

Examining the Effect of Work-Life Balance and Work Engagement on Employee Performance: A Study at Bank Syariah Palu, Indonesia

Fauzan Almahdali¹

¹Doctoral Program in Economics, Tadulako University, Palu, Indonesia

Corresponding Author: Fauzan Almahdali E-mail: Almahdali98@gmail.com

ARTICLE INFO	ABSTRAK
Volume: 4 ISSN: 2963-5489	The merger that formed Bank Syariah Indonesia (BSI) has brought new challenges in human resource management, where employee performance is a key factor for success in the Islamic financial sector. This study develops a conceptual framework on the influence of Work-Life Balance (WLB) and Work Engagement (WE) on employee performance, with an empirical focus on BSI Palu. The literature indicates that WLB helps employees balance work and personal life, positively affecting productivity, whereas WE reflects emotional attachment, dedication, and energy that enhance service quality and performance. The proposed model positions WLB and WE as determinants of employee performance, contributing to the literature by extending the Job Demands–Resources Model to Islamic banking. Practically, this suggests that BSI should implement HR policies that strengthen WLB and WE to improve competitiveness and sustainability. This conceptual framework can serve as a foundation for future studies.
KEYWORDS	
Work-Life Balance, Work Engagement, Employee Performance, Islamic Banking	

1. Introduction

The Islamic banking sector in Indonesia has grown rapidly, marked by the merger of three state-owned Islamic banks into Bank Syariah Indonesia (BSI) in 2021. This consolidation made BSI the largest Islamic bank in the country, with initial assets of IDR 245.7 trillion, core capital above IDR 20.4 trillion, approximately 20,094 employees, 1,120 branches, 1,785 ATMs, and more than 14.9 million customers nationwide (BSI Annual Report, 2022). This achievement reinforces BSI's role as a major player in the national financial industry.

The latest report from the Financial Services Authority (OJK) notes that by the end of 2024, the total assets of the national Islamic banking industry will reach IDR 980.30 trillion, growing 9.88% compared to the previous year, with a market share increasing to 7.72% of total national banking assets (OJK, 2024). These data show that although Islamic banking assets continue to grow, their market share remains relatively small. Therefore, strengthening the competitiveness and quality of human resources is an important agenda to support sustainable growth.

The BSI branch in Palu City plays a strategic role in providing Islamic financial services to the people of Central Sulawesi. However, internal reports indicate post-merger challenges, including organizational culture adjustments, increased business targets, and uneven adoption of digital technology by employees. This complexity underscores the importance of human resource management, particularly in maintaining work-life balance, increasing work engagement, and ensuring optimal employee performance amid digital transformation.

The issue of work-life balance (WLB) is becoming increasingly relevant, especially for millennials and Gen Z, who dominate the banking workforce. They often face long working hours, ambitious targets, and the pressure of service digitalization. Clark (2000), through the Work/Family Border Theory, explains that balance is achieved when individuals are able to negotiate the boundaries between the domains of work and personal life. Three main dimensions—time balance, involvement balance, and satisfaction balance—are evident in the banking phenomenon: difficulty in dividing time, emotional exhaustion due to

workload, and an imbalance of satisfaction between work and family. Sayekti and Suhartini (2022) confirm that WLB imbalance negatively impacts employee satisfaction and performance. In addition, Spillover Theory (Staines, 1980) emphasizes that experiences at work can affect personal life, and vice versa, thus reinforcing the urgency of WLB management in the Islamic banking sector.

In addition to WLB, work engagement (WE) is an important factor that affects performance. Schaufeli et al. (2002) define WE as a positive psychological condition characterized by vigor (energy and resilience), dedication (pride and emotional attachment), and absorption (complete immersion in work). The phenomenon at BSI after the merger shows that the cultural integration of three different banks caused some employees to feel less attached to the company's new vision. This is in line with the Job Demands–Resources (JD-R) Model (Bakker & Demerouti, 2007), which emphasizes that engagement increases when job demands are balanced with the availability of organizational resources (job resources) such as training, managerial support, and reward systems.

Employee performance is the result of work in terms of quality and quantity, in accordance with the responsibilities assigned (Mangkunegara, 2010). Robbins and Judge (2019) added that performance is influenced by individual factors (ability and motivation), organizational factors (structure and resources), and psychosocial factors (satisfaction, commitment, and engagement). In Islamic banking, optimal performance is not only related to profitability but also serves as a benchmark for success in maintaining public trust in the Islamic financial system. The phenomenon at BSI Kota Palu highlights real challenges, including high business targets, limited staff numbers in some units, and resistance to the use of digital applications such as PUSAKA and SIMKAH. Several empirical studies support the importance of WLB and WE. Susanto et al. (2022) found that WLB has a positive effect on performance through job satisfaction as a mediator. Anitha (2014) proved that engagement is significantly related to increased performance in logistics employees, while Nugraha (2024) emphasized that WE is a strong predictor of performance in the Indonesian Islamic banking sector.

However, research gaps remain. First, most studies on WLB, WE, and performance focus on the non-Shariah sector; therefore, research in the Islamic banking sector is still limited (Ahmad et al., 2022; Nugraha, 2024). Second, previous studies tend to place job satisfaction or organizational commitment as mediators, while the role of WE as a mediator in the relationship between WLB and performance has rarely been examined (Sultana & Johari, 2023; Pratiwi & Fatoni, 2023). Third, local studies examining the conditions at BSI Palu, particularly in facing the challenges of post-merger digitalization, are almost nonexistent. Recent studies have also highlighted the growing importance of WLB and WE in Islamic contexts (Hasan & Muafi, 2023; Setianingsih & Hendratmi, 2025); however, empirical evidence in Indonesian Islamic banking, particularly at BSI Palu, remains limited. Therefore, this study aims to develop a conceptual framework regarding the influence of Work-Life Balance and Work Engagement on employee performance. The novelty of this study lies in the integration of WLB and WE in the context of Indonesian Islamic banking, particularly BSI Palu, by placing WE as a potential mediating variable in the dynamics of digital transformation and organizational culture change.

2. Theoretical Study

2.1 Work-Life Balance (WLB)

Work-Life Balance (WLB) is defined as an individual's ability to balance the demands of work with personal life so that both can run harmoniously. This concept is rooted in Work/Family Border Theory (Clark, 2000), which asserts that balance is achieved when individuals can manage the boundaries between the domains of work and personal life. Furthermore, this is supported by Spillover Theory (Staines, 1980), which states that positive experiences at work can carry over into home life, and vice versa, so that the quality of balance between domains is crucial to an individual's well-being. Additionally, Greenhouse and Beutell's (1985) work–family conflict theory provides a different perspective by emphasizing that the inability to manage role conflicts reduces employees' psychological well-being and performance.

Operationally, Clark (2000) identifies three main dimensions of WLB, namely time balance (the division of time between work and family), involvement balance (balanced emotional involvement), and satisfaction balance (equal satisfaction from both roles). The phenomenon at BSI Kota Palu shows that employees face serious challenges in maintaining these dimensions. High business targets, long working hours, and the obligation to master digital applications such as PUSAKA and SIMKAH often create tension between work and personal life. This condition supports recent research by Sultana and Johari (2023), which found that WLB has a significant effect on employee performance in the financial sector, as well as a study by Ardiana and Sukarno (2022), which confirms that life balance is a key factor in productivity in Indonesian banking. Thus, WLB can be

seen as an important determinant in explaining employee performance in the Islamic banking sector. Recent research has also shown that WLB in the context of Islamic organizations plays an important role. Hasan and Muafi (2023), in their study of Islamic value-based financial institutions, found that good WLB contributes to increased organizational commitment, especially when supported by Islamic emotional intelligence. These findings reinforce the view that WLB is not only related to the technical aspects of time management but also encompasses Islamic spiritual and work culture values that are relevant to Islamic banking.

2.2 Work Engagement (WE)

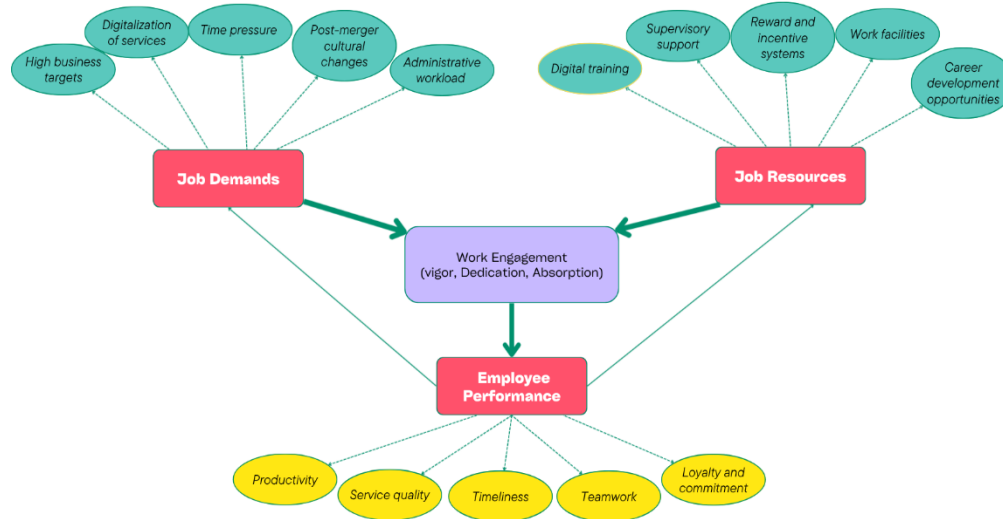
Work Engagement (WE) is an important concept in organizational psychology that describes a positive, enthusiastic, and performance-oriented state. Schaufeli (2002) defined engagement as a positive mental state characterized by three dimensions: vigor, dedication, and absorption. Vigor reflects energy, resilience, and the desire to work hard; dedication describes emotional attachment, enthusiasm, and pride in one's work; and absorption indicates a state in which individuals are completely immersed in their work to the point that it is difficult to detach themselves.

Theoretically, WE can be explained using several broad frameworks. First, the Job Demands–Resources (JD-R) Model (Bakker & Demerouti, 2007) asserts that engagement is influenced by the balance between job demands and resources. If demands are too high without adequate resources, engagement decreases; conversely, when organizations provide support, such as training, effective supervision, and recognition, engagement increases. Second, Hobfoll's (1989) Conservation of Resources (COR) theory states that individuals strive to maintain, protect, and develop their resources. In the context of work, engagement is created when employees can conserve their energy, time, and motivation. Third, Luthans' (2002) Positive Organizational Behavior perspective emphasizes that engagement is a positive psychological force that organizations can manage and develop to drive superior performance. In recent developments, Setianingsih & Hendratmi (2025) found that Islamic leadership has a significant effect on WLB and the performance of Generation Z, with WE acting as the main connector. This finding confirms the relevance of engagement not only in the context of conventional organizations but also in Islamic value-based organizations. For BSI, where the majority of employees are millennials and Gen Z, the results of this study reinforce the urgency of managing WE as a key variable for maintaining employee performance.

The phenomenon at BSI Kota Palu demonstrates the relevance of this concept. After the merger, employees faced changes in the organizational culture, higher business targets, and demands for service digitalization. Some employees were able to show high vigor with a spirit of adaptation, while others experienced a decline in motivation due to uncertainty and pressure. This condition is in line with the JD-R Model, where engagement can only be maintained if job demands are balanced with adequate job resources.

Recent research has reinforced this argument. Ahmad et al. (2022) found that engagement is positively related to performance in the Malaysian Islamic banking sector. Nugraha (2024) confirms engagement as a significant predictor of performance in Indonesian Islamic banks, while according to Humaini et al. (2023), engagement affects job satisfaction and performance in Islamic philanthropic institutions. Thus, WE can be seen as a key factor that bridges work demands and improved employee performance, particularly in the context of Islamic banking. Attached is also a flow chart of the Application of the Job Demands–Resources (JD-R) Model in the Context of BSI Palu, as shown in Figure 2.

Application of the Job Demands–Resources (JD-R) Model in the Context of BSI Palu



Based on the image above, the use of the Job Demands–Resources (JD-R) Model emphasizes that work is influenced by two main factors: job demands and job resources. Job demands include those that drain physical and psychological energy, such as high business targets, service digitization, time pressure, post-merger cultural changes, and administrative burdens at BSI Palu. Conversely, job resources are organizational support, reward systems, work facilities, career development opportunities, and digital training that can increase workers' engagement. Work engagement, characterized by vigor, dedication, and absorption, is an important mechanism that connects job demands and resources with employee performance. High engagement drives productivity, service quality, timeliness, teamwork and loyalty. Thus, the balance between work demands and resources greatly determines employee engagement and performance at the BSI Palu branch.

2.3 Employee performance

Employee performance refers to the quality and quantity of work accomplished by individuals according to their responsibilities. According to Mangkunegara (2010), performance is reflected in work achievements assessed through productivity and behavior, while Robbins and Judge (2019) view it as the outcome of interactions between individual, organizational, and psychosocial factors. Theoretically, Barney's (1991) Resource-Based View highlights human resources as a key driver of organizational performance, whereas Locke and Latham's (1990) Goal Setting Theory emphasizes the role of clear and challenging goals in enhancing performance. Operationally, performance can be measured by dimensions such as work quality, quantity, timeliness, cooperation, and initiative (Mangkunegara 2010). In practice, the BSI Palu case illustrates that despite the availability of digital technology, limited digital literacy among some employees has led to less optimal customer service. Strict fundraising and financing targets often cause psychological pressure that affects service quality. This condition is consistent with the RBV view that human resources are the main assets that determine organizational performance. Recent research supports this hypothesis. Rathi and Islam (2024) found that WLB and job satisfaction are important predictors of performance in the banking sector, whereas Pratiwi and Fatoni (2023) showed that WLB and WE can simultaneously improve performance through increased motivation and job satisfaction. Thus, employee performance at BSI can be understood as the result of the interaction between work-life balance, work engagement, and complex organizational demands.

2.4 Conceptual Framework

The conceptual framework of this study not only proposes a direct relationship between Work-Life Balance (WLB) and Work Engagement (WE) on Employee Performance, but also opens up the possibility of an indirect relationship. Theoretically, good WLB allows employees to manage the demands of work and personal life in a balanced manner, so that employees' psychological and physical energy is better maintained. According to Spillover Theory (Staines, 1980), positive conditions in one's personal life can carry over into the work environment, ultimately increasing work engagement. In other words, WLB can encourage increased WE. Furthermore, based on the Job Demands–Resources Model (Bakker & Demerouti, 2007), high engagement drives performance through increased vigor, dedication, and absorption. The phenomenon at BSI Kota Palu shows that employees who can balance their work life tend to be more enthusiastic, focused, and committed to their work. In addition to the direct relationship, there are strong academic reasons to propose that WE can act as a mediating mechanism between work-life balance and employee performance.

Work-life balance is considered an important factor that affects employee performance. Based on Clark's Work/Family Border Theory (2000) and Staines' Spillover Theory (1980), individuals who are able to maintain a balance between work and personal life will avoid excessive work stress, thereby enabling them to perform optimally. In the context of BSI Palu, the phenomenon of employees facing long working hours, high targets, and the obligation to master digital applications shows that the inability to manage balance can reduce performance. Conversely, employees who are able to maintain time balance, involvement balance, and satisfaction balance are more likely to make a positive contribution to the achievement of organizational targets. Thus, conceptually, the better the WLB felt by employees, the higher the performance produced.

In addition, Work Engagement plays an important role in influencing performance. Based on Bakker and Demerouti's Job Demands–Resources (JD-R) model and Demerouti (2007) and Hobfoll's Conservation of Resources Theory (1989), engagement arises when employees have sufficient resources to deal with job demands. Engaged employees are characterized by vigor (high enthusiasm), dedication (pride and emotional attachment), and absorption (immersion in work). The phenomenon at BSI Palu shows variations in engagement: some employees feel proud to be part of the largest Islamic bank, while others experience a decline in motivation due to high target pressure and limited organizational support. Nugraha (2024) also confirms that engagement is a significant predictor of employee performance in the Islamic banking sector. Thus, conceptually, it can be formulated that the higher the level of Work Engagement, the better the employee performance. Several of these theoretical studies are listed in Table 1.

Table 1. Theoretical basis, main concepts, and relevance to WLB, WE, and performance

Theory	Main Concept	Relevance in Research
Work/Family Border Theory (Clark, 2000)	Individuals need to maintain boundaries between work and personal roles to prevent interference.	Good WLB prevents excessive work stress → enhances performance.
Spillover Theory (Staines, 1980)	Positive/negative conditions in one domain (family/personal life) can spill over into another domain (work).	Balanced WLB → positive energy transferred to work → improves engagement & performance.
Job Demands–Resources Model (Bakker & Demerouti, 2007)	A balance between job demands and job resources fosters work engagement.	WE acts as an important mediator between WLB and performance.
Conservation of Resources Theory (Hobfoll, 1989)	Individuals strive to acquire, retain, and protect resources; resource loss reduces motivation.	Engagement arises when employees feel sufficient resources → enhances performance.

Based on this description, the conceptual framework in this article proposes a direct relationship between WLB and WE on Employee Performance. The conceptual model is shown in Figure 2.

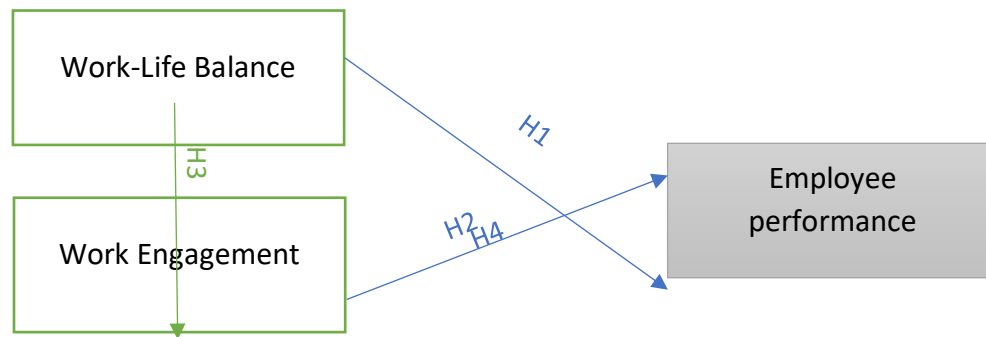


Figure 2. Conceptual framework

Using this conceptual framework, it is clear that improving employee performance at BSI Palu is not solely determined by strengthening technical capacity or achieving business targets but also by organizational policies that support work-life balance and strengthen employee engagement. Moreover, this framework not only emphasizes the direct relationship between variables but also offers a new contribution in the form of the possible mediating role of WE in bridging the influence of WLB on performance. This perspective opens up opportunities for future empirical research to test the validity of the model while expanding the human resource management literature in the Islamic banking sector.

3. Theoretical and Practical Implications

3.1 Theoretical Implications

This conceptual article contributes to the development of human resource management literature in the context of Islamic banking. First, this study reinforces the relevance of Work/Family Border Theory (Clark, 2000), Spillover Theory (Staines, 1980), and Work-Family Conflict Theory (Greenhaus & Beutell, 1985) in explaining how work-life balance can affect employee performance. The conceptual findings at BSI Palu indicate that role imbalance leads to decreased performance, thus supporting the theory that WLB is an important determinant of productivity.

Second, this study expands on Bakker and Demerouti's (2007) Job Demands–Resources (JD-R) Model and Hobfoll's (1989) Conservation of Resources Theory by emphasizing the importance of job resources, such as organizational support, training, and recognition, in strengthening engagement. The post-merger phenomenon at BSI provides conceptual evidence that engagement is influenced not only by job demands but also by organizational culture and technological adaptation.

Third, this study supports Barney's (1991) Resource-Based View (RBV) by placing human resources as strategic assets that can create sustainable competitive advantage. The integration of WLB and WE in this conceptual model shows that employee performance depends not only on technical abilities but also on psychosocial aspects that shape organizational sustainability. Thus, this study offers a new contribution by integrating classical theory with contemporary phenomena in the Islamic banking sector, as well as opening up opportunities for future empirical research to test the mediating and moderating roles.

3.2 Practical Implications

In practical terms, this study provides strategic guidance for the management of Bank Syariah Indonesia, particularly in Palu. First, in terms of work-life balance, management must provide policies that support employees' work-life balance. Flexible working arrangements, family leave, and counseling services can help reduce role conflict and increase satisfaction. This policy is in line with BSI's efforts to improve its employer branding as a modern Islamic bank that cares about its employees' welfare.

Second, in terms of Work Engagement, organizations need to strengthen job resources through digital training, career development, mentoring, and recognition of work achievements. BSI employees in Palu face the demands of technology adoption after the merger; therefore, intensive training will increase their vigor and absorption. Meanwhile, giving recognition and space for participation in decision-making increases dedication and loyalty to the organization.

Third, the practical implications for employee performance are that improvements in WLB and WE directly contribute to improvements in service quality, productivity, and employee retention. In the long term, this will increase customer satisfaction, strengthen BSI's image as a leading Islamic bank, and support Indonesia's vision of becoming a global center for Islamic economics and finance. Furthermore, the implications of this conceptual model are relevant for regulators and policymakers, such as the Financial Services Authority (OJK) and the Ministry of State-Owned Enterprises. Public policy support for work-life balance and engagement programs in Islamic banks will strengthen the competitiveness of the Islamic finance industry. Thus, this study provides recommendations for BSI's internal management and the development of the Islamic economic ecosystem in Indonesia.

4. Conclusion

This conceptual article examines the influence of Work-Life Balance (WLB) and Work Engagement (WE) on employee performance at Bank Syariah Indonesia (BSI) in Palu City. Based on theoretical studies and empirical phenomena, it can be concluded that WLB plays an important role in maintaining harmony between work demands and personal life. This balance increases employee satisfaction, reduces role conflicts, and encourages work productivity. Conversely, WE, characterized by vigor, dedication, and absorption, is a psychological force that can strengthen motivation, loyalty, and the quality of employee performance.

Theoretically, this study reinforces the relevance of Work/Family Border Theory, Spillover Theory, Work-Family Conflict Theory, Job Demands–Resources Model, Conservation of Resources Theory, and Resource-Based View in explaining the relationship between WLB, WE, and performance. The main contribution of this study lies in the integration of a conceptual model that emphasizes not only direct relationships but also potential indirect relationships in which WE can act as a mediator between WLB and performance. This model is novel because it differs from many previous studies that more often emphasize job satisfaction or organizational commitment as mediators.

In the future, empirical research is needed to test this conceptual model using quantitative approaches, including regression analysis and SEM-PLS. Further research could expand the model by incorporating other mediating or moderating variables, such as job satisfaction, organizational commitment, and organizational support. Thus, this study is expected to enrich the human resource management literature and contribute to strengthening the competitiveness of Islamic banking in Indonesia.

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