autonomy and control employees experience over their work Sakeru et al. (2019). Employee engagement, in turn, signifies the level of commitment and involvement an individual has toward their job and organization (Morgan et al., 1990). These factors not only influence individual effort and persistence but also affect creativity, service quality, and organizational commitment Widodo et al. (2023). As modern organizations face mounting pressure to remain agile and efficient, exploring how these psychological and behavioral dimensions interact with employee performance becomes a timely and necessary focus.

Research on work motivation, psychological empowerment, and employee engagement about employee performance is of great importance, as it offers valuable insights for enhancing productivity and organizational effectiveness. These factors are also crucial in reducing employee turnover and absenteeism, shaping effective human resource policies, and improving overall employee well-being. Given their strategic role in human resource management and organizational success, such research is both timely and necessary, particularly in the banking industry, where human capital is vital to service quality and operational efficiency. Despite various improvement efforts, Bank Jatim Madiun continues to struggle with

meeting expected performance standards, as evidenced by its suboptimal KPI achievements. These ongoing issues suggest underlying problems related to low psychological empowerment, insufficient motivation, and weak employee engagement. This study, therefore, aims to investigate whether psychological empowerment and work motivation significantly impact engagement and performance and whether engagement mediates these relationships.

Employee performance is intricately linked to how effectively individuals execute their assigned tasks and responsibilities. It encompasses not only the results achieved but also the behaviors demonstrated by employees within the organization (Armstrong, 2016). More precisely, employee performance is characterized by an individual's capability to fulfill duties assigned by the organization. Empirical research indicates that performance is shaped by factors such as motivation, leadership, work environment, organizational culture, and competence Nguyen et al., 2020), along with employee empowerment and public service motivation (Fonda et al., 2023), employee engagement and OCB (Dealisa & Widodo, 2024), and organizational climate, empowerment, and engagement (Lubis et al., 2023).

Employee engagement plays a crucial role in influencing work motivation within corporate management. When employees feel a connection to their workplace, where they invest their professionalism and receive fair compensation, this engagement can lead to enhanced performance. Although concerns have arisen about declining engagement due to global influences and cosmopolitan ideals, these effects can be mitigated through psychological empowerment. Employee engagement refers to the degree of an employee's commitment and involvement in their job and organization. Several factors, including organizational goals, managerial support, company culture, work-life balance, and career advancement opportunities, shape it. Work motivation itself is defined as the internal and external forces that drive an individual to perform tasks (Morgan et al., 1990). Empirical findings are mixed. Studies by Sakeru et al. (2019) and Aziez (2022) demonstrate a positive and significant impact of engagement on performance, while Noercahyo et al. (2021) find no effect, and Budiarto et al., (2023) report a negative yet significant influence.

Psychological empowerment is a state where employees feel they have control and influence over their work. This sense of autonomy is vital for achieving organizational goals, as empowered employees are generally more motivated and perform better. Such employees often exhibit increased motivation, commitment, and involvement, which boosts productivity and work quality. They are also more likely to be creative and innovative, actively seeking improved solutions and experimenting with new methods to enhance efficiency and organizational relevance. Furthermore, empowered employees demonstrate a stronger concern for customer satisfaction, which contributes to better service quality and enhances the organization's reputation. According to Sakeru et al. (2019), psychological empowerment significantly positively affects employee performance. However, Afram et al. (2022) and Dealisa and Widodo (2024) found no such effect, while Widodo et al. (2023) concluded that psychological empowerment significantly influences both employee engagement and performance. Empowered employees also tend to make confident decisions and act independently, fostering a proactive workforce.

Motivation is the driving force behind individuals' choices among alternatives, influencing how they allocate their time, the effort they exert, their thoughts and feelings about tasks, and their persistence in completing them Zacher et al. (2021). In the workplace, motivation plays a crucial role in affecting employee engagement, which reflects an employee's commitment to and involvement in their job and organization. Pârjoleanu (2020) notes that motivation encompasses all human traits, both positive and negative, and is often misunderstood during analysis. People naturally categorize others based on behavior, which can assist managers in identifying better ways to motivate different types of employees. Empirical research presents varied findings: Riyanto et al. (2021) and Yudiani et al. (2023) found that motivation significantly influences performance, while Engidaw (2021) and Fatmasari et al. (2018) report that motivation affects employee engagement. However, Luthfi and Putri (2021) and Kusumah and Rismawati (2022) found either no or negative effects.

Within the broader framework of human resource management, psychological empowerment plays a crucial role in shaping employee performance. This concept underscores the significance of granting employees autonomy, a sense of control, and responsibility in their work environment. When individuals feel empowered, they often experience heightened intrinsic motivation, deeper job involvement, enhanced creativity, and greater job satisfaction, all of which positively contribute to achieving organizational goals and improving overall performance. However, empirical findings are mixed. While Sakeru et al. (2019) reported a significant positive impact of psychological empowerment on employee performance, other studies, such as those by Afram et al. (2022), Dealisa and Widodo (2024), and Lubis et al. (2023), found no significant relationship. Building on this theoretical and empirical foundation, this study proposes the following hypothesis:

H1: The more psychologically empowered the employees feel, the higher their level of performance is likely to be.

Psychological empowerment refers to the degree to which employees feel capable, independent, and able to influence their work environment. When employees experience psychological empowerment, they are more likely to be engaged in their work. The engagement happens because they perceive their tasks as meaningful, feel confident in executing them, enjoy freedom in decision-making, and believe their work has a significant impact. Such empowerment naturally boosts their engagement and commitment to both their roles and the organization. Empirical evidence supports this perspective. Widodo et al. (2023) and Meng and Sun (2019) identified a significant positive effect of psychological empowerment on employee engagement. However, Nawrin (2016) reported only a modest effect (41%), while Lubis et al. (2023) found no significant impact. Based on this, the following hypothesis is proposed:

H2: The more psychologically empowered the employees are, the higher their level of engagement will be.

Work motivation is the internal drive that propels individuals to act and achieve their workplace goals. When employees are highly motivated, they tend to persist in overcoming obstacles and challenges that arise in their work environment. A strong sense of motivation encourages individuals to exert greater effort, leading to

higher productivity and more efficient task completion. Employees motivated to perform well are generally more focused, proactive, and capable of delivering results within shorter timeframes. Empirical findings on this topic vary. Studies by Riyanto et al. (2021) and Yudiani et al. (2023) found that work motivation has a significant positive effect on employee performance. In contrast, Kusumah and Rismawati (2022) concluded that work motivation has a negative but insignificant effect on performance. Based on this evidence, the following hypothesis is proposed:

H3: The stronger the employees' work motivation, the higher their performance is likely to be.

Work motivation serves as an initial catalyst that propels individuals to engage in their tasks actively. When employees are motivated to excel, they often exhibit greater involvement in their work. This engagement is particularly pronounced when employees find enjoyment in their tasks and feel an emotional connection to their roles. The interplay between work motivation and employee engagement can be seen as a dynamic process where motivation sparks deeper engagement, which in turn fosters further motivation. This situation creates a positive cycle, leading employees to become more invested in their work and more committed to achieving organizational goals. Empirical studies have demonstrated this connection: Engidaw (2021) found that both intrinsic and extrinsic motivation significantly influence employee engagement, and Fatmasari et al. (2018) reported similar findings. However, Luthfi and Putri (2021) found no significant relationship. Based on this, the following hypothesis is proposed:

H4: The stronger the employees' work motivation, the higher their level of engagement is likely to be.

Employee engagement refers to the degree to which employees are emotionally and cognitively committed to their work and the organization they are part of. Employees who are highly engaged typically exhibit greater enthusiasm, dedication, and attentiveness in completing their tasks. Elevated levels of engagement are often linked to enhanced work quality, as employees become more meticulous, careful in adhering to work processes, and more invested in the outcomes of their tasks, whether in products or services. Empirical findings on the impact of employee engagement on performance reveal varied results. Studies by Sakeru et al. (2019) and Aziez (2022) concluded that employee engagement has a positive and significant effect on performance. Conversely, Noercahyo et al. (2021) found no influence, while Budiarto et al. (2023) reported a negative yet significant relationship, and Lubis et al. (2023) found no significant impact. Based on these perspectives, the following hypothesis is proposed:

H5: The higher the employees' engagement, the better their performance is likely to be.

Psychological empowerment is a process that enhances an individual's sense of control, competence, and meaningfulness in their work. Those who feel psychologically empowered often experience both personal and professional growth as they develop new skills and strengthen their ability to reach their full potential. Several studies have explored the indirect impact of empowerment on

performance outcomes through mediating variables. Levina (2021) found that psychological empowerment influences employee performance through intrinsic motivation. Saputra and Heryjanto (2021) concluded that employee engagement mediates the relationship between empowerment and turnover intention. Similarly, Ambarsari et al. (2021) discovered that employee engagement mediates the effect of organizational support on performance. Fonda et al. (2024) reported that work discipline serves as a mediator between psychological empowerment and performance. However, Lubis et al. (2023) found no mediating role of employee engagement in the relationship between empowerment and performance. Based on this literature, the following hypothesis is proposed:

H6: Employee engagement mediates the relationship between psychological empowerment and employee performance.

Work motivation is an internal drive that propels individuals to reach their professional goals and enhance their performance. Personal needs and desires for achievement often spark it. Motivated employees generally experience greater satisfaction and engagement with their work, which are crucial elements of employee engagement. Those who are engaged at work typically exhibit high levels of dedication, energy, and a willingness to exert extra effort to help the organization meet its objectives. Numerous studies have examined the mediating role of engagement in the relationship between motivation and performance, though the findings vary. Trisninaawati and Elpanso (2022) concluded that employee engagement mediates the effect of the work environment on performance but not the effect of motivation. Conversely, Hania and Bernardus (2021) discovered that employee engagement not only positively influences performance but also mediates the relationship between motivation and performance. Lubis et al. (2023) also considered employee engagement as a mediating variable between organizational climate and performance. Based on these findings, the following hypothesis is proposed:

H7: Employee engagement mediates the relationship between work motivation and employee performance.

Methodology

This study employs a quantitative research approach to explore the relationships among psychological empowerment, work motivation, employee engagement, and employee performance. The quantitative method is deemed suitable for testing hypotheses and analyzing variable relationships through structured data. The research focuses on the employees of Bank Jatim Madiun, comprising 110 individuals, including Sub-Branch Leaders, Functional Office Leaders, Account Officers, and Staff. Due to the relatively small population size, a saturated sampling technique is used, incorporating the entire population as the sample. This approach ensures comprehensive representation and eliminates sampling bias. Data collection was conducted via a structured questionnaire developed based on validated indicators from established literature. Performance indicators are drawn from Macey and Schneider (2008), employee engagement from Schaufeli and Bakker (2004), psychological empowerment from Spreitzer (1995), and work motivation from Jones and George (2012). The data collected will

be analyzed using PLS-SEM through SmartPLS.

Result and Discussion

To assess the reliability and validity of the constructs utilized in a study using PLS-SEM, a measurement model evaluation was performed. Table 1 displays the indicator loadings, Average Variance Extracted (AVE), Cronbach's Alpha, Composite Reliability, and R² values for the endogenous constructs. These indicators confirm that the instruments used demonstrate acceptable internal consistency and convergent validity, thereby ensuring the robustness of the measurement model.

Table 1. Outer and Inner Model Evaluation

Variables	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability	R ²
Psychological Empowerment	PP1	0,864				
	PP2	0,810	0,71			
	PP3	0,816	9	0,870	0,911	
	PP4	0,899				
Motivation	MK1	0,912				
	MK2	0,878	0,81			
	MK3	0,924	9	0,890	0,931	
Employee Engagement	EE1	0,925				
	EE2	0,922	0,82			
	EE3	0,881	7	0,896	0,935	0,733
Employee Performance	KP1	0,873				
	KP2	0,878				
	KP3	0,826	0,70			
	KP4	0,823	2	0,893	0,922	0,715
	KP5	0,786				

Source: Authors' Work (2025)

The measurement model demonstrates strong reliability and validity across all constructs. Indicator loadings exceed the recommended threshold of 0.70, confirming solid item reliability. AVE values for all variables are above 0.50, indicating good convergent validity, while Cronbach's Alpha and Composite Reliability values surpass 0.70, supporting high internal consistency. The R² values for Employee Engagement (0.733) and Employee Performance (0.715) suggest substantial explanatory power of the structural model. Overall, the results confirm that the instruments used are both statistically sound and suitable for further analysis.

Table 2. Cross Loading

Indicator	Employee Performance	Psychological Empowerment	Motivation	Employee Engagement
KP1	0,873	0,658	0,584	0,709
KP2	0,878	0,681	0,563	0,712
KP3	0,826	0,577	0,515	0,662

Indicator	Employee Performance	Psychological Empowerment	Motivation	Employee Engagement
KP4	0,823	0,623	0,558	0,621
KP5	0,786	0,747	0,530	0,742
PP1	0,733	0,864	0,589	0,756
PP2	0,588	0,810	0,499	0,638
PP3	0,558	0,816	0,720	0,632
PP4	0,767	0,899	0,651	0,806
MK1	0,695	0,692	0,912	0,696
MK2	0,491	0,597	0,878	0,560
MK3	0,574	0,663	0,924	0,668
EE1	0,787	0,818	0,701	0,925
EE2	0,771	0,785	0,668	0,922
EE3	0,693	0,687	0,573	0,881

SmartPLS (2025)

The cross-loading results confirm discriminant validity, as each indicator loads highest on its intended construct compared to other constructs. Indicators for Employee Performance (KP1–KP5), Psychological Empowerment (PP1–PP4), Work Motivation (MK1–MK3), and Employee Engagement (EE1–EE3) all demonstrate stronger associations with their respective variables than with others. This pattern indicates that each construct is empirically distinct, supporting the validity of the measurement model.

To evaluate the structural relationships among variables, path analysis was conducted using SmartPLS. The resulting model, as illustrated in Figure 1, depicts the direct and indirect effects of psychological empowerment, work motivation, employee engagement, and work performance. Table 3 further summarizes the path coefficients, t-statistics, and p-values, highlighting which hypothesized relationships are statistically significant.

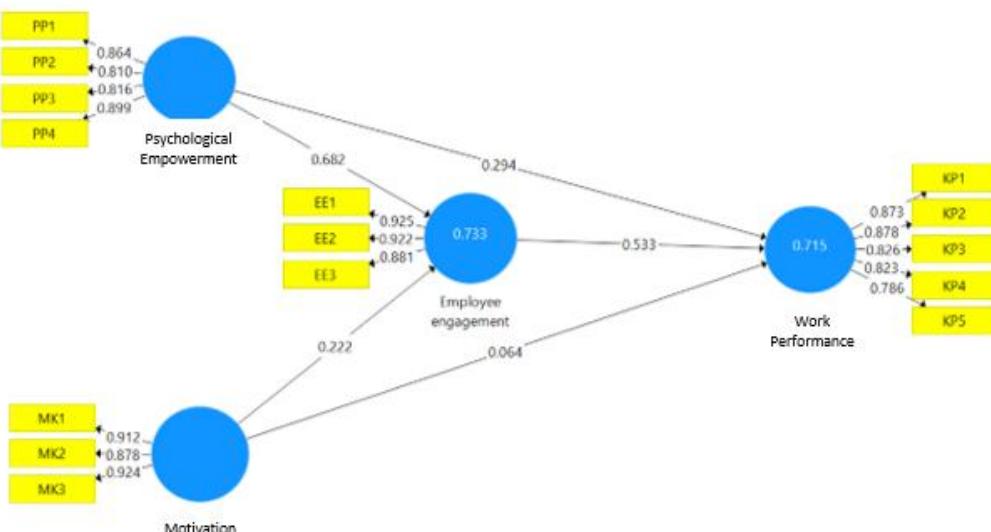


Figure 1. Path Diagram
Source: Authors' Work (2025)

Table 3. Path Coefficient

Variables	Path Coefficie nt	T- statisti cs	P- value
Psychological Empowerment > Employee Performance	0,294	2,639	0,009*
Psychological Empowerment > Employee Engagement	0,682	7,725	0,000*
Motivation > Employee Performance	0,064	0,584	0,560
Motivation > Employee Engagement	0,222	2,075	0,038*
Employee Engagement > Employee Performance	0,533	4,625	0,000*
Motivation > Employee Engagement > Employee Performance	0,118	1,760	0,079
Psychological Empowerment > Employee Engagement > Employee Performance	0,364	4,179	0,000*

*: Significant Result

SmartPLS (2025)

Psychological empowerment is widely acknowledged as a process that enhances employees' intrinsic motivation by bolstering their sense of control, autonomy, competence, and purpose in the workplace. Empowered employees are more likely to engage proactively, take initiative, and contribute to organizational objectives. When individuals feel psychologically empowered, they tend to exhibit greater creativity, commitment, and confidence, factors that collectively enhance task performance. For instance, within the context of Bank Jatim, employees who perceive themselves as competent are more reliable, efficient, and consistent in their output. Autonomy in decision-making enables them to adapt flexibly and apply effective work methods, thereby improving performance quality.

Furthermore, empowerment strengthens the psychological contract between the employee and the organization; when autonomy and competence are acknowledged, employees reciprocate with loyalty and high performance. Empirical evidence largely supports this link. Sakeru et al. (2019) found that psychological empowerment significantly influences employee performance. However, some studies report differing outcomes. Afram et al. (2022), Dealisa and Widodo (2024), and Lubis et al. (2023) found no significant effect. Despite these variations, this study concludes that psychologically empowered employees tend to perform at higher levels (**H1 accepted**).

Psychological empowerment is a crucial strategy in human resource development, especially within dynamic organizational settings. It entails providing employees with autonomy, responsibility, and influence over their work. When employees perceive themselves as empowered (believing their work is meaningful, recognizing their competence, and having the freedom to make decisions), they generally exhibit higher levels of engagement and commitment. This empowerment cultivates a stronger psychological bond between the employee and the organization, referred to as the psychological contract. Empowered employees often feel a sense of ownership over their tasks and a heightened sense of

responsibility, motivating them to invest both emotionally and intellectually in their work. At Bank Jatim Madiun, employees who are confident and skilled have shown increased engagement, leading to enhanced service, innovation, and a collaborative culture. The sense of being trusted and valued inspires employees to exceed basic job expectations, thereby boosting both performance and workplace cohesion. The findings of this study are consistent with those of Widodo et al. (2023) and Meng and Sun (2019), who identified a significant positive relationship between psychological empowerment and employee engagement. However, Nawrin (2016) reported only a moderate effect (41%), and Lubis et al. (2023) found no significant influence. Despite these variations, the evidence in this context indicates that psychological empowerment at Bank Jatim strengthens emotional connection, job involvement, and team collaboration, the key dimensions of engagement. Thus, it is concluded that employees who feel psychologically empowered are more likely to be engaged in their work (**H2 accepted**).

Work motivation is the internal drive that compels individuals to engage in tasks willingly, sincerely, and with enthusiasm. It is influenced by personal goals, leadership encouragement, and the desire to achieve quality results. Motivated employees tend to be more resilient when facing workplace challenges and are more likely to produce higher-quality output in less time. Leaders play a crucial role in stimulating motivation by fostering a supportive and inspiring work environment. Several principles guide motivational practices, such as providing recognition, promoting meaningful goals, and cultivating emotional engagement. Despite this theoretical understanding, the findings of this study reveal that work motivation does not significantly affect employee performance at Bank Jatim Madiun. This result contradicts earlier studies by Riyanto et al. (2021) and Yudiani et al. (2023), which reported a significant positive influence. However, the result aligns with Kusumah and Rismawati (2022), who also found no significant relationship. The lack of influence in this case may be due to other, more dominant variables, such as psychological empowerment and employee engagement, which appear to play a greater role in driving performance outcomes. This result suggests that while motivation is important, it may not operate independently in influencing job performance; rather, its effects may be indirect or situational. Therefore, based on the statistical evidence, this study concludes that work motivation does not significantly affect employee performance (**H3 rejected**).

Work motivation is a crucial psychological factor in the workplace, influencing an employee's productivity, creativity, commitment, and job satisfaction. It is defined as a mental attitude that drives individuals to perform their tasks enthusiastically and sincerely, aiming to achieve personal or organizational goals. Motivation can arise from internal factors like ambition or purpose, or external factors such as recognition or leadership support. It also acts as an initial trigger for active participation in the workplace. When employees feel motivated, they are more likely to be emotionally involved and committed to their work. This situation creates a reinforcing cycle: high motivation leads to greater engagement, which in turn strengthens motivation. In this study, the findings indicate that work motivation significantly positively affects employee engagement. These results align with those of Engidaw (2021), who found that both intrinsic and extrinsic motivation positively influence engagement, as well as Fatmasari et al. (2018), who reached similar conclusions. At Bank Jatim Madiun, employees exhibit positive

motivation that contributes to a cooperative and harmonious work environment. Rather than fostering unhealthy competition, motivated employees display a strong sense of belonging, enhancing workplace cohesion and emotional connection. This environment promotes deeper involvement and a shared purpose across teams. Based on the statistical evidence and observed workplace culture, this study concludes that higher work motivation leads to greater employee engagement (**H4 accepted**).

Employee engagement is a workplace strategy aimed at creating the best conditions for employees to be committed to organizational goals and motivated to perform at their peak every day. It reflects the degree to which employees are emotionally and cognitively invested in their work and their organization. Highly engaged employees are typically more meticulous in completing tasks, more precise in adhering to procedures, and more attentive to the quality of outcomes, whether products or services. Engagement often results in enhanced performance, as employees willingly apply their full potential. A positive work environment is crucial in supporting this engagement-performance connection. When the workplace encourages collaboration, mutual respect, and shared goals, employees are more likely to dedicate themselves to achieving organizational success. This study confirms that employee engagement significantly influences employee performance at Bank Jatim Madiun. The finding aligns with previous research by Sakeru et al. (2019) and Aziez (2022), all of which reported a positive and significant relationship between engagement and performance. In practice, Bank Jatim has actively maintained a harmonious internal environment, supported by initiatives such as employee gatherings aimed at strengthening unity and shared purpose. These efforts help build a cohesive and emotionally connected workforce, which in turn enhances overall job performance. Thus, the study concludes that employee engagement is a key driver of performance within the organization (**H5 accepted**).

Psychological empowerment involves organizational initiatives that enable employees by providing them with trust, authority, responsibility, and the chance to plan and manage their work. This process aims to build employee confidence and encourage individuals to reach their full potential. Empowered employees are more likely to perceive their work as meaningful, feel competent in performing their duties, and believe they have the autonomy to influence outcomes. These perceptions naturally lead to higher levels of engagement and commitment. When employees are engaged (mentally and emotionally invested in their roles), they are more motivated to contribute meaningfully to organizational goals. This study's findings reveal that psychological empowerment significantly influences employee performance through the mediating role of employee engagement. This finding suggests that empowerment not only has a direct impact but also enhances engagement, which in turn drives performance. The result supports the findings of Sakeru et al. (2019), who also concluded that engagement is a key pathway through which psychological empowerment affects employee outcomes. At Bank Jatim Madiun, empowering employees psychologically by fostering a sense of meaning, confidence, and ownership has led to stronger engagement and better performance. This finding reinforces the notion that psychological empowerment strengthens not only individual confidence and autonomy but also collective organizational effectiveness through heightened employee involvement. Based on the statistical

findings and theoretical support, this study concludes that employee engagement mediates the relationship between psychological empowerment and employee performance (**H6 accepted**).

Work motivation is the internal drive that compels individuals to act sincerely, enthusiastically, and persistently to achieve meaningful results in their tasks. Motivated employees are more likely to persevere through workplace challenges and strive to produce high-quality outcomes efficiently. This motivation not only supports individual achievement but also fosters deeper involvement in organizational goals. The relationship between motivation and employee engagement is often described as a reinforcing cycle: initial motivation boosts engagement, which in turn strengthens future motivation. In theory, higher motivation should lead to stronger engagement, thereby enhancing employee performance. However, this study found that work motivation does not significantly influence performance through employee engagement at Bank Jatim Madiun. These findings contradict those of Hania and Bernardus (2021), who concluded that engagement successfully mediated the relationship between motivation and performance. Instead, the results align with Trisninaawati and Elpanso (2022), who also found that employee engagement did not mediate this relationship. The lack of a significant direct effect of motivation on performance in this study explains the absence of a mediation effect, suggesting that other factors, such as psychological empowerment or organizational climate, may play more critical roles in shaping performance outcomes. Although motivation and engagement remain theoretically interconnected, their combined influence on performance may be context-dependent. Therefore, it is concluded that employee engagement does not mediate the relationship between work motivation and employee performance (**H7 rejected**).

Conclusion

This study concludes that psychological empowerment is a key determinant of both employee engagement and performance within the context of Bank Jatim Madiun. Employees who perceive themselves as autonomous, competent, and influential in their roles tend to be more engaged and demonstrate stronger performance. The findings also confirm that employee engagement mediates the relationship between psychological empowerment and performance, emphasizing the importance of cultivating a supportive and empowering work environment to enhance both individual commitment and organizational outcomes. In contrast, work motivation was found to have no significant direct effect on performance, nor did it exert an indirect effect through engagement. This finding indicates that motivation alone may not be sufficient to improve employee performance if not supported by contextual factors such as empowerment or organizational culture. Although some previous studies have reported different outcomes, these findings suggest that the specific organizational environment shapes the interplay between motivation, engagement, and performance.

However, the study has several limitations. It was conducted in a single branch, Bank Jatim Madiun, and used saturated sampling, which may affect the generalizability of the results to other branches or sectors. The use of a purely quantitative design also limits the exploration of deeper behavioral and contextual dynamics that may influence the observed relationships. Future research should

consider including a broader and more diverse sample across multiple locations or industries. Additionally, applying qualitative or mixed-methods approaches could provide richer insights into how employees experience empowerment and motivation in their daily work. Future studies are also encouraged to explore alternative mediating or moderating variables, such as organizational commitment, job satisfaction, or leadership style, to gain a more comprehensive understanding of the factors that influence employee performance.

References

Afram, J., Manresa, A., & Mas-Machuca, M. (2022). The impact of employee empowerment on organizational performance: A mediating role of employee engagement and organisational citizenship behaviour. *Intangible Capital*, 18(1), 96. <https://doi.org/10.3926/ic.1781>

Ambarsari, V. R., Khuzaini, K., & Prijati, P. (2021). Employee engagement memediasi pengaruh dukungan organisasi, lingkungan kerja terhadap kinerja karyawan. *INOVASI*, 17(2), 239–247.

Armstrong, M. (2016). *Armstrong's Handbook of Human Resource Management Practice* (16th ed.). Kogan Page.

Aziez, A. (2022). THE EFFECT OF EMPLOYEE ENGAGEMENT ON EMPLOYEE PERFORMANCE WITH JOB SATISFACTION AND COMPENSATION AS MEDIATING ROLE. *Journal of Social Research*, 1(3), 221–230. <https://doi.org/10.55324/josr.v1i3.58>

Budiarto, E., Rahayu, S., & Robain, W. (2023). The Effect Of Employee Engagement And Workload On Employee Performance Mediated By Employee Work Satisfaction In The Administration Section Of The Airport Authority Region Ii Office Medan. *SIBATIK JOURNAL: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, Dan Pendidikan*, 2(8), 2329–2346.

Dealisa, L., & Widodo, S. (2024). The Effect of Work Engagement and Psychological Empowerment on Employee Performance with Organizational Citizenship Behavior as a Mediating Variable. *JMKSP (Jurnal Manajemen, Kepemimpinan, Dan Supervisi Pendidikan)*, 9(1), 300–317. <https://doi.org/10.31851/jmksp.v9i1.13660>

Engidaw, A. E. (2021). The effect of motivation on employee engagement in public sectors: in the case of North Wollo zone. *Journal of Innovation and Entrepreneurship*, 10(1), 43. <https://doi.org/10.1186/s13731-021-00185-1>

Fathima, J. S. (2015). Human resource management in banking sector. *Shanlax International Journal of Management*, 2(3), 111–121.

Fatmasari, E., Al, M. M., & Wulida, A. T. (2018). The effect of quality of work-life and motivation on employee engagement with job satisfaction as an intervening variable. *Russian Journal of Agricultural and Socio-Economic Sciences*, 74(2), 108–114.

Fonda, S. Jane, Mintarti, S., & Lestari, D. (2024). The Influence of Employee Empowerment and Public Service Motivation on Employee Performance Mediated by Work Discipline among the Employees of the City of Samarinda's Tax and Revenue Agency. *Asian Journal of Management, Entrepreneurship and Social Science*, 4(01), 112–128.

Haigh, N., & Hoffman, A. J. (2012). Hybrid Organizations: The Next Chapter of Sustainable Business. *Organizational Dynamics*, 41(2), 126–134.

https://doi.org/10.1016/j.orgdyn.2012.01.006

Hania, R. N., & Bernardus, D. (2021). MOTIVASI TERHADAP KINERJA KARYAWAN DENGAN DISIPLIN KERJA DAN EMPLOYEE ENGAGEMENT SEBAGAI VARIABEL MEDIASI DI BAGIAN KEUANGAN RS X. *PERFORMA*, 4(4), 550–559. <https://doi.org/10.37715/jp.v4i4.1667>

Jones, G. R., & George, J. M. (2012). *Understanding and Managing Organizational Behavior*. New Jersey: Pearson Education, Inc.

Kusumah, D. H., & Rismawati, R. (2022). The effect of work motivation and work discipline on employee performance in the West Cikarang Sub-District Office. *Enrichment: Journal of Management*, 12(4), 2995–2999.

Levina, M. (2021). Pengaruh Pemberdayaan Psikologis Terhadap Kinerja Karyawan Melalui Motivasi Intrinsik Pada Pt Panca Putra. *Agora*, 9(1), 358373.

Lubis, F. R. A., Syaifuddin, Sofiyan, Lubis, Y., & Nasib. (2023). Impact of Improving Organizational Climate, Employee Empowerment on Employee Engagement and Performance. *Journal of System and Management Sciences*, 13(2). <https://doi.org/10.33168/JSMS.2023.0219>

Luthfi, T. W., & Putri, V. W. (2021). Factors that Affect Employee Engagement in The Workplace. *Management Analysis Journal*, 10(4), 400–409.

Macey, W. H., & Schneider, B. (2008). The meaning of employee engagement. *Industrial and Organizational Psychology*, 1(1), 3–30.

Meng, Q., & Sun, F. (2019). The Impact Of Psychological Empowerment On Work Engagement Among University Faculty Members In China. *Psychology Research and Behavior Management*, Volume 12, 983–990. <https://doi.org/10.2147/PRBM.S215912>

Morgan, G. A., Harmon, R. J., & Maslin-Cole, C. A. (1990). Mastery Motivation: Definition and Measurement. *Early Education & Development*, 1(5), 318–339. https://doi.org/10.1207/s15566935eed0105_1

Nawrin, R. (2016). Impact of Psychological Empowerment on Employees' Work and Organization Engagement: A Study in the Manufacturing Sectors, Bangladesh. *Mediterranean Journal of Social Sciences*. <https://doi.org/10.5901/mjss.2016.v7n5p389>

Nduati, M. M., & Wanyoike, R. (2022). Employee performance management practices and organizational effectiveness. *International Academic Journal of Human Resource and Business Administration*, 3(10), 361–378.

Nguyen, P. T., Yandi, A., & Mahaputra, M. R. (2020). Factors that influence employee performance: motivation, leadership, environment, culture organization, work achievement, competence and compensation (A study of human resource management literature studies). *Dinasti International Journal of Digital Business Management*, 1(4), 645–662.

Noercahyo, U. S., Maarif, M. S., & Sumertajaya, I. M. (2021). THE ROLE OF EMPLOYEE ENGAGEMENT ON JOB SATISFACTION AND ITS EFFECT ON ORGANIZATIONAL PERFORMANCE. *Jurnal Aplikasi Manajemen*, 19(2), 296–309. <https://doi.org/10.21776/ub.jam.2021.019.02.06>

Pârjoleanu, R. (2020). Work motivation efficiency in the workplace. *Postmodern Openings*, 11(4), 293–309.

Rahaman, Md. A., Taru, R. D., Gupta, A., Prajapat, V., & Mahmud, Md. A. L.

(2023). Factors influencing employee performance and their impact on productivity: A study of commercial banks in Bangladesh. *Banks and Bank Systems*, 18(2), 127–136. [https://doi.org/10.21511/bbs.18\(2\).2023.11](https://doi.org/10.21511/bbs.18(2).2023.11)

Riyanto, S., Endri, E., & Herlisha, N. (2021). Effect of work motivation and job satisfaction on employee performance: Mediating role of employee engagement. *Problems and Perspectives in Management*, 19(3), 162–174. [https://doi.org/10.21511/ppm.19\(3\).2021.14](https://doi.org/10.21511/ppm.19(3).2021.14)

Sakeru, A., Hermawan, A., & Triyonggo, Y. (2019). Pengaruh Employee Engagement, Pemberdayaan, dan Komitmen Organisasi Terhadap Kinerja Karyawan PT. Toyota Motormanufacturing Indonesia. *Jurnal Manajemen Teori Dan Terapan*, 12(2), 126–148.

Saputra, A., & Heryjanto, A. (2021). PENGARUH EMPLOYEE EMPOWERMENT DAN PSYCHOLOGICAL CONTRACT TERHADAP TURNOVER INTENTION YANG DIMEDIASI EMPLOYEE ENGAGEMENT (Studi Empiris: Karyawan PT. XYZ). *Digismantech (Jurnal Program Studi Bisnis Digital)*, 1(2).

Schaufeli, W. B., & Bakker, A. B. (2004). Job demands, job resources, and their relationship with burnout and engagement: a multi-sample study. *Journal of Organizational Behavior*, 25(3), 293–315. <https://doi.org/10.1002/job.248>

Spreitzer, G. M. (1995). Psychological Empowerment in the Workplace: Dimensions, Measurement, and Validation. *Academy of Management Journal*, 38(5), 1442–1465. <https://doi.org/10.5465/256865>

Trisninaawati, T., & Elpanso, E. (2022). Pengaruh Motivasi Kerja dan Lingkungan Kerja Terhadap Kinerja Karyawan Outsourcing Di Mediasi Employee engagement. *MBIA*, 20(3), 275–284. <https://doi.org/10.33557/mbia.v20i3.1616>

Widodo, A. P., Budiyanto, B., & Suhermin, S. (2023). The Effect of Perceived Organizational Support, Psychological Empowerment and Structural Empowerment on Employee Engagement and Job Performance at PT. Angkasa Pura I (Persero. *Asian Journal of Management Analytics (AJMA)*, 2(1), 45–60.

Yashaswini, A., Hussai, M., Ramachandran, S. C., & Chinnasamy, S. (2023). The Influence of Human Resource Management in Banking. *Recent Trends in Management and Commerce*, 4(2), 107–112.

Yudiani, E., Rustiawan, I., & Jasiyah, R. (2023). The Impact Of Training And Work Motivation On Employee Performance. *Jurnal Ekonomi*, 12(02), 182–190.

Zacher, H., Sagha Zadeh, R., Heckhausen, J., & Oettingen, G. (2021). Motivation and Healthy Aging at Work. *The Journals of Gerontology: Series B*, 76(Supplement_2), S145–S156. <https://doi.org/10.1093/geronb/gbab042>