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Exploring the influence of ethical leadership on employee performance: the mediating role of Islamic work ethic

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Abstract

Purpose – This study aims to explore the impact of ethical leadership on task performance and contextual performance, with Islamic work ethics serving as a mediating variable in the banking sector. The research gap examines how ethical leadership influences employee performance within the dynamic context of Indonesia's banking industry.

Design/methodology/approach – A quantitative approach was used, using structural equation modeling to analyze data from banking employees in Lampung, Indonesia. Data were gathered through validated questionnaires, and SmartPLS 4 was used for analysis. The Islamic work ethics measurement was modified with a Likert scale featuring customized items to reduce social desirability bias.

Findings – This study finds that ethical leadership significantly impacts contextual performance but does not directly influence task performance. Islamic work ethics mediates the relationship between ethical leadership and both performance dimensions, indicating that it enhances the positive effects of ethical leadership on employee performance.

Research limitations/implications – The research is limited to the Indonesian banking sector, potentially restricting the generalizability of the findings. Future studies should explore these relationships across different cultural and industrial contexts.

Practical implications – By fostering ethical leadership and reinforcing Islamic work ethics, banks can improve individual task outcomes and sustain organizational effectiveness.

Social implications – This study underscores the importance of integrating ethical leadership with culturally relevant values, such as Islamic work ethics, to optimize employee performance.

Originality/value – The research adds to the literature by highlighting the critical role of Islamic work ethics in mediating the relationship between ethical leadership and employee performance in the banking sector.

Keywords Ethical leadership, Islamic work ethics, Task performance, Contextual performance, Banking sector

Paper type Research paper

Introduction

In the current era of globalization, ethics in leadership has become a critical factor influencing organizational performance, particularly in the highly dynamic banking sector. Ethical leadership fosters a conducive work culture and enhances employee performance.

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Although many studies have addressed the importance of ethical leadership across various industrial contexts, research explicitly examining its impact on task performance and contextual performance within the banking sector in Indonesia, especially considering the role of Islamic work ethics, remains limited (Udin, 2024; Widyastuti *et al.*, 2020; Zia *et al.*, 2024).

Ethical violations in the banking sector have become a serious issue as they can erode public trust and undermine the integrity of financial institutions. Practices such as data manipulation, bribery or financial fraud are some common examples of such violations. In Indonesia, these cases indicate weaknesses in the implementation of ethical values, which subsequently affect the performance and reputation of banks (Ahmed *et al.*, 2020; Perdana and Rokhim, 2024; Ratmono and Frendy, 2022). Therefore, this study is significant because understanding the role of ethical leadership and Islamic work ethics can help banks develop strategies to improve organizational culture and minimize ethical violations, ultimately enhancing overall performance (Lee, 2021; Nguyen, 2021).

Islamic work ethics guides individual behavior and influences the relationship between leaders and employees, which impacts organizational performance (Ali and Al-Owaihan, 2008; Qasim, 2022). Several studies have demonstrated that leadership based on Islamic values can enhance employee performance in the service sector (Zaim *et al.*, 2024). However, research highlighting how Islamic work ethics mediates the relationship between ethical leadership and employee performance in the banking sector is still scarce (Muthuswamy and Umarani, 2023; Udin, 2024). It indicates a need for more in-depth and specific research to understand how these variables interact within the banking context in Indonesia, particularly given the predominantly Muslim population.

The primary issue in this research is the need for a thorough analysis of the influence of ethical leadership on task performance and contextual performance, primarily through the mediation of Islamic work ethics in the banking sector. Although some previous studies have explored the relationship between leadership and performance, this research focuses more on the service sector in general or cultural contexts (Cahyadi *et al.*, 2024; Muthuswamy and Umarani, 2023). Therefore, there is a gap in the literature that needs to be filled, particularly in the context of the banking sector in Indonesia.

As a general solution to this problem, this study will use a path analysis approach using Smart PLS 4 to examine the relationships between ethical leadership, task performance and contextual performance, with Islamic work ethics as a mediating variable. This approach allows for a comprehensive analysis of the complex relationships between the variables, providing a better understanding of the mechanisms underlying the influence of ethical leadership on employee performance in this specific context (Brown *et al.*, 2005; Sharma, 2024).

Previous studies have shown that ethical leadership can directly and indirectly enhance employee performance through mediating variables such as Islamic work ethics (Qasim, 2022). However, most of these studies have been conducted in other industrial sectors or cultural contexts, such as Middle Eastern or South Asian countries (Cahyadi *et al.*, 2024). In the context of Indonesia, particularly in the banking sector, such research still needs to be conducted, offering an opportunity for new contributions to the existing literature.

Furthermore, this study will discuss relevant literature highlighting the importance of Islamic work ethics in mediating the influence of leadership on performance. For instance, a study by Qasim (2022) emphasizes how Islamic work ethics can strengthen the relationship between ethical leadership and task performance in education. Still, similar research in the banking sector remains limited. This study will enrich the understanding of the research context (Muthuswamy and Umarani, 2023; Widyastuti *et al.*, 2020).

Literature review and hypothesis development

Ethical leadership is a concept that has gained increasing attention in management literature, particularly concerning how this type of leadership influences employee performance. Ethical leadership is defined as a leader's actions that demonstrate ethical behavior, communicate ethical expectations to subordinates and enforce ethical standards by setting a good example (Brown *et al.*, 2005). This concept is crucial in enhancing employee performance and creating a positive work environment (Cahyadi *et al.*, 2024). In the context of Indonesia's banking sector, which is deeply rooted in cultural values aligned with Islamic principles, ethical leadership is closely related to the Islamic work ethics, which emphasizes the importance of hard work, honesty and justice in daily work life (Ali and Al-Owaihan, 2008). Research also shows that ethical leadership can improve employee performance by creating an ethical climate that supports positive organizational behavior (Sookdawoor, 2022) and reduces employee work stress, which ultimately improves the quality of their performance (Dogbe, 2024; Schwepker, 2021). In a broader context, training integrated with ethical values can strengthen the impact of ethical leadership on employee performance in the service sector (Halvorsen, 2023).

Islamic work ethics has become an increasingly studied subject in recent years. It is considered a set of values that guide work behavior and employee commitment to the organization. Research by Qasim (2022) indicates that Islamic work ethics can mediate the relationship between leadership and employee performance, both in task and contextual performance. Task performance refers to the achievement of core tasks that are the primary responsibilities of employees, whereas contextual performance includes contributions beyond formal tasks that support a positive work environment (Shafique, 2020).

Previous studies have explored the relationship between ethical leadership and employee performance across various contexts. Islamic work ethics and knowledge sharing mediate the relationship between ethical leadership and employee performance (Udin, 2024). Ethical leadership can enhance employee performance by fostering Islamic work ethics and promoting employee knowledge sharing. In line with previous studies, Islamic work ethics strengthens the relationship between Islamic leadership and employee performance (Hyusein, 2022; Muthuswamy and Umarani, 2023). Leadership based on Islamic values can improve employee performance in the service industry, which confirms that Islamic values can create a more productive and harmonious work environment if integrated into leadership (Zaim *et al.*, 2024). Islamic work ethics improves task performance and plays an important role in fostering innovative and adaptive work behavior. The ethical voice of leaders can strengthen the relationship between leaders and subordinates, indirectly impacting subordinates' work performance (Javed *et al.*, 2017; Wang, 2017; Xia *et al.*, 2024).

Although previous literature has provided valuable insights into the relationship between ethical leadership, Islamic work ethics and employee performance, significant research gaps remain, particularly in the context of the banking sector in Indonesia. Studies examining the mediating role of Islamic work ethics in the relationship between ethical leadership and task and contextual performance in the banking sector are still limited (Nguyen, 2021).

Ethical leadership and task performance

Ethical leadership is becoming increasingly important in the banking sector, which demands high levels of integrity and trust, where banks must not only meet financial targets but also maintain their reputation and public trust. Research indicates that ethical leadership significantly impacts employee task performance, which refers to how employees can effectively and efficiently complete their core tasks (Udin, 2024). Ethical leadership plays a

vital role in shaping employee behavior in alignment with ethical standards, ultimately enhancing productivity and task performance (Mtsweni, 2024; Udin, 2024).

Leadership based on Islamic values can strengthen the relationship between leaders and employees, motivating employees to achieve organizational goals. It is especially relevant in the Indonesian banking sector, where Islamic values are often the basis of workplace ethics (Ali and Al-Owaihan, 2008; Zaim *et al*., 2024). Strong ethical leadership makes employees more likely to follow their leaders' directives and strive to meet high-performance standards. Ethical leadership provides a clear framework for what is considered right and wrong within the organization, making it easier for employees to understand their expectations (Muthuswamy and Umarani, 2023).

Ethical leadership can increase employee trust in their leaders and organizations, an important foundation that allows employees to work more effectively and efficiently. Employees who believe leaders act ethically and somewhat will be more motivated to give their best efforts. The trust built through ethical leadership can strengthen employee commitment to the organization and improve task performance (Peng, 2020; Qasim, 2022).

Ethical leadership also positively impacts forming an organizational culture supporting task performance. An organizational culture shaped by strong ethical and moral values creates a conducive work environment for achieving high performance (Chao, 2024). When leaders uphold high ethical standards, employees are more motivated to achieve their work goals ethically and responsibly. Thus, it will improve employee task performance because they operate in an environment that aligns with the moral values they uphold (Javed *et al*., 2017).

Ethical leadership is vital in improving employee task performance in the banking sector. With clear direction in upholding high ethical standards, ethical leaders can motivate employees to achieve better performance in their core tasks. Therefore, the hypothesis proposed is:

H1. Ethical leadership positively influences employees' task performance.

Ethical leadership and contextual performance

Ethical leadership impacts employee task performance and significantly influences contextual performance, which involves behaviors that contribute to the overall work environment, such as helping colleagues, taking the initiative and actively participating in organizational activities that are not directly related to their primary tasks. Previous research has shown that contextual performance is crucial to organizational success in creating a harmonious and productive work environment (Javed *et al*., 2017).

In Indonesia's banking sector, which often operates within a culturally strong framework grounded in Islamic values, ethical leadership can strengthen employees' commitment to engaging in contextual activities that support organizational goals. Ethical leadership, rooted in moral and ethical values, can encourage employees to engage in behaviors that meet formal expectations and contribute to the organization's overall well-being (Ali and Al-Owaihan, 2008; Udin, 2024).

Moreover, ethical leadership helps build mutual trust between leaders and employees, a key element in enhancing contextual performance. Employees who trust in the integrity of their leaders are more likely to actively participate in additional tasks that foster a healthy work environment. They feel more motivated to contribute beyond their core responsibilities as they feel valued and supported by a fair and ethical leader (Peng, 2020; Qasim, 2022).

Research by Zaim *et al.* (2024) indicates that leadership based on Islamic values can create an organizational culture that promotes collaboration and mutual support among

employees. In the banking sector, where teamwork and active participation are critical, ethical leadership that integrates Islamic values can encourage employees to take an active role in various operational aspects that may not be directly related to their core tasks. It enhances organizational effectiveness and strengthens employee social bonds (Hyusein, 2022; Muthuswamy and Umarani, 2023).

Furthermore, ethical leadership can drive employees to demonstrate contextual performance by providing a positive example. Ethical leaders committed to moral and ethical values tend to be role models for employees, motivating them to adopt similar behaviors (Engelbrecht, 2020). Muthuswamy and Umarani (2023) emphasizes that ethical leaders can create an organizational climate that supports contextual performance by fostering a work culture based on cooperation, trust and mutual respect (Leelhaphunt, 2020).

Ethical leadership is crucial in enhancing employees' contextual performance in the banking sector. By creating a work environment based on ethical and moral values and setting a positive example, ethical leaders can encourage employees to engage in contextual activities that support organizational success (Widyastuti *et al.*, 2020). Therefore, the proposed hypothesis is:

H2. Ethical leadership positively influences employees' contextual performance.

Ethical leadership and Islamic work ethics

Ethical leadership emphasizes moral values, honesty and integrity in decision-making and actions that directly influence employee performance and significantly impact Islamic work ethics. Islamic work ethics refers to principles that promote work values such as honesty, responsibility, commitment to work and hard work, all grounded in Islamic teachings (Ali and Al-Owaihan, 2008). The influence of ethical leadership on Islamic work ethics is profound. Leaders who practice ethics in their leadership give direct examples for employees conducting their work based on Islamic values. Ethical leadership is crucial in enhancing employee performance by reinforcing Islamic work ethics and fostering knowledge sharing. Ethical leaders can create a work environment that encourages employees to perform their tasks with integrity, in alignment with Islamic ethical values (Brown *et al.*, 2005; Udin, 2024). Furthermore, Qasim (2022) found that ethical leadership also moderates the relationship between psychological capital and task performance, which is related to Islamic work ethics. In other words, leaders who practice strong ethics can influence employees to be more committed to their work, enhancing psychological capital such as confidence and resilience and increasing adherence to Islamic work ethics (Mubarak, 2022).

Social learning theory, as proposed by Bandura (1971), provides a relevant theoretical framework for understanding this influence. According to this theory, individuals learn by observing the behaviors of others who are considered role models. In the context of ethical leadership, employees observe their leaders who are fair, honest and consistent in upholding moral values. Employees then emulate this behavior in their daily work, reinforcing the application of Islamic work ethics within the workplace (Brown *et al.*, 2005). Thus, ethical leadership is a catalyst that accelerates the internalization of Islamic values in the organizational work culture (Hyusein, 2022).

Mubarak (2022) also emphasizes the importance of ethical leadership in project-based organizations, where such leadership enhances performance through psychological empowerment and strengthens the Islamic work ethics. In project-oriented organizations, where pressure and challenges are high, ethical leadership provides the moral and psychological support needed for employees to adhere to Islamic values (Widyastuti *et al.*, 2020).

Javed *et al.* (2017) adds that ethical leadership also plays a role in encouraging innovative work behaviors that align with Islamic work ethics. When leaders demonstrate a commitment to ethical values, employees are motivated to innovate and adapt to change while maintaining the principles of Islamic ethics (Zhu, 2024). By creating an ethical and moral work environment, leaders enhance individual performance and strengthen employees' commitment to Islamic values (Udin, 2024). Therefore, the proposed hypothesis is as follows:

H3. Ethical leadership positively influences the application of Islamic work ethics.

Islamic work ethics and task performance

Islamic work ethics is a set of ethical principles rooted in Islamic teachings as a form of worship. This principle emphasizes the importance of honesty, hard work, responsibility and commitment to work. Islamic work ethics have a significant impact on task performance. Task performance is the ability of employees to complete tasks that are directly related to their work (Qasim, 2022). Previous studies have shown that implementing the Islamic work ethics impacts employee performance, increasing job satisfaction and affective commitment, which are key factors in supporting employee performance (Aflah *et al.*, 2021; Hassi *et al.*, 2021). Spiritual values supported by the Islamic work ethics can increase employee loyalty to the organization and moderate the relationship between employee engagement and work performance (Ahmed *et al.*, 2021; Shaheen *et al.*, 2020).

According to Qasim (2022), Islamic work ethics significantly impacts employee task performance. This study found that the Islamic work ethics is a mediator between psychological capital and task performance, further strengthened by the moderating role of ethical leadership. In other words, employees with a strong Islamic work ethics tend to have robust psychological capital, such as optimism, resilience and self-confidence, ultimately driving them to improve their task performance. Moreover, Abdullaha (2019) emphasizes that job satisfaction influenced by Islamic work ethics contributes to enhanced task and contextual performance. Employees who are satisfied with their work because they view it as a form of worship are more motivated to work hard and achieve better results. This satisfaction arises from material factors and spiritual fulfillment obtained through performing work tasks following Islamic principles (Kaffashpoor, 2020).

In the context of the service industry, Zaim *et al.* (2024) found that leadership grounded in Islamic principles can enhance overall work performance, including task performance. Leaders who apply Islamic values in their leadership can motivate employees to perform better by setting examples of ethical and just behavior. It indicates that the Islamic work ethics serves as a guide for employees and a foundation for leaders in managing their teams (Hyusein, 2022).

Social learning theory (Bandura, 1971) also provides a relevant theoretical explanation of how Islamic work ethics influences task performance. According to this theory, individuals learn by observing the behavior of others who are regarded as role models. Employees who work in an environment that upholds Islamic work ethics tend to obey and emulate ethical behavior demonstrated by their co-workers and leaders. So, this learning process will direct the internalization of Islamic values in work practices that can improve employee task performance (Brown *et al.*, 2005). In other words, the Islamic work ethics becomes a positive and constructive behavioral model, encouraging employees to work more efficiently, productively and with high integrity.

Nauman *et al.* (2024) adds that Islamic work ethics also plays a role in mitigating the negative effects of emotional labor in the workplace. Employees who work under emotional

pressure but possess a strong Islamic work ethics can better manage stress and maintain optimal task performance. Islamic work ethics provides a strong moral and spiritual foundation for employees to face work challenges with greater calm and focus (Gong, 2019). By instilling Islamic ethical values, employees are more motivated to work hard, fulfill their responsibilities and achieve optimal results (Widyastuti *et al.*, 2020). Then, the proposed hypothesis is as follows:

H4. Islamic work ethics positively influences employees' task performance.

Islamic work ethics and contextual performance

According to Abdullaha (2019), Islamic work ethics is a moderator that strengthens the relationship between job satisfaction and task and contextual performance. Employees with a strong Islamic work ethics tend to exhibit positive contextual behaviors, such as helping colleagues, showing loyalty to the organization and actively participating in organizational initiatives. Islamic work ethics motivates employees to perform their duties for material rewards and as a form of worship and moral responsibility (Khan *et al.*, 2010).

In the context of leadership, ethical leadership, when combined with the Islamic work ethics, can enhance employee performance by fostering knowledge-sharing and emotional engagement. Employees who perceive their work as having high spiritual and moral value are more motivated to perform well and exhibit positive contextual behaviors. Islamic work ethics also creates a harmonious work environment where employees feel valued and supported, ultimately improving overall organizational performance (Hyusein, 2022; Udin, 2024).

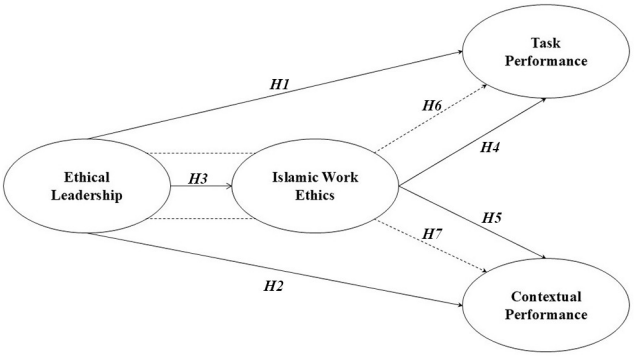
Social learning theory (Bandura, 1971) is highly relevant in explaining how Islamic work ethics influences contextual performance. According to this theory, individuals learn by observing the behaviors of others who are considered role models. Employees observe how their colleagues and leaders apply Islamic ethical principles in a work environment grounded in Islamic work ethics, then encourage employees to imitate behaviors that align with Islamic ethics. These actions will improve contextual performance, where employees focus on personal achievement and contribute to a positive work environment (Brown *et al.*, 2005).

Nauman *et al.* (2024) emphasize that Islamic work ethics can mitigate the negative effects of emotional labor on employee performance. Employees facing emotional pressures in their work but who possess a strong Islamic work ethics are better equipped to manage stress and continue to perform well (Gong, 2019). Islamic work ethics' moral and spiritual framework helps employees focus on long-term goals and collective well-being (Shafique, 2020). Islamic work ethics helps create a more productive and harmonious work environment by promoting ethical, fair and responsible behavior. Employees who internalize the values of Islamic work ethics are more proactive in supporting colleagues, participating in organizational initiatives and contributing to the organization's overall success (Xia *et al.*, 2024). Then, the proposed hypothesis is as follows:

H5. Islamic work ethics positively influences employees' contextual performance.

Mediating role of Islamic work ethics

Figure 1 shows the research framework. Previous research has shown that Islamic work ethics significantly mediates the relationship between various leadership styles and employee performance. Javed *et al.* (2017) revealed that Islamic work ethics can mediate the relationship between ethical leadership and employee performance by strengthening



Source(s): Authors' own work

Figure 1. Research framework

employees' moral commitment to their tasks. Islamic work ethics helps employees internalize the ethical values taught by their leaders, which in turn enhances their task performance (Brown *et al.*, 2005). It aligns with the findings of Zaim *et al.* (2024), which demonstrate that leadership based on Islamic values can strengthen the relationship between leaders and employees, encouraging employees to behave according to high ethical expectations (Widyastuti *et al.*, 2020).

In Indonesia's banking sector, which has a strong foundation in Islamic culture, Islamic work ethics plays a crucial role in linking ethical leadership with employee task performance. When leaders exhibit ethical behavior aligned with Islamic values, employees can adopt similar behavior in their daily work. Islamic work ethics works as a mechanism that enables employees to translate the ethical values demonstrated by their leaders into concrete actions in completing their tasks (Udin, 2024).

Furthermore, Islamic work ethics can enhance employees' intrinsic motivation to complete their tasks ethically and responsibly. When employees are driven by Islamic values to work hard and act honestly, they are likelier to achieve high task performance (Kaffashpoor, 2020). In the banking sector, integrity and trust are essential for maintaining good relationships with clients and other stakeholders. Thus, the Islamic work ethics serves as a moral guide and a driver of effective performance (Hyusein, 2022). Islamic work ethics enables employees to internalize the ethical values demonstrated by their leaders and apply them in their daily work, ultimately improving their task performance. Therefore, the proposed hypothesis is:

H6. Islamic work ethics mediates the relationship between ethical leadership and task performance.

Previous research has also indicated that Islamic work ethics can significantly mediate the relationship between ethical leadership and employee performance. For instance, Muthuswamy and Umarani (2023) found that Islamic work ethics can enhance the influence of ethical leadership by providing a strong moral foundation for employees to participate in activities that support the broader work environment (Shafique, 2020). Islamic work ethics encourages employees to engage in positive contextual behaviors. Employees perceive these actions as consistent with the Islamic principles they uphold. Furthermore, Islamic work

ethics can enhance employees' willingness to participate in contextual performance by providing intrinsic motivation grounded in religious beliefs (Peng, 2020; Xing, 2022). When employees feel that their contributions to the organization align with Islamic values, they are more motivated to engage in activities supporting their colleagues and the organization (Mtsweni, 2024). In the banking sector, integrity and teamwork are essential for maintaining trust and good relationships with clients and other stakeholders (Javed *et al.*, 2017).

Research by Zaim *et al.* (2024) supports the idea that leadership based on Islamic values, reinforced by Islamic work ethics, can create an organizational culture conducive to contextual performance (Alhawi, 2024). In such an organizational culture, employees are encouraged to fulfill their core tasks and contribute to their overall success through positive contextual behaviors (Abdi, 2024).

Therefore, this study hypothesizes that Islamic work ethics mediates the relationship between ethical leadership and task performance and strengthens the ties between ethical leadership and contextual performance. With the Islamic work ethics as a mediator, employees are likelier to engage in behaviors that support a healthy and productive work environment, enhancing their contextual performance (Leelhaphunt, 2020). Hence, the proposed hypothesis is:

H7. Islamic work ethics mediates the relationship between ethical leadership and contextual performance.

Method

Participants and procedure

Data for this study were collected through questionnaires distributed to employees within the banking sector in Lampung Province, Indonesia. The research population comprised full-time employees in the region's public and private banking institutions. A total of 103 questionnaires were returned and included in the analysis.

The sampling method was a convenience sampling method that made participation in this study voluntary (Kemper *et al.*, 2003; Sedgwick, 2013). Each questionnaire was accompanied by a statement letter outlining the purpose of the study to ensure confidentiality. Senior managers were contacted through official letters, telephone calls and face-to-face meetings. Then, the purpose of the study was explained to them and permission was obtained for data collection. This process was carried out to ensure that participants received complete information about the study and that their participation was voluntary and confidential. The data shows that the sample represents banking employees in Lampung and reflects diverse educational backgrounds and gender distribution.

The respondent's characteristics are as follows: 51% were male and 49% were female. Regarding educational background, 8% of respondents had a diploma, 3% had a postgraduate degree, 84% held a bachelor's degree and 5% had completed high school. The respondents were all full-time employees with at least six months of working experience in the banking sector.

Measures

Table 1 showed the survey used a questionnaire to measure employees' perceptions of ethical leadership (Brown *et al.*, 2005). A five-point Likert scale was used to gauge employee responses, ranging from "strongly disagree" to "strongly agree". The measurement of Islamic work ethics in their work environment was modified from Ali and Al-Owaihan (2008) and ranged from "never" to "always". This modification aimed to reduce social

Table 1. Measurement model

Item code	Item descriptive	Source
Ethical leadership		
EL1	Listens to what employees have to say	Brown *et al.* (2005). Likert scale ordered from "*strongly agree*" to "*strongly disagree*"
EL2	Disciplines employees who violate ethical standards	
EL3	Conducts his/her personal life in an ethical manner	
EL4	Has the best interests of employees in mind	
EL5	Makes fair and balanced decisions	
EL6	Can be trusted	
EL7	Discusses business ethics or values with employees	
EL8	Sets an example of how to do things the right way in terms of ethics	
EL9	Defines success not just by results but also the way that they are obtained	
EL10	When making decisions, asks "what is the right thing to do?"	
Islamic work ethic		
IWE 1	Reluctance to work	Modified from Ali and Al-Owaihan (2008) with a Likert scale ordered from "*never*" to "*always*" This modification is intended to avoid social desirability (Couch and Keniston, 1961)
IWE 2	Dedication to the job	
IWE3	Believe that work provides benefits one's self and others	
IWE4	Being fair and generous in the workplace are necessary conditions for society's welfare	
IWE5	Striving to produce more to contribute to society (e.g., through charitable giving)	
IWE6	Working to the best of one's ability	
IWE7	Work to foster personal growth and social relationships	
IWE 8	Living to work	
IWE 9	Having ample leisure time	
IWE10	Build good relationships with other employees	
IWE11	Work to bring more control to life/nature	
IWE12	Engage in creativity at work as a source of achievement and happiness	
IWE13	Work to get ahead in life	
IWE14	Work to achieve independence	
IWE 15	Meet work deadlines	
IWE16	Work hard to fulfill responsibilities	
IWE 17	Focus more on intention than on results	
Task performance		
Problem solving and administration		Widyastuti *et al.* (2020) Likert scale ordered from "*never*" to "*always*"
TP 1	Checking and detecting problems at work	
TP 2	Solving problems at work	

(*continued*)

Table 1. Continued

Item code	Item descriptive	Source
TP 3	Maintaining quality control to mitigate risks	
TP 4	Ensuring completeness and administering of documents	
TP 5	Maintaining timeliness in service	
TP 6	Planning and organizing work	
Discipline and safety (avoiding fraud)		
TP 7	Work safely (avoiding fraud)	
TP 8	Being on time	
TP 9	Meeting performance standards	
Contextual performance		
CP1	Comply with instructions even when supervisors are not present	Widyastuti *et al.* (2020) Likert scale ordered from "*never*" to "*always*"
CP 2	Cooperate with others in the team	
CP 3	Persist in overcoming obstacles to complete a task	
CP 4	Display proper appearance and bearing	
CP 5	Volunteer for additional duty	
CP 6	Follow proper procedures and avoid unauthorized shortcuts	
CP 7	Look for a challenging assignment	
CP 8	Offer to help others accomplish their work	
CP 9	Pay close attention to important details	
CP 10	Defend the supervisor's decisions	
CP 11	Render proper courtesy	
CP 12	Support and encourage a coworker with a problem	
CP 13	Take the initiative to solve a work problem	
CP 14	Tackle a difficult work assignment enthusiastically	
CP 15	Handling difficult tasks with enthusiasm	
CP 16	Voluntarily do more than the job require to help others or contribute to unit effectiveness	

Source(s): Authors' own work

desirability bias (Couch and Keniston, 1961). Task and contextual performance were measured using scales specifically developed for banking employees, as developed by Widyastuti *et al.* (2020), also using a Likert scale ordered from "never" to "always". The collected data were then analyzed using Smart PLS 4 software, which facilitates structural equation modeling (SEM) analysis with the partial least squares (PLS) approach.

Structural analysis

This study used a quantitative research approach using SEM to examine the relationships among the involved variables. SEM was selected for its capacity to analyze complex and simultaneous relationships between latent variables, enabling the testing of hypotheses

developed based on the study's theoretical model. The first step in SEM involved formulating the structural model, which delineates the relationships among the examined variables. This structural model is grounded in previous literature indicating that ethical leadership positively influences employee performance, both in terms of task performance and contextual performance, with Islamic work ethics mediating these relationships. The model includes exogenous variables (ethical leadership) and endogenous variables (task performance, contextual performance and Islamic work ethics), hypothesized to influence one another.

The subsequent step was testing the measurement model to ensure the validity and reliability of the research instruments. Convergent validity was assessed by examining the loading factor, which should exceed 0.7 for each indicator, and the average variance extracted (AVE) value, which should be greater than 0.5. In addition, reliability was evaluated using composite reliability (CR), with a recommended value exceeding 0.7. These tests aimed to confirm that each construct in the model was accurately and reliably measured (Hair *et al.*, 2017).

After verifying the measurement model, the structural model was constructed to test the proposed hypotheses. This structural model examined the direct influence of ethical leadership on task and contextual performance, as well as the indirect influence through Islamic work ethics as a mediating variable. Hypothesis testing examined the path coefficient and *t*-statistic values obtained from bootstrapping. A hypothesis was supported if the *t*-statistic value exceeded 1.96 at a 5% significance level (Hair *et al.*, 2017). Following verifying the measurement model, the next step was testing the structural model to evaluate the proposed hypotheses. The R^2 value was also examined to assess how exogenous variables could explain endogenous variables.

As part of the SEM analysis, the mediating role of Islamic work ethics in the relationship between ethical leadership and employee performance was tested using the Baron and Kenny (1986) approach, modified within the SEM context. Mediation testing involves examining ethical leadership's direct and indirect effects on performance and the significance of the mediation pathway.

Result

The results of the SmartPLS 4 analysis, presented in the Table 2, demonstrate several aspects that confirm the validity and reliability of the constructs based on item loadings, Cronbach's alpha (CA), CR and AVE. Only valid items that meet specific criteria were included in this analysis.

Table 2 shows that all items of the ethical leadership construct showed loading values above 0.6, indicating a strong correlation with the construct. The reliability of this construct was demonstrated by a CA value of 0.934 and a CR value of 0.945, both exceeding the threshold of 0.7, indicating excellent reliability. In addition, the AVE value of 0.656 shows that over 65% of the variance in the indicators is explained by this construct, indicating excellent convergent validity.

For the Islamic work ethics construct, item loadings ranged from 0.622 to 0.787, showing strong correlations. This construct demonstrated strong reliability, with a CA value of 0.905 and a CR value of 0.921. The AVE value was 0.514, indicating acceptable convergent validity.

The task performance construct loadings ranged from 0.668 to 0.783, indicating a substantial contribution. The reliability of this construct was demonstrated by a CA value of 0.856 and a CR value of 0.890, indicating good reliability. Furthermore, the AVE of 0.536 indicates that this construct has adequate convergent validity. The contextual

Table 2. Item loadings, construct reliability and convergent validity

Construct	Item code	Loading	CA	CR	AVE
Ethical leadership			0.934	0.945	0.656
	EL1	0.697			
	EL3	0.830			
	EL4	0.708			
	EL5	0.821			
	EL6	0.849			
	EL7	0.797			
	EL8	0.874			
	EL9	0.849			
	EL10	0.848			
Islamic work ethic			0.905	0.921	0.514
	3	0.786			
	4	0.695			
	5	0.637			
	6	0.787			
	7	0.696			
	10	0.711			
	11	0.711			
	12	0.779			
	13	0.622			
	14	0.717			
	16	0.727			
Contextual performance			0.920	0.932	0.513
	CP1	0.716			
	CP3	0.720			
	CP4	0.711			
	CP5	0.648			
	CP6	0.644			
	CP8	0.658			
	CP9	0.756			
	CP11	0.710			
	CP12	0.800			
	CP13	0.714			
	CP14	0.710			
	CP15	0.765			
	CP16	0.741			
Task performance			0.856	0.890	0.536
	TP1	0.762			
	TP2	0.746			
	TP3	0.668			
	TP4	0.698			
	TP5	0.780			
	TP6	0.783			
	TP9	0.678			

Source(s): Authors' own work

performance construct exhibited item loadings ranging from 0.644 to 0.800, indicating a substantial contribution to the construct. The construct's high reliability by a CA value of 0.920 and a CR value of 0.932. This construct also demonstrated good convergent validity with an AVE of 0.513.

Table 3 shows discriminant validity, as measured by the heterotrait–monotrait (HTMT) ratio, indicating that all HTMT values were below the threshold of 0.85. Discriminant validity has been achieved, where each construct in the model is distinct, and there is no multicollinearity among the constructs (Table 4). Furthermore, the correlations between latent variables were lower than the square root of the AVE for each construct (diagonal values), further strengthening discriminant validity (Henseler *et al.*, 2015).

Regarding the hypothesis testing results, as shown in Table 5 and Figure 2 illustrates the SEM results. *H1*, concerning the impact of ethical leadership on task performance, was not supported, as the *t*-values of 1.676 and *p*-value of 0.094 indicate that this effect is not statistically significant. However, *H2*, testing the effect of ethical leadership on contextual performance, was supported, with a *t*-values of 2.164 and *p*-value of 0.030, indicating a significant and positive effect. *H3* demonstrated that the influence of ethical leadership on Islamic work ethics is highly significant, with a *t*-values of 9.303 and *p*-value of 0.000, strongly supporting the positive impact of ethical leadership on Islamic work ethics.

H4 and *H5*, showing the influence of Islamic work ethics on task and contextual performance, are also supported. The *t*-values are 3.326 and 4.123 (*p*-value less than 0.001), indicating that Islamic work ethics is crucial in improving employee performance. Finally, *H6* and *H7* demonstrated that Islamic work ethics significantly mediate the impact of ethical leadership on task and contextual performance.

Discussion

The result found that ethical leadership does not significantly influence task performance. The rejection of this hypothesis can be explained from several perspectives within the relevant literature. First, although ethical leadership is generally recognized to positively impact various aspects of employee performance, such as increased commitment and job satisfaction (Qing *et al.*, 2020), it only sometimes directly enhances task performance. For instance, research emphasized the importance of mediating factors such as Islamic work ethics and knowledge sharing in bridging the influence of ethical leadership on employee

Table 3. Heterotrait–monotrait (HTMT) ratio – matrix

Construct	Contextual performance	Ethical leadership	Islamic work ethic
Ethical leadership	0.622		
Islamic work ethic	0.732	0.668	
Task performance	0.748	0.501	0.610

Source(s): Authors' own work

Table 4. Discriminant validity (latent variable correlation and square root of AVE)

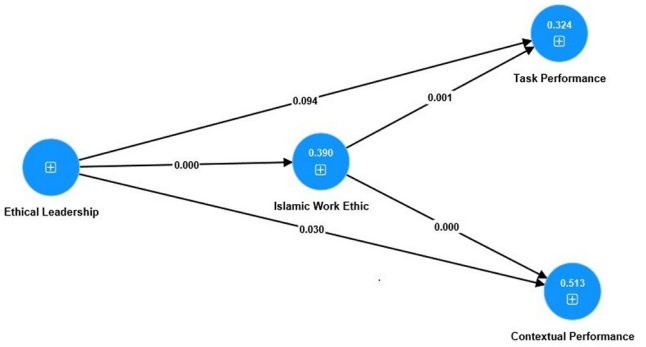
Construct	Contextual performance	Ethical leadership	Islamic work ethic	Task performance
Contextual performance	0.716			
Ethical leadership	0.586	0.810		
Islamic work ethic	0.687	0.624	0.717	
Task performance	0.685	0.460	0.549	0.732

Source(s): Authors' own work

Table 5. Bootstrapping results for direct and indirect effects

Hypothesis	Relationship	Path coefficient β	t-statistics	p- values	Supported	f^2	VIF	R^2
Direct effect								
H1	Ethical leadership → Task performance	0.193	1.676	0.094	No	0.034	1.639	-
H2	Ethical leadership → Contextual performance	0.258	2.164	0.030*	Yes	0.083	1.639	–
H3	Ethical leadership → Islamic work ethic	0.624	9.303	0.000**	Yes	0.639	1.000	–
H4	Islamic work ethic → Task performance	0.428	3.326	0.001**	Yes	0.166	1.639	–
H5	Islamic work ethic → Contextual performance	0.526	4.123	0.000**	Yes	0.347	1.639	–
Indirect effect								
H6	Ethical leadership → Islamic work ethic → Task performance	0.268	3.087	0.002*	Yes	–	–	0.324
H7	Ethical leadership → Islamic work ethic → Contextual performance	0.329	3.761	0.000**	Yes	–	–	0.513

Note(s): *$p < 0.05$; **$p < 0.001$
Source(s): Authors' own work



Source(s): Authors' own work

Figure 2. SEM modeling showing mediating effects

performance. It suggests that without appropriate mediators, the impact of ethical leadership may not be directly observable in task performance (Udin, 2024; Wang, 2017).

Furthermore, Enwereuzor (2024) highlighted that individual factors such as dispositional greed and knowledge sabotage can inhibit the positive effects of ethical leadership on performance. In work environments where such negative behaviors are prevalent, ethical leadership may not be strong enough to overcome these obstacles, thus resulting in a nonsignificant impact on performance (Enwereuzor, 2024; Hyusein, 2022).

In addition, Mtsweni (2024) found that although ethical leadership can enhance ethical behavior and job satisfaction, this only sometimes translates directly into improved task performance. Instead, factors such as job satisfaction and commitment often serve as more direct determinants of task performance (Aggarwal *et al.*, 2022; Khalid, 2020), indicating that the role of ethical leadership may be more effective when focused on other behavioral aspects related to contextual performance or organizational citizenship behavior (Leelhaphunt, 2020; Mtsweni, 2024). These findings affirm that ethical leadership's influence on task performance may be indirect and dependent on the presence of relevant mediators or moderators, such as Islamic work ethics, knowledge sharing or other individual factors that can either strengthen or weaken this relationship. Therefore, this context does not support the hypothesis that ethical leadership directly affects task performance (Kaffashpoor, 2020; Udin, 2024).

The analysis indicates that ethical leadership positively influences contextual performance. Ethical leadership plays a crucial role in enhancing employees' contextual performance, where employees working under ethical leadership are more likely to exhibit behaviors that support the work environment, such as collaboration, proactivity in helping colleagues and initiative in tasks that are not directly related to their job descriptions (Hyusein, 2022; Udin, 2024).

Ethical leadership theory explains that ethical leaders provide a strong moral example and consistently treat employees with fairness and integrity. It encourages employees to adopt the same values, strengthening contextual performance. Ethical leadership reduces negative behaviors such as knowledge sabotage, which can undermine contextual performance (Chao, 2024; Enwereuzor, 2024). In other words, ethical leadership enhances direct performance and improves the work climate, motivating employees to contribute more to the often-unseen but essential aspects of organizational operations (Byun, 2018; Peng, 2020).

Other literature also supports these findings. Ethical leadership creates a more harmonious environment that supports contextual performance by promoting corporate social responsibility and reducing organizational politics (Abdi, 2024; Widyastuti *et al.*, 2020). Thus, the existing literature supports that ethical leadership influences contextual performance, suggesting that ethical leadership is critical in fostering holistic and comprehensive employee performance (Sutawikara, 2021).

Ethical leadership has been found to influence Islamic work ethics, which shows that ethical leadership is crucial in shaping and strengthening Islamic work ethics among employees. Leaders who apply ethical principles provide a direct example of integrity, fairness and moral responsibility, which align with the values embedded in Islamic work ethics (Ali and Al-Owaihan, 2008; Udin, 2024). Research also supports that ethical leadership positively influences employees' ethical behaviors, reinforcing Islamic work ethic values (Abdi, 2024; Kawiana, 2023).

Ethical leadership encourages ethical behavior in the workplace and enhances employees' motivation to work with greater integrity in line with Islamic principles. It creates a conducive work environment for applying Islamic work ethics, ultimately strengthening employee performance and organizational commitment (Abdi, 2024; Widyastuti *et al.*, 2020). Research also shows that ethical leadership can reduce harmful practices such as knowledge sabotage, further reinforcing Islamic work ethics' application in the workplace (Enwereuzor, 2024; Hyusein, 2022). Good leadership ethics are vital in shaping a strong work culture based on Islamic values, enhancing employee productivity and loyalty (Shafique, 2020; Udin, 2024).

Islamic work ethics positively influence task performance. It is supported by research showing that employees who practice are more focused on achieving high quality in their work (Mtsweni, 2024; Widyastuti *et al.*, 2020). An individual who is responsible for performing tasks with integrity and professionalism, leading to increased task performance (Qasim, 2022; Udin, 2024). Islamic work ethics were also found to positively influence contextual performance. Existing literature indicates that emphasizing hard work, honesty and justice encourages individuals to engage in activities that support the overall work environment, such as helping colleagues and adhering to organizational rules and more proactive in making positive contributions beyond their primary duties (Abdi, 2024; Ali and Al-Owaihan, 2008; Kawiana, 2023; Udin, 2024; Widyastuti *et al.*, 2020).

The structural analysis results in this study indicate that Islamic work ethics significantly mediate the influence of ethical leadership on task performance and contextual performance. Ethical leadership indirectly influences task and contextual performance by reinforcing Islamic work ethics values within employees (Enwereuzor, 2024; Udin, 2024). Ethical leadership can enhance employees' task performance by internalizing values, motivating employees to adopt Islamic work values and enhancing individual performance in completing tasks (Abdi, 2024; Qasim, 2022; Widyastuti *et al.*, 2020). Within the framework of social learning theory, employees learn by observing and imitating their leaders' behavior. When leaders exhibit ethical behavior aligned with Islamic values, employees comply, internalize and apply them in their daily work (Brown *et al.*, 2005). Thus, ethical leadership strengthens employees' psychological capital, such as confidence and resilience, which subsequently positively impacts their task performance (Mtsweni, 2024; Qasim, 2022).

Islamic work ethics also mediates the influence of ethical leadership on contextual performance (Abdi, 2024; Widyastuti *et al.*, 2020). Ethical leadership helps create a work environment where employees are motivated to complete their core tasks and contribute more to the organization through contextual behaviors such as helping colleagues and demonstrating loyalty (Mubarak, 2022; Udin, 2024). Within the social learning theory framework, employees who see their leaders acting based on ethical values are likelier to

emulate this behavior, improving individual performance and enhancing their contribution to the team and organization (Brown *et al.*, 2005). Ethical leaders act as strong role models, encouraging employees to develop behaviors consistent with Islamic work ethics, ultimately improving their contextual performance (Engelbrecht, 2020; Hyusein, 2022).

These findings affirm the importance of Islamic work ethics' mediating role in strengthening ethical leadership's impact on various aspects of employee performance. Islamic work ethics connects ethical leadership with enhanced task performance and contextual performance, underscoring that reinforcing Islamic values in the workplace is critical to achieving optimal performance in environments led by ethical leaders (Qasim, 2022; Widyastuti *et al.*, 2020).

Conclusion

Based on the analysis's results, ethical leadership's direct impact on task performance is not significant, but its influence on contextual performance has proven to be significant. Ethical leadership alone may not be sufficient to enhance task performance without the presence of relevant mediators. Islamic work ethics serves as a crucial mediator that strengthens the impact of ethical leadership on both task and contextual performance. In other words, ethical leadership effectively improves employee performance when combined with the internalization of Islamic work ethics values.

Theoretical implications

The findings of this study support social learning theory, which posits that employees learn through observing and imitating their leaders' behavior. When leaders demonstrate ethical behavior that aligns with Islamic values, employees are more likely to adopt and internalize these values, ultimately enhancing their performance in both task-related and contextual aspects. Therefore, this study adds empirical evidence to the notion that Islamic work ethics is a critical mediator between ethical leadership and employee performance.

Practical and social implications

These findings emphasize the importance of leaders in shaping Islamic work ethics within organizations. Ethical leaders must demonstrate fairness and integrity and actively promote and instill Islamic values within the organizational culture. It will help enhance employee performance, particularly in tasks that require high integrity and broader contextual contributions. Organizations aiming to improve employee performance should focus on developing ethical leadership skills and strengthening Islamic work ethics among employees.

Furthermore, the positive impact of ethical leadership on contextual performance highlights the broader societal benefits of ethical leadership practices, which extend beyond mere task completion to fostering a collaborative and supportive work environment. It underscores the value of ethical leadership in cultivating a workplace culture that prioritizes productivity and encourages behaviors that contribute to the organization's social fabric.

In contexts where Islamic work ethics are prevalent, ethical leadership is crucial in reinforcing these values, leading to enhanced employee performance. Organizations aiming to improve performance should consider their leadership practices' cultural and ethical context, ensuring that ethical values align with the employees' belief systems to maximize their effectiveness. The study's findings advocate for a more holistic approach to leadership that integrates ethical and cultural considerations to foster individual and organizational success.

Limitations and future research

Although this study provides valuable insights, some things could be improved. First, the study only examines the relationship between ethical leadership, Islamic work ethics and employee performance within a specific cultural and organizational context, which may need to be fully generalizable to other settings. Second, this study employs a quantitative approach, which may need to capture the nuances of individual behavior and motivation in depth.

For future research, exploring these relationships across different cultural and industry contexts is recommended to test the consistency of these findings. A qualitative approach could also be employed to gain deeper insights into how employees internalize Islamic values through ethical leadership and how this influences their performance. Further research could also consider other factors mediating or moderating the relationship between ethical leadership and employee performance, such as organizational culture, intrinsic motivation or managerial support.

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