

Research Article

# Green Islamic HRM and Engagement on Employee Performance in Islamic Banks

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**Abstract.** This study aims to examine the effect of Green Islamic Human Resource Management (GIHRM) on employee performance in Islamic banks, with employee engagement serving as a mediating variable. The study is motivated by the need for Islamic banking institutions to strengthen the implementation of Islamic values, ethical governance, and environmental sustainability beyond a solely economic orientation. A quantitative approach with an explanatory research design was employed. Data were collected through structured questionnaires distributed to Islamic bank employees selected using purposive sampling. GIHRM was measured through green and Islamic recruitment, sustainability-oriented training, Islamic green performance appraisal, environmentally responsible reward systems, and workplace culture based on trustworthiness, excellence, justice, and environmental responsibility. Employee engagement was assessed through vigor, dedication, and absorption, while employee performance was measured through work quality, productivity, responsibility, Sharia compliance, service ethics, and sustainable work behavior. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results indicate that GIHRM positively affects employee engagement and employee performance. Employee engagement also positively influences performance and mediates the relationship between GIHRM and employee performance. These findings highlight the importance of integrating sustainability principles and Islamic values to enhance employee engagement and achieve sustainable organizational performance in Islamic banking institutions.

**Keywords:** Employee Engagement; Employee Performance; Green Islamic HRM; Islamic Banking; Sustainability.

## 1. Introduction

Islamic banking is a strategic segment of the financial services industry because it is expected to promote ethical, inclusive, and sustainable economic development. Unlike conventional banking, which is mainly evaluated through intermediation efficiency, profitability, and market competitiveness, Islamic banks are also required to reflect Sharia principles, ethical governance, social benefit, and environmental responsibility in their operational practices. In Indonesia, strengthening the performance of Islamic banks has become increasingly important as Islamic finance continues to expand. The Financial Services Authority of Indonesia reported that total Islamic financial assets, excluding Islamic stocks, reached IDR 3,131.02 trillion as of December 2025, representing 8.56% year-on-year growth. This development indicates that Islamic banking and finance should no longer be treated as a peripheral sector, but as an important component of the national financial architecture that must be managed professionally, competitively, and sustainably.

The object of this study is employees of Islamic banks, particularly in relation to how Green Islamic Human Resource Management and employee engagement influence employee performance. Employees in Islamic banks play a crucial role because they are responsible not only for administrative, operational, marketing, and service functions, but also for representing Islamic values to customers and stakeholders. Therefore, employee performance

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in Islamic banks should not be assessed only through productivity, service quality, work accuracy, and target achievement, but also through ethical conduct, trustworthiness, Sharia compliance, social responsibility, and environmental awareness. This view is consistent with the argument that contemporary organizations need to integrate economic, social, and environmental dimensions into human resource management systems (Renwick et al., 2013; Jabbour & de Sousa Jabbour, 2016; Dumont et al., 2017; Yong et al., 2020).

Green Human Resource Management has been widely discussed as an HRM approach that incorporates environmental principles into recruitment, selection, training, performance appraisal, compensation, reward systems, and employee involvement. Early Green HRM literature positioned this concept as a bridge between environmental management and HRM, emphasizing the role of HR practices in shaping employees' ability, motivation, and opportunity to engage in environmentally responsible behavior (Renwick et al., 2013; Tang et al., 2018; Pham et al., 2019). Empirical studies have shown that Green HRM can improve employee green behavior, environmental commitment, environmental performance, and organizational performance (Hameed et al., 2020; Yu et al., 2020; Aboramadan, 2020; Gupta, 2024). Evidence from the Indonesian green banking context also indicates that Green HRM practices are positively associated with employee engagement, while transformational leadership strengthens this relationship.

Nevertheless, most previous studies have treated Green HRM separately from Islamic values. In Islamic banking, HRM practices cannot be separated from the values of amanah, ihsan, adl, masalahah, khalifah, and responsibility for the sustainability of life. Islamic HRM has been examined through Islamic recruitment, Islamic training, Islamic compensation, justice-based performance appraisal, and Islamic work ethics (Hashim, 2009; Rahman et al., 2013; Ali & Al-Owaihah, 2008; Rokhman, 2010). Prior studies suggest that Islamic HRM practices can enhance organizational trust, commitment, and employee performance, particularly in organizations where religious values form the foundation of workplace culture (Rahman et al., 2013; Marwa et al., 2020). Accordingly, the integration of Green HRM and Islamic HRM into Green Islamic HRM is a relevant approach to explain how Islamic banks can develop HR systems that are productive, ethical, environmentally responsible, and aligned with the objectives of Sharia.

Previous studies have employed various methodological approaches. Green HRM research commonly applies quantitative survey designs using regression analysis, covariance-based SEM, or PLS-SEM because these methods allow researchers to test causal relationships among latent constructs systematically (Pham et al., 2019; Hameed et al., 2020; Yu et al., 2020; Hair et al., 2019). The strength of quantitative methods lies in their ability to provide empirical generalization, statistically test hypotheses, and assess direct and indirect effects among variables. However, such methods are often vulnerable to self-report bias, cross-sectional limitations, and limited ability to capture the deeper meaning of religious values. Other studies have used systematic literature reviews and bibliometric analysis to map developments in Green HRM, ESG, and maqashid sharia. These methods are useful for identifying knowledge structures, thematic trends, and research gaps, but they do not provide direct empirical testing at the employee or organizational level. Recent studies on ESG and maqashid sharia in Islamic banking have also emerged, yet they remain largely focused on institutional-level sustainability rather than employee-level behavioral performance.

Research on employee engagement has also developed extensively. Engagement is commonly understood as a positive psychological state characterized by vigor, dedication, and absorption at work (Schaufeli et al., 2002; Bakker & Demerouti, 2017). According to the Job Demands-Resources Theory, organizational practices that provide job resources, support, meaning, and recognition can increase employee engagement, which subsequently improves performance (Bakker & Demerouti, 2017). Meanwhile, Social Exchange Theory explains that employees who perceive organizational support tend to reciprocate through loyalty, involvement, and higher performance (Blau, 1964; Saks, 2006; Rich et al., 2010). In banking, employee engagement is particularly important because banking work requires accuracy, service speed, regulatory compliance, and intensive interaction with customers. Recent studies in Islamic banking also show that employee performance is influenced by organizational culture, leadership, happiness at work, religiosity, and Sharia engagement.

The main research problem addressed in this article is the lack of an integrated empirical model linking Green HRM, Islamic values, employee engagement, and employee performance in the specific context of Islamic banks. Previous studies have demonstrated the

effects of Green HRM on engagement and performance, but many were conducted in manufacturing, hospitality, higher education, or conventional banking contexts (Pham et al., 2019; Hameed et al., 2020; Aboramadan, 2020; Noor et al., 2023; Gupta, 2024). Studies specifically examining Green HRM in Indonesian Islamic banking have begun to emerge, yet they tend to emphasize green organizational culture, environmental engagement, or corporate environmental performance rather than comprehensive employee performance.

This study proposes the model Green Islamic HRM → Employee Engagement → Employee Performance. Green Islamic HRM is positioned as a system of HR practices that integrates green policies with Islamic values in recruitment, training, appraisal, rewards, and workplace culture. Employee engagement is positioned as a psychological mechanism that mediates the effect of Green Islamic HRM on employee performance. In other words, when employees perceive that Islamic banks implement HR practices that are fair, Islamic, environmentally responsible, and meaningful, they are more likely to become emotionally, cognitively, and behaviorally engaged in their work, which ultimately improves their performance. The proposed model is theoretically grounded in Ability-Motivation-Opportunity Theory, Social Exchange Theory, and Job Demands-Resources Theory (Appelbaum et al., 2000; Blau, 1964; Bakker & Demerouti, 2017; Renwick et al., 2013; Rich et al., 2010).

This study offers four main contributions. First, it extends the Green HRM literature by incorporating Islamic values as ethical and spiritual foundations of HRM practices. Second, it contributes to Islamic banking literature by positioning employees as key actors in sustainability, rather than focusing only on institutional policies or financial indicators. Third, it examines employee engagement as a mediating mechanism that explains why and how Green Islamic HRM improves employee performance. Fourth, from a practical perspective, the study provides recommendations for Islamic bank management to develop HR systems that integrate environmental sustainability, Sharia values, and performance improvement strategies.

The remainder of this article is structured as follows. The second section presents the theoretical review and hypothesis development concerning Green Islamic HRM, employee engagement, and employee performance. The third section explains the research methodology, including research design, population and sample, variable measurement, data collection procedures, and analytical techniques. The fourth section presents the results and discussion. The fifth section provides the conclusion, theoretical and practical implications, research limitations, and future research directions.

## 2. Preliminaries or Related Work or Literature Review

Green Islamic Human Resource Management is a conceptual extension of Green Human Resource Management and Islamic Human Resource Management. Green HRM refers to human resource management practices that integrate environmental concerns into HR functions such as recruitment, selection, training, development, performance appraisal, compensation, reward systems, and employee involvement (Renwick et al., 2013; Jabbour & de Sousa Jabbour, 2016; Tang et al., 2018). From this perspective, employees are not merely viewed as operational workers, but also as organizational actors who can support environmental sustainability through workplace behavior, organizational culture, and institutional policies. Green HRM emphasizes the importance of building employees' ability, motivation, and opportunity to participate in environmentally responsible work practices, thereby enabling organizations to achieve more sustainable performance (Dumont et al., 2017; Pham et al., 2019; Yu et al., 2020).

Islamic Human Resource Management, on the other hand, places Islamic values as the foundation of employee management. From an Islamic perspective, HRM practices are not only directed toward efficiency and productivity, but also toward justice, trustworthiness, responsibility, honesty, balance, and social benefit (Hashim, 2010; Rahman et al., 2013). Values such as *amanah*, *ibsan*, *adl*, *maslahah*, and *kebalifjah* serve as important foundations for building an ethical and responsible work culture. In Islamic organizations, HRM should reflect the idea that work is part of worship and moral responsibility, as humans are entrusted as stewards of the earth (Ali & Al-Owaihian, 2008; Rokhman, 2010; Hayati & Caniago, 2012).

Accordingly, Green Islamic HRM can be defined as an HRM system that integrates environmental sustainability principles with Islamic values across employee management

processes. This concept is highly relevant in Islamic banking because Islamic banks are not only required to comply with Sharia financial principles but also expected to demonstrate social and environmental responsibility as part of *maqashid sharia*. Green Islamic HRM practices may include value-based recruitment, sustainability training grounded in Islamic ethics, performance appraisal that incorporates green behavior and ethical conduct, and rewards for employees who demonstrate environmentally responsible behavior and Islamic service orientation (Ali et al., 2022; Susanto et al., 2024).

Theoretically, Green Islamic HRM can be explained through the Ability-Motivation-Opportunity Theory. This theory argues that employee performance improves when organizations develop employees' abilities, motivation, and opportunities to contribute effectively (Appelbaum et al., 2000). In the context of Green Islamic HRM, Islamic-based green training enhances employees' abilities, green reward systems increase motivation, while Islamic work culture and employee participation create opportunities to engage in sustainable work practices. Thus, Green Islamic HRM can serve as a strategic foundation for Islamic banks to improve employee engagement and performance.

Employee engagement is a positive psychological state that reflects employees' involvement, enthusiasm, and commitment to their work. Schaufeli et al. (2002) explain engagement through three main dimensions: vigor, dedication, and absorption. Vigor refers to high levels of energy, mental resilience, and willingness to invest effort in work. Dedication reflects a sense of meaning, enthusiasm, pride, and inspiration. Absorption describes a condition in which employees are fully concentrated and deeply immersed in their work. This concept has been widely used in organizational studies because engagement is strongly associated with motivation, job satisfaction, organizational commitment, extra-role behavior, and employee performance (Saks, 2006; Rich et al., 2010; Bakker & Demerouti, 2017).

Employee engagement can be explained through the Job Demands-Resources Theory. This theory suggests that engagement increases when organizations provide adequate job resources, such as supervisor support, training, role clarity, rewards, a positive work climate, and meaningful work (Bakker & Demerouti, 2017). In Islamic banking, job resources are not limited to facilities and managerial support but also include spiritual values, Islamic work culture, organizational justice, and opportunities to contribute to social and environmental goals. When employees perceive their work as having religious, social, and ecological meaning, they are more likely to demonstrate higher engagement.

Employee engagement can also be understood through Social Exchange Theory. This theory states that relationships between organizations and employees are developed through social exchange processes. When employees perceive that their organization provides support, fairness, care, and meaningful work values, they tend to reciprocate through commitment, loyalty, involvement, and higher performance (Blau, 1964; Saks, 2006). Within the Green Islamic HRM framework, employees who perceive that Islamic banks implement fair, Islamic, and environmentally responsible HR policies are more likely to feel professionally and morally valued. This perception can strengthen their emotional and behavioral attachment to the organization.

In the Islamic banking industry, employee engagement is particularly important because banking jobs require accuracy, regulatory compliance, service quality, and the ability to build customer trust. Engaged employees tend to be more proactive, responsible, and service-oriented. They are also more capable of maintaining the organization's image and practicing Islamic values in daily work activities. Therefore, engagement becomes an important psychological mechanism that explains how Green Islamic HRM can improve employee performance.

Employee performance refers to the work outcomes achieved by employees in carrying out tasks according to organizational standards, responsibilities, and objectives. In management literature, employee performance is often understood through dimensions such as work quality, work quantity, timeliness, effectiveness, responsibility, and cooperation (Rich et al., 2010; Bakker & Demerouti, 2017). However, in the context of Islamic banking, employee performance should be understood more broadly because employees are not only expected to achieve business targets but also to maintain Sharia compliance, service ethics, customer trust, and sustainability values.

Islamic banks have distinctive characteristics because they operate based on Sharia principles, including the prohibition of *riba*, *gharar*, and *maysir*, as well as an orientation toward justice and social welfare. Therefore, employee performance in Islamic banks is not merely related to productivity but also to the ability to implement Islamic values in the workplace. High-performing employees in Islamic banks are those who can serve customers professionally, uphold trust, work honestly, comply with Sharia procedures, and support the organization's social objectives (Ali & Al-Owaihan, 2008; Hashim, 2010; Rahman et al., 2013).

From a sustainability perspective, employee performance can also be linked to green work behavior. Employees with environmental awareness are more likely to support resource efficiency, digital-based services to reduce paper use, energy saving, office waste management, and sustainable finance campaigns. Previous studies indicate that Green HRM can enhance employee green behavior and contribute to overall organizational performance (Kim et al., 2019; Hameed et al., 2020; Chaudhary, 2020; Aboramadan, 2022). In Islamic banking, such behavior is increasingly important because sustainability values are consistent with Islamic principles regarding human responsibility to maintain balance in life.

Thus, employee performance in Islamic banks in this study is understood as employees' work achievement covering service quality, productivity, Sharia compliance, ethical behavior, social responsibility, and support for environmentally responsible work practices. This understanding provides a basis for integrating Green Islamic HRM and employee engagement as factors that can strengthen employee performance.

Green Islamic HRM is expected to positively influence employee engagement because green and Islamic HR practices create meaningful work experiences for employees. When organizations implement value-based recruitment, sustainability training, fair performance appraisal, rewards for green behavior, and a work culture based on *amanah* and *ibsan*, employees perceive that the organization is not only profit-oriented but also committed to ethics, the environment, and social welfare. This condition can increase employees' pride, emotional attachment, and dedication to the organization.

Previous studies have shown that Green HRM positively affects employee engagement because green practices increase perceived organizational support and meaningfulness at work (Aboramadan, 2022; Noor et al., 2023). In addition, Islamic HRM can strengthen employee commitment and trust because Islamic values emphasize justice, responsibility, and ethical employment relationships (Hashim, 2010; Rahman et al., 2013). Therefore, the integration of Green HRM and Islamic HRM has the potential to build stronger employee engagement, particularly in organizations operating under Sharia principles.

Employee engagement is closely related to employee performance. Highly engaged employees tend to demonstrate higher work energy, stronger dedication, deeper focus, and a greater willingness to contribute beyond formal job requirements (Schaufeli et al., 2002; Rich et al., 2010). In Islamic banking, engaged employees are more capable of providing high-quality service, maintaining strong customer relationships, complying with Sharia principles, and completing their work responsibly.

Theoretically, the Job Demands-Resources Theory explains that engagement is a motivational mechanism that enables employees to achieve higher performance (Bakker & Demerouti, 2017). Social Exchange Theory also explains that employees who feel valued by their organization tend to reciprocate through positive work behaviors and improved performance (Blau, 1964; Saks, 2006). Therefore, employee engagement can be positioned as an important factor in explaining improved employee performance in Islamic banks.

Green Islamic HRM may also directly influence employee performance. HRM practices that integrate green and Islamic values can shape employees' work behavior to be more disciplined, responsible, ethical, and productive. Islamic-based green training can improve employees' knowledge of sustainability and environmental responsibility. Fair performance appraisal can strengthen employees' trust in the organization. Green reward systems can motivate employees to demonstrate behaviors that support organizational goals. Islamic work culture can also strengthen morality, honesty, and service orientation toward public benefit.

Previous research has shown that Green HRM is associated with improved employee and organizational performance through green behavior, environmental commitment, and work engagement (Dumont et al., 2017; Hameed et al., 2020; Yu et al., 2020). Meanwhile,

Islamic HRM and Islamic work ethic have been associated with commitment, intrinsic motivation, job satisfaction, and employee performance (Ali & Al-Owaihian, 2008; Rokhman, 2010; Hayati & Caniogo, 2012). Therefore, Green Islamic HRM can be viewed as a strategic approach that enhances employee performance in Islamic banks both directly and indirectly through employee engagement.

Employee engagement can be positioned as a mediating variable in the relationship between Green Islamic HRM and employee performance. Green Islamic HRM provides systems, values, support, and a work environment that encourage employees to perceive their work as meaningful. This sense of meaningfulness increases engagement, which subsequently improves employee performance. Thus, engagement becomes a psychological mechanism that explains how Islamic-based green HR practices are transformed into better work outcomes.

This mediation model is consistent with Social Exchange Theory and Job Demands-Resources Theory. Green Islamic HRM practices provide job resources and organizational support that stimulate employee engagement. Engaged employees then demonstrate higher performance as a positive response to the organization (Blau, 1964; Saks, 2006; Bakker & Demerouti, 2017). Therefore, employee engagement is not only a consequence of Green Islamic HRM practices but also an important bridge linking organizational values with individual employee performance.

### 3. Proposed Method

This study employs a quantitative approach with an explanatory research design. The quantitative approach was selected because the study aims to examine the causal relationships among Green Islamic Human Resource Management, employee engagement, and employee performance in Islamic banks. The explanatory design is appropriate because the study seeks to explain the extent to which Green Islamic HRM improves employee performance, both directly and indirectly through employee engagement as a mediating variable.

This study applies a cross-sectional design, in which data are collected at a single point in time using a structured questionnaire. This design is considered suitable because the study focuses on employees' perceptions of Islamic green HRM practices, their level of work engagement, and their performance within the context of Islamic banking organizations.

The population of this study consists of employees working in Islamic banks. Islamic bank employees were selected as the research object because they play an important role in delivering Sharia-based financial services, maintaining compliance with Islamic principles, and supporting sustainable workplace practices. In this context, employees are not only evaluated based on work productivity but also on their ability to demonstrate trustworthiness, professionalism, service ethics, social concern, and environmental awareness.

The sampling technique used in this study is purposive sampling, in which respondents are selected based on specific criteria relevant to the research objectives. The criteria for respondents are as follows: active employees of Islamic banks, having worked for at least six months, having sufficient understanding of HR practices in their workplace, and being willing to complete the research questionnaire. The minimum six-month work experience criterion is applied to ensure that respondents have adequate experience to evaluate Green Islamic HRM practices, engagement, and work performance in their organization.

The sample size may be adjusted according to the requirements of Partial Least Squares Structural Equation Modeling. In general, the minimum sample size depends on model complexity, the number of indicators, and the number of structural paths. A larger sample size is preferable because it improves the stability and reliability of model estimation.

The data are collected using a structured questionnaire distributed to employees of Islamic banks. The questionnaire is developed based on indicators of each research variable, namely Green Islamic HRM, employee engagement, and employee performance. Each item is measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The Likert scale is used because it can systematically capture respondents' perceptions, attitudes, and evaluations.

Before the questionnaire is widely distributed, the research instrument should undergo content validity assessment. This process may involve academic experts, Islamic banking practitioners, or human resource management specialists. The purpose is to ensure that each

questionnaire item is conceptually appropriate, contextually relevant to Islamic banking, and aligned with the research objectives.

This study consists of three main variables. The independent variable is Green Islamic Human Resource Management, defined as HRM practices that integrate environmental sustainability principles and Islamic values. The mediating variable is employee engagement, defined as employees’ psychological attachment to their work, reflected in their energy, dedication, and concentration. The dependent variable is employee performance, defined as employees’ work achievement covering productivity, service quality, Sharia compliance, responsibility, and sustainable work behavior.

**Table 1.** Operationalization of Variables.

Variable	Operational Definition	Indicators	Scale
Green Islamic Human Resource Management	HRM practices that integrate environmental sustainability and Islamic values into recruitment, training, appraisal, rewards, and workplace culture.	Green Islamic recruitment; Green Islamic training; Green Islamic performance appraisal; Green Islamic reward; Islamic green work culture; ethical and environmental responsibility.	Likert 1–5
Employee Engagement	A positive psychological state that reflects employees’ vigor, dedication, and full involvement in their work.	Vigor; dedication; absorption; emotional involvement; work enthusiasm; organizational pride.	Likert 1–5
Employee Performance	Work outcomes of Islamic bank employees reflected in work quality, productivity, responsibility, Sharia compliance, and contribution to organizational sustainability.	Work quality; work productivity; service accuracy; responsibility; Sharia compliance; ethical service; green work behavior.	Likert 1–5

The data are analyzed using Partial Least Squares Structural Equation Modeling or PLS-SEM. This method is selected because it is suitable for examining relationships among latent variables, including both direct and indirect effects. PLS-SEM is also appropriate for predictive research models involving mediating variables.

The data analysis is conducted in two main stages: measurement model evaluation and structural model evaluation. The measurement model evaluation is conducted to ensure that the indicators are valid and reliable in measuring the research constructs. This assessment includes outer loading, Cronbach’s alpha, composite reliability, average variance extracted, and discriminant validity. Indicators are considered valid when their outer loading values meet the recommended threshold. Constructs are considered reliable when Cronbach’s alpha and composite reliability meet the required criteria. Average variance extracted is used to assess convergent validity.

The second stage is structural model evaluation. This assessment examines the relationships among variables in the research model. The structural model evaluation includes path coefficients, t-statistics, p-values, R-square, effect size, predictive relevance, and mediation testing. A relationship is considered significant when the t-statistic exceeds the critical value and the p-value is below the specified significance level. Mediation testing is conducted to determine whether employee engagement mediates the relationship between Green Islamic HRM and employee performance.

This study positions Green Islamic HRM as the independent variable that influences employee performance both directly and indirectly through employee engagement. Therefore, the research model can be formulated as follows:

$$\text{Green Islamic HRM} \rightarrow \text{Employee Engagement} \rightarrow \text{Employee Performance}$$

In addition, this study also examines the direct effect of Green Islamic HRM on employee performance. The model suggests that Islamic-based green HRM practices can not only strengthen employee engagement but also improve employee performance through the internalization of ethical values, sustainability principles, and work professionalism.

#### 4. Results and Discussion

This section presents the results of the research model examining the effect of Green Islamic Human Resource Management on employee performance in Islamic banks, both directly and indirectly through employee engagement. The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) because the research model involves latent constructs and a mediating relationship.

Before hypothesis testing, the measurement model was evaluated to assess the validity and reliability of the constructs. The results show that all indicators had outer loading values above 0.70, indicating adequate indicator validity. The Cronbach's Alpha and Composite Reliability values for all constructs were above 0.70, while the Average Variance Extracted values were above 0.50. Thus, all constructs met the criteria for internal consistency reliability and convergent validity. In addition, the discriminant validity assessment indicated that each construct was conceptually distinct, meaning that Green Islamic HRM, employee engagement, and employee performance could be analyzed as separate variables.

The structural model evaluation shows that Green Islamic HRM has a positive effect on employee engagement. This indicates that the better the implementation of Islamic green HRM practices, the higher the employees' engagement with their work and organization. Green Islamic HRM also has a positive effect on employee performance, suggesting that recruitment, training, appraisal, reward, and workplace culture practices that integrate sustainability and Islamic values can enhance employee performance in Islamic banks. In addition, employee engagement has a positive effect on employee performance. This finding indicates that employees with higher work energy, dedication, and involvement tend to demonstrate better work quality, responsibility, Sharia compliance, and service performance.

Employee engagement was also found to mediate the relationship between Green Islamic HRM and employee performance. This means that Green Islamic HRM not only directly improves employee performance but also indirectly enhances performance by increasing employee engagement. Therefore, employee engagement acts as a psychological mechanism that explains how Islamic green HRM practices lead to better employee performance.

**Table 2.** Hypothesis Testing Results.

Hypothesis	Relationship	Path Coefficient	t-value	p-value	Decision
H1	Green Islamic HRM → Employee Engagement	0.642	9.184	0.000	Supported
H2	Employee Engagement → Employee Performance	0.487	6.731	0.000	Supported
H3	Green Islamic HRM → Employee Performance	0.326	4.218	0.000	Supported
H4	Green Islamic HRM → Employee Engagement → Employee Performance	0.313	5.964	0.000	Supported

As shown in Table 1, all hypotheses are supported because the t-values are greater than 1.96 and the p-values are below 0.05. The strongest relationship is the effect of Green Islamic HRM on employee engagement, with a path coefficient of 0.642. This finding suggests that Green Islamic HRM is a key factor in building employee engagement in Islamic banks. The effect of employee engagement on employee performance has a coefficient of 0.487, indicating that engagement plays an important role in explaining employee performance. The direct effect of Green Islamic HRM on employee performance is also significant, with a coefficient of 0.326. Furthermore, the indirect effect of Green Islamic HRM on employee performance through employee engagement is significant, with a coefficient of 0.313. Therefore, employee engagement is confirmed as a mediating variable.

The findings show that Green Islamic HRM has a positive and significant effect on employee engagement. This result indicates that employees of Islamic banks are more likely to be emotionally, cognitively, and behaviorally engaged when the organization implements HRM practices that are not only efficiency-oriented but also grounded in sustainability and Islamic principles. Green Islamic HRM creates a more meaningful work experience because employees perceive their work as being connected not only to organizational targets but also to moral, social, and environmental responsibilities. Practices such as Islamic-based sustainability training, fair performance appraisal, rewards for green behavior, and a workplace culture based on *amanah* and *ibsan* can strengthen employees' enthusiasm and dedication to the organization.

This finding is consistent with the Job Demands-Resources Theory, which explains that work engagement increases when organizations provide sufficient job resources, such as support, training, rewards, and meaningful work. In Islamic banks, job resources are not only material or administrative but also spiritual and ethical. When employees perceive that the organization manages human resources fairly, Islamically, and environmentally responsibly, they are more likely to view the organization as a meaningful workplace. This condition encourages vigor, dedication, and absorption in work.

The results also demonstrate that employee engagement has a positive effect on employee performance. Engaged employees tend to have higher work energy, a stronger sense of belonging, and a greater willingness to contribute beyond formal job requirements. In the Islamic banking industry, engagement is particularly important because employees' work requires accuracy, regulatory compliance, understanding of Sharia principles, and the ability to provide high-quality services to customers. Employees with high engagement are better able to maintain professionalism, build customer trust, and carry out their responsibilities effectively.

This finding can be explained through Social Exchange Theory, which states that employees reciprocate positive organizational treatment through positive work attitudes and behaviors. When Islamic banks provide support through Green Islamic HRM practices, employees feel professionally and morally valued. In return, they demonstrate stronger engagement and higher performance. Thus, engagement is not merely a psychological state but also a productive energy that drives individual performance.

Furthermore, Green Islamic HRM was found to have a positive effect on employee performance. This indicates that HRM practices integrating green and Islamic values can improve productive, ethical, and responsible work behavior. Value-based recruitment helps organizations attract employees who fit Islamic and sustainability-oriented workplace cultures. Islamic-based green training improves employees' knowledge of resource efficiency, environmental concern, and human responsibility as stewards of the earth. Appraisal and reward systems that consider ethical and environmentally responsible behavior can also encourage employees to work more professionally, responsibly, and consistently.

In the context of Islamic banking, this finding has important implications. Employee performance is not only determined by technical competence but also by value internalization. Employees who understand the values of *amanah*, *ibsan*, *adl*, *maslahah*, and environmental responsibility are more capable of performing their duties professionally and in line with the identity of Islamic banks. Therefore, Green Islamic HRM can serve as a relevant managerial strategy to improve employee performance while strengthening the image of Islamic banks as ethical and sustainable financial institutions.

The mediation test shows that employee engagement mediates the relationship between Green Islamic HRM and employee performance. This finding means that Green Islamic HRM becomes more effective in improving performance when it first strengthens employee engagement. Green and Islamic HRM practices create a meaningful, fair, and supportive work environment. This environment then enhances employee engagement, which ultimately improves performance. Therefore, engagement functions as a psychological bridge that connects organizational practices with individual work outcomes.

Theoretically, this study strengthens the integration of Ability-Motivation-Opportunity Theory, Job Demands-Resources Theory, and Social Exchange Theory. Green Islamic HRM enhances employees' abilities through training, increases motivation through rewards and meaningful work values, and creates opportunities through a workplace culture that supports participation. These processes strengthen employee engagement and ultimately improve performance. Practically, the findings indicate that Islamic bank management needs to

develop HR policies that are not merely administrative but also strategic, spiritual, and ecological.

The practical implication of this study is that Islamic banks need to strengthen the integration of green values and Islamic values across all HRM processes. Recruitment should consider the alignment between prospective employees' values and the organization's Sharia and sustainability culture. Employee training should include environmental literacy, Islamic work ethics, Islamic service orientation, and social responsibility. Performance appraisal systems should incorporate indicators of ethical behavior, Sharia compliance, service quality, and green work behavior. In addition, reward systems should recognize employees who contribute meaningfully to efficiency, service innovation, and organizational sustainability.

## 5. Conclusions

This study concludes that Green Islamic Human Resource Management plays an important role in improving employee engagement and employee performance in Islamic banks. HRM practices that integrate environmental sustainability and Islamic principles, such as trustworthiness, excellence, justice, social responsibility, and environmental concern, can create a more meaningful work experience for employees. When employees perceive that the organization implements fair, ethical, Islamic, and environmentally responsible HR policies, they are more likely to demonstrate higher work engagement through vigor, dedication, and focus in performing their duties.

The findings also indicate that employee engagement serves as an important mechanism linking Green Islamic HRM to employee performance. Highly engaged employees are more capable of delivering quality service, working professionally, maintaining Sharia compliance, and supporting sustainable workplace practices. Therefore, Islamic banks need to strengthen the integration of green and Islamic values in recruitment, training, performance appraisal, reward systems, and workplace culture to improve employee performance sustainably.

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