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Work-Life Balance, Employee Engagement, and Well-Being: Their Effect on Employee Performance in Rural Banking

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Abstract

This empirical study models the impact of work-life balance, employee engagement, and employee well-being on employee performance at BPR Asabahana Sejahtera, a rural banking institution in Pati, Central Java. Using a quantitative, descriptive, and causal framework, a census was conducted covering the entire population of 35 employees. Primary data were obtained through a structured questionnaire employing a 10-point Likert scale. For the structural model assessment, Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed using SmartPLS 4, which systematically combines external and internal model validation with bootstrap-based hypothesis testing. The results indicate that work-life balance (t = 2.139, p = 0.033), employee engagement (t = 1.978, p = 0.048), and employee well-being (t = 2.447, p = 0.015) each exert a positive and statistically significant effect on employee performance. Overall, these three predictors explain 82.8% of the variance in employee performance *(R^2 = 0.828; adjusted R^2 = 0.811), while the model demonstrates a good fit, as indicated by an SRMR value of 0.062. These result suggest that work-life balance, employee engagement, and employee well-being must be addressed simultaneously—rather than separately—to improve employee performance in rural banking institutions.*

Keywords: Work-Life Balance, Employee Engagement, Employee Well-Being, Employee Performance

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INTRODUCTION

Within the contemporary banking ecosystem, institutional survival relies heavily on the quality of daily operations. Strategic management of human capital is a critical determinant in driving a financial institution's capacity to achieve its goals. Empirical evidence demonstrates that strengthening internal frameworks and aligning staff roles simultaneously drive broader corporate achievements Nurlaila et al., (2024). When banking institutions effectively manage their operational climate, they directly minimize productivity deficits while ensuring high precision, strict timeliness, and systemic self-sufficiency. Therefore, bridging corporate mandates with operational support remains a foundational requirement for sustainable banking governance.

The increasingly dynamic and competitive business landscape requires organizations to strengthen their internal capabilities, particularly in managing human resources. Employees are no longer viewed solely as operational resources but as strategic assets whose knowledge, skills, and commitment contribute directly to organizational effectiveness. Consequently, Human Resource Management (HRM) plays a fundamental role in aligning employee potential with organizational goals through effective workforce management practices. In addition to delivering high-quality products and services, organizations must foster a work environment that enables employees to perform optimally. Effective human resource management not only improves individual performance but also enhances organizational productivity, service quality, and long-term sustainability.

BPR Asabahana Sejahtera, as a financial services provider, faces similar challenges in its efforts to maintain competitiveness and provide optimal service to the public. Based on the company’s income statement, operating revenue in March 2026 decreased by 16.12% relative to the previous period. The current condition indicates a decrease in the company’s performance that requires serious attention, as it has the potential to hinder the achievement of organizational goals. Therefore, The company should strengthen its human resource management as a key factor in improving overall company performance.

Employee performance represents one of the key indicators of organizational effectiveness because it reflects how successfully employees accomplish their assigned duties and contribute to organizational objectives. In the banking sector, maintaining high levels of employee performance is particularly important due to the industry's reliance on accuracy, efficiency, discipline, and excellent customer service. Achieving these standards requires organizations to pay close attention not only to employees' technical

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competencies but also to psychological well-being and workplace conditions, as both factors can substantially influence employees' ability to perform consistently and effectively.

The equilibrium between professional and personal life is heavily cited as a key predictor of staff productivity. This relies on the workforce's capability to balance corporate responsibilities and family or personal life effectively. Workers who successfully manage these boundaries tend to handle dual obligations with minimal friction, which structurally drives higher job satisfaction and better output levels (Pratama et al., 2025). Recent studies conducted by Maulani et al. (2025), Nurmala and Yusuf (2025), alongside Pratama et al. (2025) confirm that a well-maintained personal-professional synergy significantly boosts individual performance. Conversely, this premise faces empirical contradictions; a study by Afry et al. (2024) indicated that such equilibrium does not necessarily trigger a meaningful shift in personnel achievements. These conflicting academic results demonstrate that how these two domains interact remains a critical gap that requires deeper scientific exploration.

An organization’s ability to optimize individual performance is closely linked to employee engangement levels. According to Utoyo et al., (2024), high engagement reflects a state in which employees exhibit strong enthusiasm and emotional commitment, which in turn boosts productivity and work motivation. Various recent studies, including those conducted by Utoyo et al., (2024), Firdausi and Wajdi(2024), and Pangestu and Ardiana(2024), demonstrate that such psychological engagement serves as a positive determinant of overall performance. However, conflicting evidence presented by Haedar et al. (2021) suggests that engagement does not always result in significant changes in performance. This statistical inconsistency provides a rationale for continued scientific research into how these variables interact with one another.

Employee well-being is the next component believed to influence employee performance. According to Titania and Andjarwati(2024), employee well-being refers to the physical, psychological, emotional, and social well-being experienced by a worker, enabling them to perform their job to the best of their ability. Employees who feel comfortable at work tend to have higher motivation, work enthusiasm, and productivity compared to those who do not. Studies conducted by Titania and Andjarwati (2024), Manik et al. (2025), and Lestari et al. (2025) demonstrate that employees who experience higher levels of well-being tend to achieve better performance outcomes. Despite these positive findings, the existing literature does not present a consistent conclusion. Ramayanis et al. (2025) reported that employee well-being was not a significant predictor

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of employee performance, suggesting that its influence may vary across organizational environments. This inconsistency implies that the effect of employee well-being on employee performance remains inconclusive. Therefore, additional empirical studies conducted in different organizational contexts are needed to clarify the nature of this relationship.

The decline in the company's operating revenue, together with the inconsistent conclusions reported in previous empirical studies concerning the relationships between work-life balance, employee engagement, employee well-being, and employee performance, underscores the importance of conducting further investigation Considering the inconsistencies identified in previous studies, this research investigates the effects of work-life balance, employee engagement, and employee well-being on employee performance at BPR Asabahana Sejahtera. The findings are expected to broaden the existing body of knowledge in human resource management while providing practical insights that can support the organization in developing more effective strategies to enhance employee performance.

Objectives

This study aims to:

1. To evaluate the extent to which work-life balance alters the job outcomes of BPR Asabahana Sejahtera's workforce
2. To investigate the extent to which employee performance at BPR Asabahana Sejahtera is driven by employee engagement.
3. To investigate the degree to which employee well-being determines overall employee performance.
4. To analyze how employee performance at BPR Asabahana Sejahtera is concurrently shaped by work-life balance, employee engagement, and employee well-being.

LITERATURE REVIEW

Work-Life Balance

Work-life balance extends beyond the effective allocation of time between work and personal activities. Instead, it represents an individual's capacity to establish and maintain healthy boundaries between occupational responsibilities and private life, allowing both domains to coexist without persistent interference (Pratama et al., 2025). Employees who successfully achieve this balance are less likely to experience role

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conflict, which in turn enhances job satisfaction and contributes to stronger performance outcomes.

Employee Engagement

Rather than merely signifying the performance of assigned tasks, employee engagement represents a deep psychological commitment in which individuals channel their energy, dedication, and systematic involvement toward the organization's broader goals (Utoyo et al., 2024). This phenomenon goes beyond mere physical presence; rather, it manifests as voluntary, systematically directed efforts to strengthen the institution's success. Consequently, employees who exhibit high levels of engagement are structurally characterized by increased proactive initiative, strong operational accountability, and clear alignment of their behavior with the company's overall goals.

Employee Well-Being

Employee well-being encompasses a broader range of factors than just physical health; it includes an employee's psychological stability, emotional comfort, and social connectedness in the workplace—all of which collectively shape their ability to work effectively Titania & Andjarwati(2024). This concept goes beyond mere physical health to include emotional security, the quality of workplace relationships, and an individual's ability to manage work-related stress. Employees with greater well-being tend to demonstrate sharper focus, sustained motivation, and more effective stress management.

RESEARCH HYPOTHESES

To address the theoretical gaps and investigate the operational decline at BPR Asabahana Sejahtera, this study evaluates the following hypotheses:

1. H.1: Incremental improvements in work-life balance systematically yield positive and significant advancements in employee performance..
2. H.2: Incremental improvements in employee engagement systematically yield positive and significant advancements in employee performance.
3. H.3: Incremental improvements in employee well-being systematically yield positive and significant advancements in employee performance.
4. H.4: Concurrently, the joint integration of work-life balance, employee engagement, and employee well-being systematically yields positive and significant advancements in collective employee performance.

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RESEARCH METHOD

Centering on BPR Asabahana Sejahtera, this inquiry involved the entire workforce of 35 individuals as active participants. A census approach was deliberately selected due to the compact scale of the organization, thereby ensuring total population coverage and neutralizing potential sampling bias. Methodologically, the study operated within a quantitative framework, utilizing descriptive and causal research designs to map respondent profiles while evaluating the structural dependencies among variables. Primary data collection relied on a structured questionnaire designed around a 10-point Likert scale framework, where work-life balance (X1), employee engagement (X2), and employee well-being (X3) were specified as the exogenous predictors, whereas employee performance (Y) constituted the definitive endogenous variable. To execute data analysis, Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4 was implemented due to its capability to simultaneously evaluate the structural and measurement pathways. The initial phase focused on verifying the instrument's adequacy through measurement model validation, which encompassed construct reliability alongside discriminant and convergent validity tests. Subsequently, after establishing satisfactory outer model quality, the structural framework was analyzed by determining the coefficient of determination (R2) and validating the proposed hypotheses via a standard bootstrapping procedure. Final statistical significance for each pathway was determined by assessing the p-values, t-statistics, and path coefficients.

DISCUSSION

To confirm convergent validity, the evaluation relied on checking both the Average Variance Extracted (AVE) and outer loadings based on the criteria established by Hair et al. (2021), which requires indicator loadings higher than 0.70 and AVE values surpassing the 0.50 cutoff. The empirical measurement model in this study successfully satisfied these statistical benchmarks, confirming the adequacy of all research instruments.

Table 1. Convergent Validity

Variable	Indicator	*Outer Loading*	AVE
Employee Engagement	EE1	0,902	0,819
	EE2	0,930	
	EE3	0,923	

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	EE4	0,864	
Employee Performance	EP1	0,926	0,860
	EP2	0,923	
	EP3	0,924	
Well Being	WB1	0,921	0,832
	WB2	0,904	
	WB3	0,906	
	WB4	0,918	
Work Life Balance	WLB1	0,905	0,818
	WLB2	0,865	
	WLB3	0,924	
	WLB4	0,922	

Source: SmartPLS Output (2026)

Hair et al. (2021) set the bar at 0.70 for outer loadings and 0.50 for AVE. Every indicator in this study cleared both — outer loadings varied from 0.864 to 0.933, and AVE values fell between 0.818 and 0.860 confirming that the constructs were measured with adequate precision.

Table 2. Reliability

Construct	Cronbach's A	Composite R	Dec
Employee Engagement	0,926	0,948	*Reliable*
Employee Performance	0,919	0,949	*Reliable*
Well Being	0,933	0,952	*Reliable*
Work Life Balance	0,926	0,947	*Reliable*

Source: SmartPLS Output (2026)

To establish reliability, Cronbach's Alpha(cho_a) was checked first, followed by the computation of Composite Reliability (CR). Every latent variable satisfied the necessary quality parameters since both diagnostic metrics independently exceeded the 0.70 benchmark.

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Table 3. Coefficient of Determination (R2)

Dependent Variable	R-square	R-square adjusted
Employee Performance	0,828	0,811

Source: SmartPLS Output (2026)

Table 3 consolidates the measurement model results, confirming that all constructs possess strong reliability and validity. The adequacy is proven by Cronbach's Alpha and Composite Reliability values exceeding the 0.70 threshold. Furthermore, convergent validity is satisfied as every outer loading is above 0.70 and all Average Variance Extracted (AVE) metrics surpass the 0.50 requirement.

Table 4. Effect sizes (f^2)

Relationship	*f-square*
Employee Engagement - Employee Performance	0,183
Well Being - Employee Performance	0,239
Work-Life Balance - Employee Performance	0,249

Source: SmartPLS Output (2026)

The analysis revealed moderate effect sizes (f^2) for all relationships, with values of 0.183 for Employee Engagement, 0.239 for Employee Well-being, and 0.249 for Work-Life Balance in predicting Employee Performance.

Table 5. Model Fit (SRMR)

Indicator	Saturated Model	Estimated model
SRMR	0,062	0,062
d_ULS	0,467	0,467
d_G	0,875	0,875
Chi-Squere	147,211	147,211
NFI	0,772	0,772

Source: SmartPLS Output (2026)

The resulting model shows a good level of fit with the empirical data, as indicated by an SRMR value of 0.062 < 0.10.

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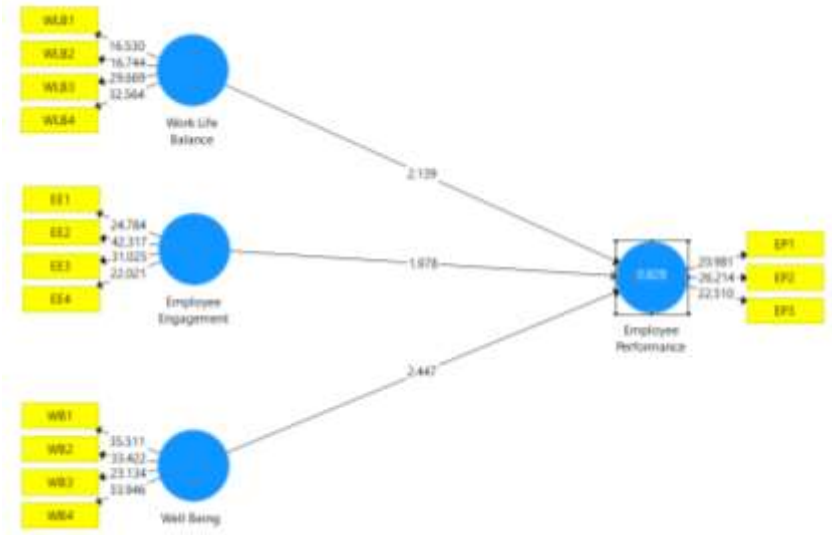
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Table 6. Hypothesis Result

Hypothesis	*T statistics*	*P Values*	*Dec*
Employee Engagement → Employee Performance	1,978	0,048	*Accepted*
Well Being → Employee Performance	2,447	0,015	*Accepted*
Work Life Balance → Employee Performance	2,139	0,033	*Accepted*

Source: SmartPLS Output (2026)

Statistical validation confirms that each structural path in the model yields a positive and significant coefficient ($p < 0.05$; $t > 1.96$), thereby providing a strong basis for accepting all of the formulated hypotheses. Through this bootstrapping procedure, the model clearly maps the interrelated dynamics that govern the research variables.



Source: SmartPLS Output (2026)

Figure 4.1 : Bootstrapping Test Results

Work Life Balance on Employee Performance

The empirical data validates H1, highlighting that employee execution functions are heavily upgraded by sustainable work-life balance integration ($t = 2.139$; $p = 0.033$).

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Within this structural framework, this specific predictor established the most dominant presence, yielding a substantial effect size ($f^2 = 0.249$), indicating that it contributed more substantially to employee performance than the other predictors. This finding suggests that employees who are able to balance work-related responsibilities with their personal lives are more likely to maintain concentration, manage work demands effectively, and perform their duties with greater consistency. A balanced work environment also helps alleviate work-related pressure, allowing employees to remain productive while sustaining their overall well-being.

Engagement on Employee Performance

Regarding H2, the model yielded a *p-value* of 0.048. Concurrently, the bootstrapping framework recorded a *t*-statistic of 1.978. Because both empirical metrics cross the standardized significance cutoffs, the positive contribution of employee engagement toward employee performance is confirmed. This statistical output is further backed by an effect size (f^2) of 0.183, which denotes a meaningful contribution within the structural model. In a practical context, this finding implies that when personnel demonstrate deep psychological alignment and enthusiasm toward their duties, their operational productivity increases correspondingly.

Employee Well-Being on Employee Performance

The empirical results provide support for H3, indicating that employee well-being has a positive and statistically significant influence on employee performance (*t*-statistic = 2.447; *p-value* = 0.015)—the strongest significance among the three partial hypotheses, so H3 is accepted. The f^2 *value* of 0.239 confirms that well-being is one of the strongest predictors in this model. Employees who experience good physical and psychological well-being are more likely to remain focused and perform productively.

Simultaneous Effects on Employee Performance

The structural model exhibited strong predictive capability, supporting H4 and confirming that work-life balance, employee engagement, and employee well-being jointly influence employee performance, with an R^2 value of 0.828 (adjusted $R^2 = 0.811$), thus H4 is accepted. These findings indicate that these three variables explain 82.8% of the variation in employee performance—a very strong explanatory power—the remaining 17.2% of the variance may be associated with other organizational factors that were not incorporated into the present model, including compensation, leadership practices, and

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organizational culture. In addition, the SRMR value of 0.062 confirms that the proposed structural model achieved an acceptable level of model fit, indicating good consistency between the estimated model and the observed data.

Based on the effect size (f^2), work-life balance contributes the most to employee performance (f^2 = 0.249), followed by employee wellbeing (f^2 = 0.239) and employee engagement (f^2 = 0.183). These three variables fall into the moderate-to-strong influence category, with worklife balance and employee wellbeing standing out as the two most dominant predictors in this model. In the context of BPR Asabahana Sejahtera, these findings suggest that efforts to improve employee performance will be more effective if the company prioritizes policies that enhance work-life balance and employee well being, without neglecting the need to strengthen employees' commitment to the organization.

These findings confirm that improving employee performance requires a comprehensive approach that addresses all three dimensions simultaneously.

CONCLUSION

All four hypotheses were accepted. Wor klife balance (t = 2.139, p = 0.033), employee engagement (t = 1.978, p = 0.048), and employee well being (t = 2.447, p = 0.015) each positively and significantly influence employee performance at BPR Asabahana Sejahtera. Collectively, Taken together, work-life balance, employee engagement, and employee well-being account for explain 82.8% of the variation in performance (R^2 = 0.828, H4 accepted)—a strong explanatory result that confirms that no single factor is sufficient on its own. Among these three variables, work-life balance had the largest effect size (f^2 = 0.249), followed by employee well-being (f^2 = 0.239) and employee engagement (f^2 = 0.183). This study was limited to a single rural banking institution with 35 employees, which restricts its generalizability; future research should replicate this model across various rural banking institutions (BPR) with larger samples and consider mediating variables such as job satisfaction.

BPR Asabahana Sejahtera should treat work-life balance, employee engagement, and employee well being not as separate HR programs, but as integrated management priorities. In practical terms, this means setting proportional workloads, creating open lines of communication that strengthen employee commitment, and maintaining a physically and psychologically safe work environment. Companies that invest in all three aspects simultaneously will be in a better position to sustain productivity, service quality, and organizational performance in the long term.

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