EMPLOYMENT ENGAGEMENT AS A VARIABLE AFFECTING THE PERFORMANCE OF MICRO FINANCIAL INSTITUTION EMPLOYEES IN THE BOJONEGORO DISTRICT

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Abstract
People are the most valuable asset in service organizations to compete with other organizations. Organizational performance is reflected in the performance of its employees. Many factors, such as the relationship quality between leaders and employees, corporate support perceived by employees, and work engagement, affect organizational performance. This study examines the direct or indirect effect of leader-member exchange (LMX) and perceived administrative support (POS) on employee performance mediated by work engagement and conducted this research on employees of microfinance institutions in the Bojonegoro district. The sample of this study amounted to 192 employees from a total population of 366 employees obtained by proportional random sampling technique. Analysis of the data used is path analysis. The results of this study indicate that the direct effect of the results is significantly positive, except for the impact of POS on employee performance (hypothesis 4 is rejected). And work engagement has been proven to be a mediator variable in the relationship between LMX and POS on employee performance.

Keywords: Leader-member exchange, perceived organizational support, work engagement, employee performance.

INTRODUCTION
Microfinance Institutions (MFIs) are financial institutions that aim to channel financing and manage micro-scale deposits from members. In Indonesia, three institutions (banks, cooperatives, and non-bank/non-cooperative institutions) are involved in MFIs. Bank institutions included are conventional and sharia banks that channel financing or have a particular micro business unit (Baskara, 2013).

The difficulty of presenting accurate data on the number of microfinance institutions in Indonesia, especially on a regional scale, is a limitation of this study. In Bojonegoro Regency, the number of cooperatives and the like in 2019 was recorded as 1262 cooperatives from various businesses. However, with such a large number not followed by a high level of business sustainability, this recorded that from 1262 registered cooperatives, only 670 cooperatives were still active. The remaining 592 were inactive, so it can say that almost half of the registered cooperatives failed. (dinkopum.bojonegorokab.go.id). Therefore, this research will focus on savings and loan cooperatives, a form of microfinance institution.

Common problems in microfinance institutions (MFIs) primary cooperatives are internal and external. Internally, the problem lies in the poor administration or management system. Meanwhile, there are overlapping rules or policies from the government from the exterior side. People are the most valuable asset in service organizations to compete with other organizations. Organizational performance is reflected in the performance of its employees. There are so many factors that affect employee performance both internally and externally. Such as the quality of the relationship between leaders and
employees, perceived organizational support by employees, and work engagement (Bonner & Sprinkle, 2002).

An external factor that can affect employee performance is the leader himself. The leader is responsible for directing subordinates to work towards the goals and expectations of the organization. In addition, the leader must also actively communicate and even inspire associates in dealing with any existing problems. Thus, communication and good relations between leaders and followers are essential in creating a sense of comfort, mutual trust, increasing responsibility, referred to as Leader-Member Exchange (LMX). (Robbins dan Judge, 2007). Furthermore, according to the theory COR (Hobfoll, 2001), They are argued that employees will be motivated to acquire, retain, protect, and develop their resources (e.g., autonomy, development opportunities, social support).

Next is perceived organizational support (POS). POS is an employee's perception of his organization about its contribution, support, and concern for their welfare (Rhoades et al., 2001). When the quality of POS is high, employees will have positive expectations and a sense of security about the possible reaction of the organization to their mistakes. They will reduce the fear of doing their job. (Luthans, 2008). Based on the theory of job demand-resources (JD-r) proposed by Bakker & Demerouti (2007), It is known that job demands and resources strongly influence performance. When work demands are high, it will cause high levels of stress that can affect employee productivity. Conversely, when the help received by employees is high, the stress level will decrease and, in turn, increase productivity.

The last factor is work engagement, and work engagement is a positive attitude that employees have towards their work. Bonded employees are characterized by activeness and high pleasure, enthusiasm, and enthusiasm for their work to improve individual and organizational performance (Bakker, A.B & Leiter, 2010).

Many studies discuss work engagement as a mediator variable on various relationships between variables and their benefits to the organization and employee development. However, very few have researched service companies, especially microfinance institutions. Thus, this research is expected to produce new findings or solutions to problems in the performance of employees of microfinance institutions.

LITERATURE REVIEW

Employee Performance

Employee performance is multidimensional or has many definitions. Still, according to Mwita (2000), performance can be interpreted as the work achieved by employees both in quality and quantity.

In an organization, performance is significant as a material for evaluation. A method or system is needed in assessing employee performance so that the organization knows whether the results achieved by the employee have reached the set standards or must be evaluated. This method is in line with Mwita's (2000) opinion, wherein the sustainability of the organization and performance measurement are very important, the performance of an organization is reflected in the performance of
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its employees. Organizations cannot develop and progress with the efforts or performance of one individual alone, but the joint efforts of each individual within the organization.

**Leader-Member Exchange**

According to Joseph et al. (2011), the leader-member exchange is defined as the employee's perception of the leader's characteristics and vice versa, and how the relationship between each other in the organization is built. This activity is one definition of LMX in the literature. Based on the theory of conservatory of resources (COR) that was started by Hobfoll (2001), employees will be motivated to acquire, retain, protect, and develop their resources (e.g., autonomy, development opportunities, social support). Social support can obtain from colleagues or leaders in the work environment.

Leaders in positions of power are an essential source of support because they can motivate employees to do a good job, thus enabling employees with high LMX qualities to be more committed to their work and ultimately improve their performance. (Breevaart et al., 2015)

Li et al. (2012) stated that the high quality of LMX between supervisors as superiors who support subordinates creates a sense of trust and emotional support. Meanwhile, in low LMX quality, leaders and associates do not contribute extra to their work. LMX, in general, affects employee output such as job satisfaction, engagement, employee performance, etc.

Thus, this Leader-member exchange plays a significant role in creating a conducive work environment.

**Perceived Organizational Support**

Based on the theory of job demand-resources (JD-r) proposed by Bakker & Demerouti (2007), it is known that job demands and resources strongly influence performance. Organizational resources can overcome work needs, both in physical, psychological, and social elements obtained from the organization to achieve performance (Bakker & Demerouti, 2007).

Luthans (2008) argues that when employees feel supported by the organization, there will be positive expectations and a sense of security regarding the organization's response to the mistakes they make, and will reduce the fear of doing their jobs, which improves performance.

**Work Engagement**

Job engagement is defined as how significant an employee's work role is in working and expressing themselves in physical, cognitive, and emotional forms Khan (1990). There are so many studies that examine engagement as a factor that affects performance, including Chaurasia & Shukla (2013), Li et al.(2012), Nazir & Islam (2017), and others. Bonded employees are characterized by activeness and high pleasure, enthusiasm, and enthusiasm for their work so that they can improve individual and organizational performance (Bakker, A.B & Leiter, 2010)

**HYPOTHESIS**
The variables in this study include the dependent variable that is employee performance (Y); the independent variables that are leader-member exchange (X1) and perceived organizational support (X2); and the mediator variable is work engagement (Z). So that researchers can make a hypothesis of direct and indirect influence in this study. More details can be seen through the following hypothetical summary table:

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>STATEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Leader-member exchange has a positive and significant influence on the work engagement of employees of microfinance institutions in Bojonegoro.</td>
</tr>
<tr>
<td>H2</td>
<td>Perceived organizational support has a positive and significant influence on the work engagement of employees of microfinance institutions in Bojonegoro.</td>
</tr>
<tr>
<td>H3</td>
<td>Leader-member exchange has a positive and significant influence on the performance of employees of microfinance institutions in Bojonegoro.</td>
</tr>
<tr>
<td>H4</td>
<td>Perceived organizational support has a positive and significant influence on the performance of employees of microfinance institutions in Bojonegoro.</td>
</tr>
<tr>
<td>H5</td>
<td>Keterikatan kerja mempunyai pengaruh positif dan signifikan terhadap kinerja karyawan lembaga keuangan mikro di bojonegoro</td>
</tr>
<tr>
<td>H6</td>
<td>Work engagement is a significant mediator variable in the relationship of Leader-Member Exchange to the performance of employees of microfinance institutions in Bojonegoro.</td>
</tr>
<tr>
<td>H7</td>
<td>Job engagement is a significant mediator variable on the relationship between Perceived organizational support and the performance of employees of microfinance institutions in Bojonegoro.</td>
</tr>
</tbody>
</table>

RESEARCH METHODS
Population and Sample
The population in this study amounted to 366 employees of microfinance institutions in the Bojonegoro district. Determination of the model in this study using the slovin formula with the final result 192 employees.

The sample was then selected using the proportional random sampling technique.

This study uses a Likert scale measuring instrument. Data was then collected using a questionnaire. On a 5-point Likert Scale, the answer strongly agrees is rated with the highest score of 5 and strongly disagrees with the lowest score of 1.

However, the measuring instrument on the perceived organizational support variable has several reverse statement items, which are unfavorable. So, the way to score the negative things is for the answer to agree with the lowest score of 1 strongly, and the answer strongly disagrees with the highest score of 5.

Measurement
In this study, the variables were measured by several different items. These items include: (1) Leader-member exchange refers to 12 items from Liden & Maslyn, 1998; (2) perceived organizational support refers to 8 items from Rhoades dan Armeli, 2001; (3) work engagement refers to Schaufeli et al., 2006; and (4) employee performance refers to 6 items from Chiang & Hsieh, 2003 (2012).
Data Analysis
This study uses quantitative methods with path analysis techniques. Testing the mediating effect of work engagement on the relationship between leader-member exchange and perceived organizational support on employee performance using the method Baron & Kenny (1986). Furthermore, to test the mediation evidence further, the Sobel z. test (Sobel, 1982).

RESEARCH RESULT
Validity
All instruments of the leader-member exchange, perceived organizational support, work engagement, and employee performance variables in this study showed a value of $r_{\text{count}} > r_{\text{table}}$.0.361 with a significance level of 0.05. All the proposed instruments are proven valid and can be continued.

Reliability
Table 2. Reliability test results
<table>
<thead>
<tr>
<th>Variable</th>
<th>Value of Cronbach's Alpha</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader-member exchange (X1)</td>
<td>0.831</td>
<td>Reliable</td>
</tr>
<tr>
<td>Perceived organizational support (X2)</td>
<td>0.805</td>
<td>Reliable</td>
</tr>
<tr>
<td>Work Engagement (Z)</td>
<td>0.848</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Performance (Y)</td>
<td>0.876</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Table 2 shows that all variables in this study have Cronbach's alpha values greater than 0.60, so it can conclude that the instrument is reliable and can be analyzed further.

Classic Assumption Test
Normality test
The normality test in this study was carried out through the Kolmogorov Smirnov test and the standard probability plot graph. In the regular probability plot test, the data is spread diagonally following the histogram line, and in the Kolmogorov Smirnov test, the value of Asymp. Sig (2-tailed) 0.200 > 0.05 so that the data in this study can be said to be normally distributed.

Multicollinearity test
Table 3. Multicollinearity test results
<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader-member exchange</td>
<td>.446</td>
<td>2.241</td>
<td>No, happen multicollinearity</td>
</tr>
<tr>
<td>Perceived organizational support</td>
<td>.489</td>
<td>2.044</td>
<td>No, happen multicollinearity</td>
</tr>
<tr>
<td>Work engagement</td>
<td>.366</td>
<td>2.735</td>
<td>No, happen multicollinearity</td>
</tr>
</tbody>
</table>

Multicollinearity is not an issue in this study because the VIF (Variance Inflation Factor) values for all variables are less than 10, and the tolerance value is between 0 and 1.

Heteroscedasticity Test
According to the results of the heteroscedasticity test, this study doesn't have heteroscedasticity. The data are spread out and don't have a consistent pattern.
Path Analysis
Direct influence

Table 4. The direct effect of LMX (X1) and POS (X2) on work engagement (Y)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>4.612</td>
<td>1.725</td>
<td>2.673</td>
<td>.008</td>
</tr>
<tr>
<td>Leader member exchange</td>
<td>.384</td>
<td>.044</td>
<td>8.692</td>
<td>.000</td>
</tr>
<tr>
<td>perceived organizational support</td>
<td>.414</td>
<td>.057</td>
<td>7.227</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: work engagement

R-square (R^2) = 0.634

Table 4 shows the direct effect of leader-member exchange and perceived organizational support on job engagement with a significant value (p < 0.05). The value of R square (R2) shows a result of 0.634, meaning that the variable Leader-member exchange (X1) and Perceived organizational support (X2) can affect work engagement (Z) by 63.4%. Other variables outside of research influence the remaining 36.6%.

The R-square value is also used for the first equation model to calculate the error (e1), outlined in the following table.

\[ Calculation\ error\ (e_1) = \sqrt{1 - R^2} = \sqrt{1 - 0.634} = 0.605 \]

So, the calculation of the first equation model is as follows.

\[ Z = \beta_1 (X1) + \beta_2 (X2) + \epsilon_1 \]
\[ = 0.484 X1 + 0.402 X2 + 0.605 \]

The results of the analysis of the relationship between the Leader-Member Exchange variable and work engagement showed the standardized coefficients beta value was positive (β= 0.484) and significant (0.000 < 0.05). These results indicate that H1 is accepted, meaning that the Leader-Member Exchange (X1) is proven to have a direct and significant favorable influence on the work engagement of employees of microfinance institutions in Bojonegoro. Employees with high LMX qualities are more job-bound (Breevaart et al., 2015). The results of this study are supported by research conducted by Brunetto et al. (2013), born in private hospitals in two countries showed that POS and LMX directly had a significant effect on work engagement. Another support comes from research conducted by Permatasari & Suhariadi (2019), which states that leader-member exchange positively influences work engagement mediated by psychological well-being.

The results of the analysis of the relationship between Perceived organizational support and work engagement showed that the standardized coefficients beta value was positive (β= 0.402) and significant (0.000 < 0.05). These results indicate that H2 is accepted, meaning that Perceived organizational support (X2) is proven to have a direct and significant positive effect on employee engagement at microfinance institutions in Bojonegoro. Based on the JD-r theory proposed by Bakker & Demerouti (2007), It is known that resources are one of the predictors of work engagement. Other evidence that POS can affect
work engagement is found in several previous studies (Babic et al., 2015; Caesens & Stinglhamber, 2014; Meyers et al., 2019).

Table 5. The direct effect of LMX (X1) and POS (X2) and work engagement (Y) on employee performance (Y)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.572</td>
<td>1.214</td>
</tr>
<tr>
<td>Leader member exchange</td>
<td>.164</td>
<td>.036</td>
</tr>
<tr>
<td>perceived organizational support</td>
<td>.081</td>
<td>.045</td>
</tr>
<tr>
<td>work engagement</td>
<td>.305</td>
<td>.050</td>
</tr>
</tbody>
</table>

a. Dependent Variable: kinerja karyawan

R-square ($R^2$) = 0.624

Table 5 shows the direct effect of the leader-member exchange variable, perceived organizational support, and work engagement on employee performance with a significant value ($p < 0.05$). In addition, the R-square value is displayed to calculate the error value ($e^2$) so that the second equation model can be calculated as follows.

Calculation error ($e^2$) = $\sqrt{1 - R^2} = \sqrt{1 - 0.624} = 0.613$

So, the calculation of the second equation model is as follows.

$Y = \beta_3 (X_1) + \beta_4 (X_2) + \beta_5 (Z) + e_2$

$= 0.304 X_1 + 0.116 X_2 + 0.450 Z + 0.613$

R-square ($R_2$) in table 5 shows a value of 0.624 which means that Leader-member exchange (X1), Perceived organizational support (X2), and work engagement (Z) can affect Employee Performance (Y) by 62.4%. The rest of is other variables outside the studied influence 37.6%. Based on the equation model that has been done, it is possible to check the validity of the model through the total determination coefficient ($Rm^2$) with the following calculations:

$Rm^2 = 1 - (e_1^2) (e_2^2)$

$= 1 - (0.605^2) (0.613^2)$

$= 1 - 0.137$

$= 0.863$

The calculation result of $Rm^2$ of 0.863 in this equation model can be perfect because it is close to the value of 1. It means that Leader-member exchange (X1), Perceived organizational support (X2), and work engagement (Z) can explain the formation of Employee Performance (Y), by 86.3%. The remaining 13.7% is explained by other variables that have not been included in the model and errors.

In the third hypothesis, the results of the analysis of the relationship between the Leader-Member Exchange variable and employee performance show the standardized coefficients beta value is positive (β = 0.304) and significant ($0.000 < 0.05$). These results indicate that H3 is accepted. Leader-Member
Exchange (X1) is proven to have a direct and consequential positive influence on the performance of employees of Microfinance Institutions in Bojonegoro. In line with these results, according to Rockstuhl et al. (2012), the quality of the relationship between superiors and subordinates will result in a positive level of employee outcomes such as job satisfaction, employee performance, commitment, and Organizational Citizenship Behavior (OCB). Another support comes from several studies conducted by Chaurasia & Shukla (2013), Chughtai & Buckley (2011), and Harris et al. (2009). They state that LMX has a significant positive effect both directly and indirectly on employee performance.

The results of the analysis of the relationship between Perceived organizational support and employee performance showed that the standardized coefficients beta value was positive (β= 0.116) and significant (0.072 > 0.05). These results indicate that the fourth hypothesis is rejected. Perceived organizational support (X2) is not proven to have a direct and significant positive effect on the performance of employees of microfinance institutions in Bojonegoro. Based on the existing literature, this study hypothesizes that employees' POS positively affects their performance (Rhoades & Eisenberger, 2002). The suppressor variable is a variable that can weaken the relationship. However, unexpected results may be caused by the suppressor variable when the independent variable is positively related to the dependent variable. A negative regression coefficient may occur after regression analysis with other variables due to the suppressing variable. (Cohen, J., Cohen, 1983). Similar research results have been shown in research (Hau-siu Chow et al., 2006) and the latest research from Chiang & Hsieh (2012) on hotel employees in Taiwan, which shows that POS does not have a positive effect on employee performance.

Also, the results of the analysis of the relationship between work engagement variables and employee performance show the standardized coefficients beta value is positive (β = 0.450) and significant (0.000 < 0.05). Hypothesis 5 is accepted, meaning that work engagement (Z) is proven to have a direct and consequential positive influence on the performance of employees of microfinance institutions in Bojonegoro. Referring to the conservatory of resources (COR) theory, when employees feel happy at work, employees will be more sensitive to opportunities at work, more productive, and optimistic. It has an impact on better performance. (Cropanzano & Wright, 2001). Studies and literature show that employee performance is positively influenced by work engagement variables such as those from Chaurasia and Shukla (2013), Rich and colleagues (2010) as well as Zhong and colleagues (2015). They studied 605 employees, including supervisors and HR managers from 130 Beijing China companies.
Furthermore, the results of the path analysis presented in this study are as follows.

In Figure 1, it can be seen briefly the value of standardized coefficients beta and the significance value of the relationship between each variable studied.

**Work engagement as mediator (Indirect influence)**

Job engagement can partially mediate the relationship between Leader-member exchange and employee performance. Test results using the technique Baron & Kenny (1986) showed that there was a significant relationship between leader-member sale and a decrease in employee performance from the value ($\beta = 0.450; p < 0.05$) to ($\beta = 0.217; p < 0.05$) In situations where the work engagement factor increases. Sobel conducted a test to see if it was deeper (Sobel, 1982). The results of the Sobel test calculation show that the t-count value (7) is greater than the t-table (1.97). This result means that work engagement can be a significant mediator variable in the relationship between Leader-member exchange and the performance of employees of microfinance institutions in Bojonegoro. Before and after entering work engagement as a mediator variable, it does not change the significant effect of the independent variable on the dependent variable. Thus hypothesis 6 is accepted.

Research by Chaurasia & Shukla (2013), Chughtai & Buckley (2011), and Li et al. (2012), who studied luxury hotels in China, found that work engagement could mediate the relationship between leader-member exchange and employee performance.

Sobel conducted a test to ensure it was deeper (Sobel, 1982). The results of the Sobel test calculation show that the t-count value (5.45) is greater than the t-table (1.97). That is, work engagement can become an entirely significant mediator variable (Full mediation) on the relationship between Perceived organizational support and the performance of MFI employees in Bojonegoro. This result is because adding a work engagement variable can significantly affect the relationship between variables and the dependent, which initially had no effect. Thus, hypothesis 7 is accepted. The last hypothesis was also tested using the technique Baron & Kenny (1986), which shows a significant relationship between perceived organizational support and an increase in employee performance from the value ($\beta$...
= 0.116) to (β = 0.180) when the work engagement variable is added. This study is supported by research conducted by Karatepe & Aga (2016), which found that work engagement was able to mediate the relationship of perceived organizational support to the performance of frontline employees at several banks in Turkey.

CONCLUSION

This study proves that work engagement can be a mediator variable in the relationship between leader-member exchange and perceived organizational support on employee performance. Within the organization, resources play an essential role in reducing employee stress levels, according to JD-r theory which makes employees more attached to their work and increases their productivity. Resources can be in the form of physical, psychological, or support aspects. The harmonious relationship between superiors and subordinates and organizational support perceived by employees are several forms of resources. The resources received by these employees can create employee motivation to work well. So, microfinance institutions in Bojonegoro need to make good help in the work environment so that employees feel bound and can have a positive attitude in their work.

REFERENCES


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