

Effect of Ethical Leadership on Performance: Validation of Task Performance Measurement in Banking Context

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Article Info

Volume 83

Page Number: 8485 – 8497

Publication Issue:

May - June 2020

Article History

Article Received: 19 November 2019

Revised: 27 January 2020

Accepted: 24 February 2020

Publication: 18 May 2020

Abstract:

The purpose of this study is to determine the effect of ethical leadership on the task and contextual performance of Islamic banking in Lampung, Indonesia. The sample size of this study is 96 of Islamic banking employees in Lampung. This research develops performancetaskmeasurement in the banking context. The results showed that ethical leadership influences task and contextual performance. The effect of ethical leadership on task performance is greater than on contextual performance.

Keywords: Task Performance, Contextual Performance, Ethical Leadership, Islamic Banking

INTRODUCTION

Islamic Banking is a financial institution that is in high demand by people in Indonesia, especially Muslim communities so that it experiences rapid growth (Financial Services Authority, 2016). This shows the potential of the market as well as challenges so that it can compete with conventional banks. Islamic banking can increase their market share by providing good services to customers. The service is assessed from the attitude, behavior, appearance, and gestures (Kasmir, 2005). The customer is a factor that must be considered because the existence of the customer will affect the survival and success of Islamic banking. One problem that often occurs in Islamic banking is that employees are not polite and indifferent in serving customers.

One effort to improve the performance of an organization is through leadership roles (Knies *et al.*, 2016). The leader acts as a *leader* trying to improve employee performance by being a role model in decision making for its members. Leaders

have considerable power for the lives of members and the fate of the organization so that it affects employee performance. A leader must have principles of respect, fairness, honesty, and qualities that can build community. This is important especially to maintain the credibility of Islamic banking and avoid *fraud*. Among cases of banking *fraud* committed in the banking sector, for example, a leader of a state-owned bank in Purbalingga becomes a fictitious credit suspect worth Rp. 28 billion. The same fictitious credit case also occurred at the branch of one of the sharia banks in Bogor in 2013. The case was carried out by three suspects namely the Head of Branch, Head of Sub-Branch and Account Officer. Total disbursed loans amounted to IDR 102 billion with losses reaching IDR 52 billion in fictitious credit mode. The fictitious credit uses the names of 197 debtors, 113 of which are fictitious (Kompasiana, 2013). Based on the two cases, it shows the importance of ethics that must be possessed by the banking leaders,

especially Islamic banking as a role model for their members to maintain banking credibility.

Ethical leadership is an important factor for companies so that ethical values need to be properly maintained. Ethical leadership is also a factor that can affect employee performance improvement. The results of research conducted by Bello (2012) indicate whether or not employees' perceptions of leadership ethics in the work environment will affect their performance. Employees in an organization will model the behavior of a leader who is made a model. Thus ethical leadership can influence employees if a leader implements moral values that can set an example for its members.

Research conducted by Borman and Motowidlo (1993) shows that task performance and contextual performance have an independent effect on employee performance overall. Task performance focuses on the ability to do major work that includes quality of work, planning and organizing tasks, results-oriented, priority scale, and work efficiency. Task performance is an important dimension of individual performance consisting of job-specific tasks, technical skills, and the role of performance as well as being a focus on studies related to individual performance (Koopmans *et al.*, 2011). Contextual performance refers to employee behavior that supports the organization such as responsibility for work, creativity, and initiative in work. Contextual performance is a unique aspect of individual activities outside the formal requirements of work in the workplace, is free, not explicitly present in work procedures and formal payroll systems (Griffin *et al.*, 2000).

Ethical leadership always involves personal integrity which is a major need (Bakker and Schaufeli, 2008). According to Harmoko (2011), the integrity of a leader becomes important as the foundation of organizational integrity so that the leader needs to maintain his integrity. At present cases involving the erosion of ethics are dominated by corruption. The act is very testing the integrity of a leader who is faced with a conflict of conscience when having to consider between personal interests

or public interests. Leaders who have high integrity will be able to live and be the basis of every action so that it can become a model for his subordinates to act like the leader (Haryatmoko, 2013). Thus, if a leader does something that violates the ethics of subordinates it will be difficult to rebuild trust because good relations are built with respect, fairness and trust (Khalsoven, *et al.* 2011).

Achieving the performance of a company requires good synergy between superiors and subordinates. Employees who are treated fairly by their superiors will reciprocate by giving good dedication to the work and are willing to be more attached to their work (Macey, *et al.*, 2009). An employee tends to have a high level of attachment to his work when the leader shows ethical actions (Den Hartog and Belschak, 2012).

The purpose of this study was to determine the effect of ethical leadership on task performance and contextual performance in Islamic Banking. The task performance measurement developed by Van Scotter and Motowidlo (1996) is a task performance in the manufacturing industry, so it is not appropriate to apply to the banking industry. Based on these limitations, this study further develops task performance in the banking context which further contributes to the research methodology.

THEORETICAL REVIEW

Ethical Leadership. Leadership is a complex phenomenon involving leaders, followers, and situations (Hughes *et al.*, 2012). One factor in the success of a leader depends on how leadership is carried out. The leader tries to create a situation that raises the awareness of his subordinates to carry out what he wants. Leadership consists of the ability to lead, how to communicate and provide motivation, how to make decisions, and positive power (Sunyoto, 2013).

Ethical leadership is an effort to show normative behavior through interpersonal relationships to followers with two-way communication, reinforcement and decision making

(Brown *et al*, 2005). Ethical leadership is described as a person who has values that become examples for others (Freeman and Stewart, 2006). Piccolo, *et al*. (2010) explained that ethical leadership has a role that helps provide motivation, shape employee behavior, increase work productivity, and provide employee job satisfaction.

Ethical leadership is the ability to handle situations ethically and productively based on knowledge, skills, sensitivity, and criticism in acting following existing values and norms. Ethics can help leaders to recognize themselves through the character in acting and behaving (Northouse, 2013). According to Brown, *et al* (2005) ethical leadership trying to introduce actions that are based on moral and ethical values to be imitated or emulated in every action taken. Ethical leadership is a person who has true values and strong character to set an example for others (Freeman and Stewart, 2006).

The moral values held by leaders are the basis for forming strong characters to build the credibility of leaders and will have a significant influence on followers. Ethical leadership incorporates ethical principles in employee beliefs through moral values and helps employees commit to achieving higher goals. Besides, ethical leaders serve as an example in forming strong leader characters and appropriate values in acting (Bello, 2012). Resick, *et al* (2004) develop 6 ethical leadership attributes such as; awareness of ethics, character, and integrity, human or social-oriented, motivating, encouraging and empowering, and regulating ethical responsibility. O'Connell and Bligh (2009) synthesized previous research and developed nine ethical leadership characteristics such as a) using views and b) making ethical decisions; c) consider the long-term impact; d) consider welfare and justice; e) act ethically and be an example of behavior; f) understand yourself and others; g) communicating the importance of ethics; h) take responsibility for the ethical behavior of others, and i) offer training and provide support for employees to act ethically in the workplace.

Job Performance. Performance is evaluated in terms of a person's ability to perform the tasks specified in the job description (Griffin *et al*, 2007). Each organization has different individuals so that performance evaluation is needed to equalize employee work perceptions. Performance should have the following criteria: (a) relevant dimensions (such as behavior in extra roles); (b) performance expectations which determine alternative performance behaviors; and (c) situational constraints on performance (Peters & O'Connor, 1980).

Performance measurement is one way to improve the quality of decision making, accountability, and ways to assess the achievement of goals and objectives (Moehariono, 2012). Performance measurement depends on the work indicators used. A performance indicator is something that will be calculated and measured as the basis for assessing the level of performance both in planning, implementing and after the activity is completed.

Task Performance. Task performance is an action that aims to encourage collaboration, develop morale, eliminate performance obstacles, and help colleagues to complete their work (George and Brief, 1992). Task performance places more emphasis on task ability and motivation to perform tasks effectively (Van Scotter and Motowildo, 1996). Task performance focuses on the ability to perform key work tasks that include quality of work, planning and organizing tasks, setting priorities, being results-oriented, and working efficiently. In other words, task performance places more emphasis on task ability and motivation to perform one's tasks effectively (Van Scotter and Motowildo, 1996). According to Campbell *et al* (1990), there are five factors on task performance, namely: (1) tasks with certain skills, (2) tasks not with certain skills, (3) communication skills both written and oral, (4) supervision and (5) management and administration.

Contextual Performance. Contextual performance is an activity that does not directly support the core of work but rather supports the organizational, social, psychological environment (Borman and Motowidlo, 1993). The aspect of contextual performance is the dedication to work and interpersonal facilitation (Van Scotter and Motowidlo, 1996). Borman & Motowidlo (1997) assert that contextual performance is not assumed to be an extra-role behavior. Extra role behavior is behavior that is done voluntarily and exceeds what the role demands (Van Dyne, *et al* 1995).

One factor that builds contextual performance is personality. At the individual level, personality is closely related to the behavior of individuals in the organization that explains the main character and as a high self-monitor, has a place of internal control, and has a high need for power. Personality tends to be a better predictor of contextual behavior and performance (Robbins *et al*, 2017).

The Effect of Ethical Leadership on Employee Performance. Nuradisa and Lucy (2018) found that ethical leadership has a positive effect on employee performance. This influence occurs because the company's leadership has implemented ethical leadership properly and correctly. Jajuk (2015) found ethical leadership and organizational commitment had a positive effect on performance. Shania (2007) found a relationship between ethical leadership and psychological empowerment, and between psychological empowerment and work involvement. By having ethical leaders, the organization can facilitate feelings of empowerment among employees. Employees will be more involved in work and protect themselves from emotional exhaustion. Based on previous research, it can be proposed the following hypothesis (Figure 1):

H1: Ethical leadership has a positive effect on employee task performance in Islamic banking

H2: Ethical leadership has a positive effect on employee contextual performance in Islamic banking

METHOD

Types of research. This research used a questionnaire survey. This research develops a task performance measurement instrument in the banking context. The instrument testing was conducted on Islamic banking employees in Lampung.

Research sample. The research sample is 150 employees of Islamic banking in Lampung. To anticipate the tight working hours of banking employees, the questionnaire data collection was carried out online.

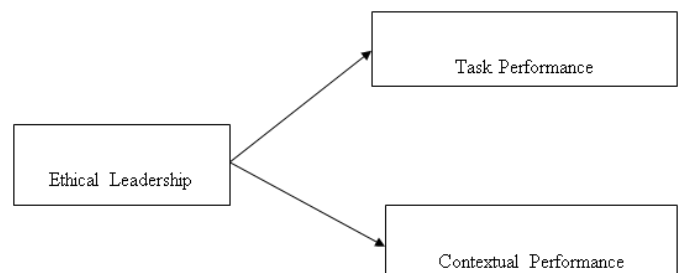


Figure 1. Research Model

Research Variable. This study consists of three variables, namely ethical leadership, task performance, and contextual performance. Ethical leadership as the dependent variable (X) is the exhibiting of appropriate normative behavior through interpersonal actions and relationships, two-way communication, reinforcement and, decision making (Brown *et al*, 2005). The measurement of ethical leadership uses 10 items developed by Brown *et al* (2005) on the Likert scale ((1) strongly disagrees – (5) strongly agrees).

Task performance as an independent variable (Y1) is the performance that emphasizes the ability of tasks and motivation to perform tasks effectively (Van Scotter and Motowidlo, 1996). Task performance is an activity that is directly related to

processing raw materials into products produced by a company (Shapiro, *et al* 2008). Task performance from the perspective of Shapiro, *et al.* (2008) cannot be applied to the banking industry. Furthermore, this study develops task performance measurement in the banking context referring to Van Scotter and Motowidlo (1996). The measurement on the Likert scale ((1) strongly disagrees – (5) strongly agrees).

Contextual performance as an independent variable (Y2) is an activity that supports the organizational, social and psychological environment of the technical functions of work (Borman and Motowidlo, 1993). Contextual performance measurement refers to 14 items developed by Borman and Motowidlo (1993) on the Likert scale ((1) strongly disagrees – (5) strongly agrees).

Data Analysis Method. The instrument tested was conducted by validity and reliability. Validity is a measure that indicates the level of validity of an instrument (Arikunto, 2010). The reliability test is a measurement used to assess a reliable instrument to be used as a data collection tool (Arikunto, 2010).

Analysis of the data used in this research is quantitative data analysis. The analytical tool used is linear regression to determine the effect of ethical leadership on task performance and contextual performance.

Factor Analysis. Factor analysis is used to test the measurement developed namely task performance. Factor analysis is intended to analyze the

interdependence of several variables simultaneously. This analysis is intended to simplify the form of relationships between several variables into several factors that are less researched. Factor analysis illustrates the data structure of a study (Suliyanto, 2005). In this study, factor analysis was only carried out on task performance variables because this study carried out the development of measurements on these variables.

RESULTS AND DISCUSSION

The results of the distribution of the questionnaire showed that only four Islamic banks were willing to become research respondents. The number of returned questionnaires was 96 research respondents. Then the factor test on the instrument developed in task performance.

Task Performance Factor Analysis. This research is developing task performance measurements based on the work context in Islamic banking. The task performance measurement was developed by referring to Van Scotter and Motowidlo (1996) as well as performance appraisals conducted in banks.

The results of factor analysis can be seen in Table 1. In the table, it can be seen that the KMO value is 0.795 with a significance of 0.000. KMO value of 0.795 is above 0.5 so that the data can be analyzed further.

Table 1. Test KMO and Barlett Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.795
Bartlett's Test of Sphericity	Approx. Chi-Square	327,499
	Df	36
	Sig.	0,000

The results of the analysis of the total variance explained to illustrate the number of factors formed. The number of factors formed can be determined from its eigenvalue. If the determining factor is greater than 1, it means that it is maintained. But if it is smaller than 1 then the factor is excluded from the model. Table 2 shows that only 2 factors formed with a loadings value 1,312. This shows there are several variables grouped into certain factors because there are similarities in

characteristics. Based on Table 2, the first factor with a proportion of 60% -70% can explain 36,809% of the total diversity of research items, and the second factor explains 22,937%.

Table 2. Explanation of Total Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.65	45.170	45.170	4.065	45.170	45.170	3.313	36.809	36.809
2	1.312	14.576	59.746	1.312	14.576	59.746	2.064	22.937	59.746
3	0.916	10.173	69.919						
4	0.693	7.700	77.619						
5	0.552	6.129	83.748						
6	0.478	5.307	89.055						
7	0.447	4.970	94.025						
8	0.326	3.620	97.646						
9	0.212	2.354	100.000						

Based on the results in Table 2, a further grouping of factors can be seen in Table 3. In Table 3, the matrix component of the rotation process results in a clearer and more obvious distribution of variables. The grouping of items to the two factors can be explained as follows. Factor 1: Variables included in factor 1 consist of 6 item namely, checking and detecting problems at work (KT1),

solving problems at work (KT2), maintaining quality control to mitigate risk (KT3), ensuring completeness and administer of documents (KT4), maintain timeliness in service (KT5), and plan and organize work (KT6). Factor 1 is further named as the *problem solving and administration* dimension. Factor 2: Variables included in factor 2 consist of 3 variables: work safely (avoiding *fraud*) (KT7), being

on time (KT8), and meeting performance standards (KT9). This factor called the *discipline and safety (avoiding fraud)* dimension.

Table 3. Results Matrix Components

Item	Component	
	1	2
y1.1	0.811	0.076
y1.2	0.795	0.153
y1.3	0.730	0.074
y1.4	0.714	0.178
y1.5	0.633	0.514
y1.6	0.640	0.421
y1.7	0.206	0.569
y1.8	-0.107	0.856
y1.9	0.343	0.707

Validity test. Table 3 shows the loading factors of task performance variables. The table shows that the task performance variable items are valid. Table 4 shows that the *corrected item-total correlation value* of ethical leadership more than 0.22, so that the ethical leadership statement items are valid.

Table 4. Results of the Test of Validity of Ethical Leadership Variables (X)

Item	Corrected Item-Total Correlation
KE1	0.626
KE2	0.511
KE3	0.778
KE4	0.624
KE5	0.741
KE6	0.786
KE7	0.751
KE8	0.820
KE9	0.755
KE10	0.780

Next in Table 5, the values of the *corrected item-total correlation* of task performance above

0.22, so that the task performance statement items are valid.

Table 5. Test Results Validity of Task Performance Variables (Y1)

Item	Corrected item-total correlation
Problem solving and administration	
KT1	0.601
KT2	0.644
KT3	0.532
KT4	0.580
KT5	0.719
KT6	0.668
Discipline and safety (avoiding fraud)	
KT7	0.381
KT8	0.261
KT9	0.576

Based on Table 6 it is known that the value of the *corrected item-total correlation* of contextual performance variables has a value of more than 0.22 so that the statement items of the variable are valid.

Table 6. Test Results Validitas Variabel Contextual Performance (Y2)

Item	Corrected item-total correlation
KK1	0.632
KK2	0.578
KK3	0.682
KK4	0.620
KK5	0.676
KK6	0.525
KK7	0.627
KK8	0.642
KK9	0.682
KK10	0.335
KK11	0.591
KK12	0.711
KK13	0.627
KK14	0.633
KK15	0.740

Item	Corrected item-total correlation
KK16	0.750

Reliability Test. The results of the reliability test of the three variables namely X (ethical leadership), Y1 (Task Performance), and Y2 (Contextual Performance) showed Cronbach Alpha values respectively 0.836, 0.918 and 0.926 (Table 7). If $\alpha > 0.9$ means that reliability is perfect. Thus it can be concluded that the questionnaires used in this study are reliable. Instruments used in this study can provide consistent measurement results in measuring the same symptoms.

Table 7. Results of Research Variability Reliability Tests

Variable	Cronbach Alpha
Ethical leadership	0.926
Task performance	0.836
Contextual performance	0.918

Table 8. Linear Regression Test Results on the variable Performance of Task and Contextual Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17.072	2.558		6.675	0.000
Kinerja Tugas	0.328	0.037	0.679	8.963	0.000
(Constant)	26.781	2.463		10.874	0.000
Kinerja Kontekstual	0.309	0.058	0.484	5.359	0.000

Distribution of Responses to Ethical Leadership Variables. Table 9 shows the distribution of responses to ethical leadership. The calculation of the average score of each item aims to see the response of respondents to the items, the highest and lowest average values. Response to 10 items of ethical leadership showed a high average score. This shows that leaders demonstrate high ethical

Hypothesis testing. The test result of Table 8 shows that is the t-value of 0.963 which is greater than the t-table value of 1.98, it means that ethical leadership has a positive effect on the task performance of Islamic banking employees in Lampung. Based on the significant value of the output, it can be concluded that ethical leadership has a significant positive effect on the task performance of Islamic banking employees in Lampung. Table 8 also shows that ethical leadership influences contextual performance. The t-value of 5.359 is greater than t-table of 1.98. Based on the significant value of the output, it can be concluded that ethical leadership has a significant positive effect on the contextual performance of Islamic banking employees in Lampung. Regression test results also show the effect of ethical leadership on task performance is greater than on contextual performance.

leadership. The highest score is the item to sets an example of how to do things the right way in terms of ethics. This means that if a leader gives an example to its members in the right way, it will affect the performance of its members.

Table 9. The Response Distribution to Ethical Leadership Variables

No	Items	Average score
1.	Listens to what employees have to say	4.09
2.	Disciplines employees who violate ethical standards	4.33
3.	Conducts his/her personal life in an ethical manner	4.30
4.	Has the best interests of employees in mind	3.76
5.	Makes fair and balanced decisions	4.28
6.	Can be trusted	4.37
7.	Discusses business ethics or values with employees	4.16
8.	Sets an example of how to do things the right way in terms of ethics	4.38
9.	Defines success not just by results but also the way that they are obtained	4.32
10.	When making decisions, asks "what is the right thing to do?"	4.26

Distribution of Responses to Task Performance Variables. Table 10 shows the high response to task performance. The highest score of the task performance variable is in the respondent's answer work safely (avoiding *fraud*) which is equal to 4.64. This shows that Islamic banking employees in

Lampung consider that work safely (avoiding *fraud*) is very important to improve employee performance so that employees work by applying the precautionary principle.

Table 10. The Response Distribution to Task Performance Variables

No	Items	Average score
Problem solving and administration		
1.	Checking and detecting problems at work	4.20
2.	Solving problems at work	4.22
3.	Maintaining quality control to mitigate risks	4.24
4.	Ensuring completeness and administering of documents	4.46
5.	Maintaining timeliness in service	4.47
6.	Planning and organizing work	4.49
Discipline and safety (avoiding fraud)		
7.	Work safely (avoiding fraud)	4.64
8.	Being on time	4.51
9.	Meeting performance standards	4.57

Distribution of Response to Contextual Performance Variables. Table 11 shows the high response to the contextual performance. The highest score of respondents on contextual performance

variables is rendering courtesy of 4.73. This shows that Islamic banking is a financial institution based on customer service. By relying on services as the main key to compete with conventional banks, this

behavior helps to realize the best service and is a concern for Islamic banking.

Table 11. The Response Distribution to Contextual Performance Variables

No	Items	Average score
1.	Comply with instructions even when supervisors are not present	4.59
2.	Cooperate with others in the team	4.70
3.	Persist in overcoming obstacles to complete a task	4.37
4.	Display proper appearance and bearing	4.58
5.	Volunteer for additional duty	4.17
6.	Follow proper procedures and avoid unauthorized shortcuts	4.49
7.	Look for a challenging assignment	3.84
8.	Offer to help others accomplish their work	3.96
9.	Pay close attention to important details	4.40
10	Defend the supervisor's decisions	3.62
11	Render proper courtesy	4.73
12	Support and encourage a coworker with a problem	4.53
13	Take the initiative to solve a work problem	4.41
14	Exercise personal discipline and self-control	4.56
15	Tackle a difficult work assignment enthusiastically	4.27
16	Voluntarily do more than the job requires to help others or contribute to unit effectiveness	4.14

Discussion. Ethical leadership is a demonstration of appropriate normative behavior through actions and interpersonal relationships. Promotion of these behaviors to followers through two-way communication, reinforcement and decision making. The concept shows that ethical leadership in a leader is an attempt to introduce actions based on moral and ethical values for others to emulate in every action taken (Brown *et al.*, 2005). Jajuk and Prayekti (2005) explained that the performance of batik cooperative employees in the city of Yogyakarta was significantly determined or influenced by the ethics carried out by their leaders. Research conducted by Chie *et al.* (2000) and Tatik (2002) prove that leadership style has a positive effect on performance. Several studies have been conducted in line with this research in which ethical leadership influences task performance and contextual performance, meaning

that with increasing ethical leadership the employee performance also increases.

Good leadership will make employees feel happy doing their jobs, this can trigger employees to excel so that employees will be more loyal to the organization. One element of employee performance is the absence rate and a low level of delay (Mathis and Jackson (2006). Employees who have good performance can be seen from a high level of attendance and on time. Leaders also have the responsibility of creating conditions and providing motivation to employees to achieve goals. An ethical leader can influence his employees to achieve organizational goals so that employees' willingness to work will increase. Besides leaders who have an honest attitude towards subordinates, the level of fraud or violations in the banking system will be very minimal and employees will always support the

leaders' decisions. This is evident from the results of this study that when a leader gives an example of doing something right ethically, then the performance of employees in terms of avoiding fraud will increase. Besides, contextual performance in terms of maintaining politeness also increases.

Borman and. Motowidlo (1993) states that two dimensions of performance are contributing independently to the overall value of the individual in the organization, as well as having different patterns of association with experience and personality factors. In task performance, experience explains more variance, whereas contextual performance personality explains more variance. The results of this study indicate that ethical leadership has a greater influence on task performance than on contextual performance. Task performance emphasizes the ability of one's tasks effectively, while contextual performance includes activities that shape the organizational, social and psychological context that serve as catalysts for task performance. According to Zhang et al, (2014) task performance is very important for the company because it can make a large contribution from employees towards the company to achieve its goals. The increase in task performance by employees is influenced by ethical leadership applied by leaders because leaders explain to employees the right thing to do work (De Hoog and Den Hartog, 2008).

Bank employees are required to work with prudential standards. That is because the bank is a financial institution whose business activities are collecting funds from the public and channeling funds to the public in the form of financing. Funds distributed to the public do not originate from bank owners, so bank employees are asked to be careful that the financing is channeled to the right parties and is not problematic. Task performance measurements developed in the banking context indicate that these measurements have high validity and reliability for measuring task performance in the banking world.

Exemplary leadership is needed to achieve organizational effectiveness. Exemplary leaders will

be able to increase employee contributions. Employees will show their contribution after the leadership shows their contribution (Guth et al., 2007). Thus the leader's example of ethics in Islamic banking will be able to improve employee performance both task performance and contextual performance. In addition to finding the effect of ethical leadership on employee performance, further research is expected to be able to apply and test task performance measurements developed in this study in the context of conventional banking or other financial institutions.

CONCLUSION

The results show that ethical leadership influences task and contextual performance. The results of factor analysis on task performance form two indicators: problem-solving and administration indicator consist of 6 items, and discipline and safety (avoiding fraud) indicator consisting of 3 items.

Practical advice from this research is the need to be given material about ethical leadership, especially in Islamic banking. The Muslim community believes that employees at the Islamic banking will not commit fraud so that if this happens it will lead to public doubts about the performance of the Islamic banking. To reduce or even avoid the occurrence of fraud, a leader must carry out his leadership activities ethically and uphold ethics in his organization. The results of this study are not only beneficial for Islamic banking, but also conventional banks and other financial institutions.

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