

Leadership Styles in Improving Employee Work Motivation in Islamic Banks in Indonesia a Systematic Literature Review

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Article History:

Received: January 10, 2025

Revised: November 16, 2025

Accepted: November 17, 2025

Keywords:

Leadership Style, Transformational Leadership, Motivation, Islamic Bank.

How to Cite

Putri, N. R. ., Fauzobihi, & Ilham, W. . (2026). The Influence of Job Demand on the Performance of Generation Z Employees at PT XYZ Indonesia. *ITQAN: Journal of Islamic Economics, Management, and Finance*, 5(1), 46–54. Retrieved from <https://journal.itqanpreneurs.com/index.php/itqan/article/view/132>

Abstract: *Leadership style plays a crucial role in shaping employee work motivation, including in the Islamic banking sector. This study aims to identify and analyze leadership styles and their implications for employee work motivation. This study employed a qualitative method with a systematic literature review approach. This study employed a systematic literature review to examine previous studies on leadership and work motivation in the Islamic banking context. This study found that transformational and participatory leadership styles tend to have a more positive impact on employee work motivation than autocratic or laissez-faire leadership styles. Then, transformational leadership styles encourage employee commitment to the organization's vision and improve performance through inspiration and empowerment. Meanwhile, participatory styles involve employees in decision-making, enhancing a sense of belonging and intrinsic motivation. These research findings should concern managers in Islamic banks and prompt them to adopt a leadership approach that supports employee productivity, satisfaction, and well-being. They also emphasize the importance of adapting leadership styles to organizational characteristics and employee needs to create a more effective, conducive work environment.*

Introduction

The growth of Islamic banking in Indonesia is in line with the development of leadership patterns (Sari & Fasa, 2023). Then, Ismulyaty et al., (2022) stated that transformational and transactional leadership styles dominate. Then, a participatory style is gaining traction. However, implementing leadership styles too quickly without considering organizational culture often generates resistance. Ultimately, a slow approach can hinder innovation and target achievement (Harmendi et al., 2021).

Leadership style refers to the behavioral patterns a leader uses to influence, direct, and motivate subordinates (Widodo et al., 2018). In Islamic banks, according to Zin et al. (2023), Islamic values such as justice, togetherness, and honesty have become the primary foundation in determining the leadership approach. This is supported by Safria's (2022) opinion that Islamic banks require motivated employees to compete in the banking industry. Then, (Syaiyid et al., 2023) also explain that internal factors, such as self-confidence and job satisfaction, determine work motivation. Besides that, work motivation is determined by external factors, such as appreciation and support from leaders.

Improving employee motivation in Islamic banks is urgent to address the challenges posed by an increasingly competitive banking industry (Sulaeman & Sugiarto, 2024).

Additionally, employee motivation also becomes a crucial foundation for organizational success because it directly impacts productivity, loyalty, and the quality of service provided to customers (Zin et al., 2023). So, Islamic banks, which operate according to Islamic principles, require employees who are not only technically competent but also highly committed to the company's vision and mission (Ayuningtyas et al., 2024).

A dynamic, frequently changing work environment requires leaders to create a conducive environment (Noor & Mulyono, 2020). Leaders need to understand employees' needs, especially those related to professional and emotional well-being, and also provide the necessary support to maintain their work morale (Umpung et al., 2020). With the right approach, leaders can build employee trust and satisfaction, ultimately increasing their engagement in achieving organizational goals. This is even more crucial in Islamic banking, where the values of togetherness and fairness are at the heart of the work culture (Pratiwi & Manafe, 2022).

Conversely, ineffective leadership can have negative implications. Yasa & Dewi (2018) stated that a leader's inability to motivate and direct employees can also lead to job dissatisfaction and high turnover. Besides that, high employee turnover can increase recruitment and training costs and also disrupt team stability and customer relationships. Furthermore, low productivity due to a lack of work motivation can hinder the achievement of business targets and weaken a company's competitiveness in the market (Anwar et al., 2023).

In the long term, Suryawan & Salsabilla (2022) explain how high turnover rates can undermine Islamic banks' reputation as attractive workplaces and weaken their competitiveness in the banking sector. Therefore, leaders in Islamic banks have a crucial role to play in integrating adaptive leadership styles aligned with Islamic values to foster sustainable work motivation. This approach not only helps organizations retain quality employees but also creates a more decisive competitive advantage in an ever-evolving market.

Method

This study used a Systematic Literature Review (SLR) approach to analyze the relationship between leadership style and employee work motivation in Islamic banks. Data were collected from relevant journal articles published between 2010 and 2023. The primary data sources are journal articles. The focus of data collection was studies discussing leadership style and work motivation, particularly in the context of Islamic banking. The selected articles underwent a rigorous selection process based on topic relevance, methodological quality, and relevance to the research objectives. The inclusion criteria included articles discussing leadership styles, such as transformational, transactional, participatory, and laissez-faire, as well as work motivation in the context of Islamic banks. Articles irrelevant to Islamic banking or solely discussing theory without empirical data were excluded from the analysis.

Article selection was conducted in several stages, that is, title and abstract screening to assess eligibility. Then, a complete content evaluation for articles that passed the initial screening was conducted, followed by a quality assessment based on methodology, data validity, and the relevance of the findings. Data analysis was conducted using thematic coding and narrative synthesis methods. Then, each article was coded according to key themes,

including transformational, transactional, participative, and laissez-faire leadership styles. The coding results were then summarized narratively to identify trends, patterns, and relationships between leadership styles and employee motivation. This approach enabled researchers to obtain a comprehensive overview of leadership style implementation in Islamic banks and their implications for employee motivation.

Result and Discussion

Transformational Leadership

Transformational leadership is a strategic approach that prioritizes individual development and the achievement of a long-term vision. Then, in this style, leaders act as managers, overseeing routine tasks, and as change agents, inspiring employees to transcend their personal and professional boundaries. In this approach, leaders focus on building deep relationships with employees, providing strong motivational support, and fostering a collective work ethic (Sulaeman & Sugiarto, 2024).

One of the key strengths of transformational leadership is a leader's ability to communicate a vision and motivate employees clearly. Transformational leaders can also provide direction and empower employees by encouraging innovation, initiative, and professional growth. This approach creates an inspiring work environment where each individual feels that their contribution has a significant impact on the organization.

Dalam konteks bank syariah, kepemimpinan transformasional sangat relevan karena mampu mengintegrasikan nilai-nilai Islami seperti keadilan, kebersamaan, dan tanggung jawab dalam upaya mencapai tujuan organisasi. Nilai-nilai ini menjadi dasar dalam membangun hubungan yang harmonis antara pemimpin dan karyawan, serta menciptakan budaya kerja yang sejalan dengan prinsip syariah. Pemimpin transformasional di bank syariah dapat memanfaatkan nilai-nilai ini untuk menginspirasi karyawan bekerja dengan integritas, memberikan layanan terbaik kepada nasabah, dan berkontribusi pada keberlanjutan organisasi (Nisyak & Triyonowati, 2016).

Research Nugroho (2018) shows that transformational leaders have a significant impact on employee loyalty. By paying attention to individual needs and encouraging their development, these leaders increase employee trust and job satisfaction. High loyalty also correlates with increased productivity, as motivated employees tend to work harder and be more creative in solving organizational challenges (Bariroh et al., 2025).

Furthermore, a transformational leadership style fosters the innovation the Islamic banking industry needs. By creating an environment conducive to learning and growth, transformational leaders help organizations adapt to market changes and meet customer needs more effectively. This positive impact is sustainable, as organizations achieve short-term results while also strengthening the foundation for long-term growth (Jaya, 2022).

Participative Leadership Style

A participative leadership style involves employees in decision-making. This allows them to feel they have a significant contribution to the organization's success. This approach creates an inclusive work environment where employees feel heard and valued. The resulting sense of ownership increases intrinsic motivation, as employees feel that their opinions and ideas have a real impact.

In the Islamic banking workplace, a participatory style is becoming increasingly relevant because it aligns with the values of togetherness and deliberation. By increasing

engagement, this style also encourages collective learning and creates more harmonious working relationships between leaders and subordinates. As a result, organizations can achieve better results through close collaboration.

Transactional Leadership Style

Transactional leadership emphasizes the exchange of rewards and punishments between leaders and employees. Then, in this style, leaders use a system of rewards and punishments to encourage the achievement of established targets. Furthermore, this style has proven effective in achieving short-term results. It is especially in work environments that demand adherence to clear procedures and targets, such as operational departments in Islamic banks. With an organized structure, transactional leaders can ensure stability and efficiency in the workplace.

However, this style has drawbacks when it comes to supporting innovation and employee emotional engagement. Because it is too results-oriented, the transactional style often fails to encourage creativity or individual initiative. In the long run, reliance on external reward systems can undermine employee intrinsic motivation. In the context of Islamic banking, this style is suboptimal for fostering collaboration and innovation, which are essential in this evolving industry.

Laissez-faire Leadership Style

The laissez-faire leadership style is also known as a non-interventionist approach. It gives employees complete freedom to make decisions and manage their own work. Then, leaders with this style tend to be passive and provide minimal direction. It is assumed that employees are competent enough to work independently. In certain situations, such as in highly skilled, self-directed teams, this approach can yield positive results.

However, in work environments that require intensive direction and coordination, such as Islamic banks, a laissez-faire style often has negative impacts. Employees can feel confused, disoriented, or unmotivated due to a lack of guidance and support from leaders. This style can lead to decreased productivity and increased potential for conflict among team members. It is especially when there are gaps in skills or in understanding tasks. In the long run, organizations can struggle to achieve strategic goals without active and engaged leadership (Syaiyid et al., 2023).

The Islamic Context of Islamic Banking Leadership

Analysis of Kharis (2015) shows that a leadership style aligned with Islamic values plays a crucial role in creating a conducive work environment in Islamic banks. Values such as justice, togetherness, honesty, and trustworthiness form a strong foundation for leadership approaches in this sector. Leaders who adopt a leadership style aligned with these principles can build harmonious relationships with employees, thereby increasing trust and motivation. The alignment between Islamic values and leadership style creates a work environment that is not only productive but also meaningful for employees.

In their roles, leaders in Islamic banks are expected to serve not only as authoritative figures providing direction, but also as mentors who care about developing employee potential. As mentors and leaders, they provide support, direction, and inspiration to help employees achieve optimal performance. This approach helps employees feel more valued and motivated to make their best contributions to the organization. Furthermore, a more personal and empathetic relationship between leaders and employees also creates a favorable work climate, ultimately increasing employee loyalty to Islamic banks (Ali et al.,

2015).

Adopting an appropriate leadership style also plays a crucial role in strengthening organizational culture. An organizational culture rooted in Islamic values can serve as an identity that distinguishes Islamic banks from other financial institutions. Leaders who understand and implement these values can align individual goals with the company's vision and mission. This not only strengthens employee bonds but also enhances strategic alignment in achieving overall organizational goals (Rizaldi, 2017).

Furthermore, effective leadership can provide Islamic banks with a competitive advantage in the global market. A conducive work environment will encourage innovation, collaboration, and higher performance. In increasingly competitive environments, the ability to attract, develop, and retain top talent becomes a strategic advantage. Leaders who can motivate and empower employees can create high-performing work teams, which will support the competitiveness of Islamic banks in both domestic and international markets.

Conclusion

This study has discussed the importance of implementing an adaptive leadership style to improve employee motivation in Islamic banks in Indonesia. This aligns with the dynamic, competitive work environment that demands leaders who can adapt their approach to the needs of the situation and the individual. Leaders are encouraged to integrate Islamic values. For example, fairness, togetherness, trust, and modern leadership principles. This creates a balance between productivity and employee well-being. This approach supports the achievement of business targets and also builds positive working relationships, increases employee loyalty and engagement, and minimizes turnover, a challenge in the banking industry. Thus, adaptive leadership styles contribute to the long-term stability and performance of organizations, while also highlighting the need for further research to explore the long-term impact of various leadership styles on innovation, operational efficiency, and job satisfaction, and to help identify the most effective combination of leadership styles to address future challenges in the Islamic banking sector.

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