



The Influence of Ethical Leadership and Quality of Work Life on Employee Loyalty in MSME Industries in Bandar Lampung City

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Abstract: This study aims to examine the influence of ethical leadership and quality of work life on employee loyalty in UMKM sector in Bandar Lampung City. Ethical leadership is seen as capable of creating fairness, transparency, and trust within the organization, which can enhance employee loyalty. A good quality of work life, including work-life balance, proper working conditions, and career development opportunities, is also believed to boost employee commitment. This research employed a quantitative approach using a survey method. Primary data were collected through questionnaires distributed to 229 respondents, who are employees in UMKM in Bandar Lampung City. The sampling technique used was accidental sampling. The data were analyzed using descriptive statistics and multiple linear regression with the help of IBM SPSS Statistics version 26. The results show that ethical leadership and quality of work life have a positive and significant effect on employee loyalty. These findings suggest that applying ethical leadership values and improving work life quality can be effective strategies for UMKM practitioners to retain loyal and dedicated employees.

Keywords: Ethical Leadership, Work Life, Employee Loyalty

Abstrak: Penelitian ini bertujuan untuk mengkaji pengaruh kepemimpinan etis dan kualitas kehidupan kerja terhadap loyalitas karyawan pada industri Usaha Mikro, Kecil, dan Menengah (UMKM) di Kota Bandar Lampung. Kepemimpinan etis dipandang mampu menciptakan keadilan, transparansi, dan kepercayaan dalam organisasi, sehingga dapat meningkatkan loyalitas karyawan. Kualitas kehidupan kerja yang baik, seperti keseimbangan kerja dan kehidupan pribadi, kondisi kerja yang layak, serta peluang pengembangan karier, juga diyakini mendorong komitmen karyawan. Penelitian ini menggunakan pendekatan kuantitatif dengan metode survei. Data primer dikumpulkan melalui kuesioner yang disebarakan kepada 229 responden karyawan UMKM di Kota Bandar Lampung. Teknik pengambilan sampel yang digunakan adalah accidental sampling. Data dianalisis menggunakan statistik deskriptif dan regresi linear berganda dengan bantuan IBM SPSS Statistics versi 26. Hasil penelitian menunjukkan bahwa kepemimpinan etis dan kualitas kehidupan kerja berpengaruh positif dan signifikan terhadap loyalitas karyawan. Temuan ini mengindikasikan bahwa penerapan nilai-nilai etis dalam kepemimpinan dan peningkatan kualitas kehidupan kerja dapat menjadi strategi efektif bagi pelaku UMKM dalam mempertahankan karyawan yang loyal dan berdedikasi.

Kata kunci: Kepemimpinan Etis, Kehidupan Kerja, Loyalitas Karyawan

1. INTRODUCTION

In the era of globalization and increasingly intense business competition, companies must strive to maintain and enhance employee loyalty to achieve long-term success. According to Zhang et al. (2022), in the field of organizational behavior, employee loyalty has consistently been a prominent research subject, as it reflects the strength of an individual's attachment to the organization and their commitment to maintaining this relationship. Dutta (2021) further emphasizes that employee loyalty is vital in gaining a competitive advantage in any company. Similarly, Tseng and Wu (2017) assert that employee loyalty significantly contributes to the achievement of organizational goals, describing it as an

employee's willingness to remain with the organization even when it contradicts personal interests.

Tseng and Wu (2017) also highlight that employee loyalty encompasses emotional aspects, employees' belief in the organization, and behavioral indicators of commitment. Dutta (2021) adds that loyalty is reflected in employees' dedication to staying with the company, willingness to work overtime, compliance with rules without strict supervision, and prioritization of organizational goals over personal gains. In line with this, Dhir et al. (2020) define employee loyalty as the desire to remain within an organization, signifying deep identification with and support for its objectives.

Numerous studies have explored various determinants of employee loyalty, such as job satisfaction, organizational support, and fairness. Dhir et al. (2020) found that job satisfaction positively correlates with employee loyalty. Nguyen et al. (2020) identified nine key factors influencing employee loyalty, including person-organization fit, compensation, career development, leadership behavior, work relationships, and organizational culture.

Among these, leadership behavior—particularly ethical leadership—has emerged as a critical factor. Ethical leadership, as explained by Guo et al. (2023), entails a leader's adherence to established norms through actions, interpersonal relationships, and two-way communication. Their study also notes the growing importance of ethical leadership research due to recent ethical issues in organizations. Supporting this, Jia et al. (2022) found that ethical leadership positively influences employee loyalty by fostering trust and well-being, which in turn reinforce loyalty. Conversely, Alabduljader (2021) reported that ethical leadership does not directly impact loyalty; rather, its influence is mediated by transformational leadership.

Ethical leadership also contributes to a conducive and productive work environment. Lee et al. (2017) demonstrated that ethical leadership enhances employee loyalty and commitment while fostering a collaborative workplace culture. Similarly, Choi et al. (2015) showed that ethical leadership builds trust and fairness, promoting greater employee engagement and, subsequently, loyalty.

Beyond leadership, the quality of work life (QWL) plays a substantial role in influencing employee loyalty. Leitão et al. (2019) define QWL as the conditions under which individuals pursue work-related goals and argue that aligning these goals with individual needs improves overall quality of life and organizational performance. Their findings indicate that QWL enhances job satisfaction and employee commitment. Phetpankan and

Thabhiranrak (2018) found that higher QWL levels among university staff in Thailand correlated with increased loyalty. Hassan et al. (2017) further emphasize that in industrial contexts, QWL boosts productivity and competitive advantage, especially when supported by strong leadership and loyal employees.

However, much of the research on ethical leadership and QWL has focused on large or multinational corporations. For instance, Bedi et al. (2016) examined ethical leadership's positive impact on loyalty in multinational firms in Germany and Canada. Nevertheless, Demirtas and Akdogan (2015) assert that ethical leadership is also applicable to small and medium-sized enterprises (SMEs), where it can foster loyalty and improve performance. This study aims to examine the influence of ethical leadership and quality of work life (QWL) on employee loyalty, with a specific focus on small and medium-sized enterprises (SMEs). The research addresses two key questions: whether ethical leadership affects employee loyalty and whether QWL influences employee loyalty. The primary objective is to explore the extent to which ethical leadership and QWL contribute to fostering employee loyalty. Theoretically, this research contributes to the existing literature by offering insights into how ethical leadership and QWL shape employee attitudes and behaviors in the SME context, an area that remains underexplored. Practically, the findings are expected to support organizations in formulating strategic initiatives centered on ethical leadership and enhancing the quality of work life to strengthen employee loyalty, ultimately aiming to minimize turnover and increase employee retention.

2. LITERATURE REVIEW

Ethical Leadership

Ethical leadership refers to the demonstration of normatively appropriate behavior through personal actions and interpersonal relationships, while actively promoting such behavior among subordinates via two-way communication, positive reinforcement, and participative decision-making (Brown et al., 2005; Guo et al., 2023). Key indicators of ethical leadership include emotional sensitivity, problem-solving abilities, avoidance of coercion, emphasis on dialogue, acknowledgment of mistakes, and a commitment to honesty, discipline, and trustworthiness (Brown et al., 2005). The emergence of ethical leadership is influenced by leaders' adherence to moral principles, fairness, and trustworthiness, as well as their prioritization of collective interests over personal gain (Schwepker & Dimitriou, 2021). Ethical leadership fosters an organizational culture grounded in justice, trust, and integrity, thereby enhancing employee trust, loyalty, and mutual organizational

relationships through social exchange (Ilyas et al., 2020). Furthermore, ethical leadership contributes to improved organizational performance, employee commitment, responsible behavior, and a positive brand image (Saha et al., 2020).

Quality of Work Life

Quality of work life (QWL) encompasses the overall working conditions that influence employees' physical, mental, social, and economic well-being, aiming to provide mutual benefits for both employees and organizations (Bhende et al., 2020). It integrates various dimensions such as employee welfare, satisfaction, workplace conditions, job security, and work-life balance (Sabonete et al., 2021). Sirgy et al. (2001) conceptualize QWL as the degree of satisfaction employees derive from the fulfillment of physical, psychological, social, and professional needs in the workplace. A high QWL positively impacts job satisfaction and employee performance, as a supportive and satisfying work environment can enhance motivation, loyalty, and productivity, ultimately contributing to employees' overall success (Bhende et al., 2020). Indicators of QWL, as proposed by Sirgy et al. (2001), include protection from illness and injury, health improvement, adequate compensation, job security, family needs, collegial relationships, leisure opportunities, recognition, personal potential, skill development, workplace creativity, and personal creativity.

Employee Loyalty

Employee loyalty refers to the degree of commitment and dedication an individual demonstrates toward their organization, reflected in behaviors such as willingness to remain with the company, perform extra tasks, protect confidential information, adhere to rules without strict supervision, prioritize organizational goals, avoid spreading false information, and use company resources responsibly (Dutta, 2021). It encompasses both emotional attachment and behavioral intentions, including a consistent desire to stay and actively contribute to organizational success (Cachón-Rodríguez et al., 2022). Loyalty is also understood as the sense of belonging employees feel toward their organization (Yee et al., 2010). Employees exhibiting loyalty tend to act in the best interests of the organization, demonstrating commitment beyond basic job requirements. According to Yee et al. (2010), the key indicators of employee loyalty include the intention to remain in the organization, willingness to take on extra work, a strong sense of ownership, and readiness to accept greater responsibilities within the company.

3. METHODOLOGY

Population and Research Sample

This study adopts a quantitative approach utilizing a survey method, which is effective for collecting data from a large population using a relatively small sample size (Sekaran & Bougie, 2016). Quantitative research is characterized by data expressed in numerical form, typically obtained through structured questions (Sekaran & Bougie, 2016). The target population comprises employees working in the SME sector, defined as a group of individuals or events from which generalizations can be drawn (Sekaran & Bougie, 2016). The sampling method applied is non-probability sampling, wherein elements of the population do not possess an equal likelihood of selection (Sekaran & Bougie, 2016). Specifically, accidental sampling is employed, a technique that selects participants based on convenience and accessibility, especially when comprehensive population data is unavailable (Sekaran & Bougie, 2016). The sample size is determined using Hair's (2019) recommendation of multiplying the number of questionnaire items by 5 to 10. With 44 items across three variables, a minimum of 220 respondents is required.

Operational Definition of Variables

Operational definitions serve as crucial guidelines for researchers to measure and analyze variables consistently throughout the study. According to Sekaran and Bougie (2016), variables are operationalized as measurable characteristics that exhibit variance and differentiate one observation from another. This study categorizes variables into independent and dependent types, with ethical leadership (X1) and quality of work life (X2) serving as independent variables, and employee loyalty (Y) as the dependent variable. Ethical leadership, based on Brown et al. (2005), refers to the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, as well as the promotion of such behaviors among subordinates through two-way communication, positive reinforcement, and participative decision-making. The indicators include emotional sensitivity, problem-solving ability, non-coercive influence, preference for dialogical processes, awareness of mistakes, and a commitment to honesty, discipline, and trustworthiness. Quality of work life, as defined by Sirgy et al. (2001), pertains to job satisfaction derived from fulfilling various work-related needs—physical, psychological, social, and professional. Its indicators encompass protection from illness and injury, health improvement, fair compensation, job security, work-life balance, workplace collegiality, recognition, personal potential, skill enhancement, and creativity both professionally and

personally. Employee loyalty, as conceptualized by Yee et al. (2010), reflects an employee's emotional attachment to their organization, measured through intentions to remain, willingness to exert extra effort, a sense of belonging, and readiness to assume greater responsibility. All variables in this study are measured using a five-point Likert scale to ensure standardized and quantifiable responses.

Data Sources and Research Instruments

This study employs primary data sources, which, according to Sekaran and Bougie (2016), involve collecting original data directly from individuals or groups through interviews, observations, or questionnaires. The primary instrument used is a structured questionnaire adapted from prior studies to ensure validity and relevance. The ethical leadership questionnaire (X1), developed by Brown et al. (2005), comprises 10 items, such as "My direct supervisor listens to what I say." The quality of work life instrument (X2), adapted from Sirgy et al. (2001), includes 16 items, for instance, "I feel physically safe at work." Employee loyalty (Y) is measured using 18 items adapted from Clark and Watson (1995) in Meschke (2021), such as "I defend my organization when other employees criticize it," with all responses measured on a five-point Likert scale. To assess instrument validity, Confirmatory Factor Analysis (CFA) will be conducted using SPSS, ensuring indicators with loading values ≥ 0.5 are deemed valid (Salim et al., 2011). Reliability is tested using Cronbach's Alpha, which measures internal consistency. Sekaran and Bougie (2016) emphasize reliability as an indicator of an instrument's stability and freedom from error. Alpha values > 0.60 indicate acceptable reliability, > 0.80 good reliability, and ≥ 0.90 excellent reliability (Budiastuti & Bandur, 2018).

Data Test

The data analysis in this study begins with a normality test to determine whether the distribution of research data approximates a normal distribution. According to Sekaran and Bougie (2016), testing for normality is critical, as non-normally distributed data can lead to invalid or biased statistical conclusions. This study utilizes the Kolmogorov-Smirnov method within SPSS software, where data are considered normally distributed if the Asymp. Sig. (2-tailed) value exceeds 0.05. Descriptive statistical analysis is also employed to summarize and describe the dataset using indicators such as means, standard deviations, and frequency distributions, which are displayed in tables or charts (Sekaran & Bougie, 2016). To test hypotheses, the study applies multiple linear regression analysis

to examine the simultaneous influence of two or more independent variables—ethical leadership (X1) and quality of work life (X2)—on the dependent variable, employee loyalty (Y). The regression model used is $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$, where α denotes the constant, β_1 and β_2 represent the regression coefficients, and e indicates the error term. Furthermore, the t-test is conducted to evaluate the individual significance of each independent variable in predicting the dependent variable. As explained by Sekaran and Bougie (2016), the t-test measures the statistical significance of each regression coefficient. At a 5% significance level ($\alpha = 0.05$), hypotheses are accepted or rejected based on whether the p-value is below or above the threshold. A significant t-value ($p < 0.05$) indicates a positive and statistically significant effect, while a non-significant result ($p \geq 0.05$) implies no substantial impact.

4. RESULT AND DISCUSSION

Respondent Characteristics

The data collection for this study involved 229 respondents working in small and medium-sized enterprises (SMEs), with the survey distributed online via Google Forms from February 8 to April 26, 2025. All 229 responses were usable, yielding a response rate of 100%. The demographic characteristics of the respondents are summarized in Table 4. Among the respondents, the majority were female, comprising 79.04% of the sample, while males accounted for 20.96%. In terms of age, the predominant group was individuals aged 21-30 years, which made up 84.28% of the sample, followed by those aged 31-40 years (7.86%). Regarding educational attainment, most respondents had completed high school (53.28%), while 40.61% held a bachelor's degree. The largest proportion of respondents worked in the culinary sector, comprising 61.14% of the sample, followed by those in the fashion industry (17.90%), trade (14.41%), and services (6.55%). In terms of tenure, 47.60% of the respondents had worked for 1-2 years, with smaller percentages representing longer durations, such as less than 1 year (18.34%) and over 2-3 years (22.27%). This distribution reflects a predominance of relatively young, early-career female employees, with a concentration in the culinary sector and a high school educational background. These characteristics are essential for understanding the context in which the study's findings will be interpreted.

Table 1. Respondent Characteristics

No.	Demographic	Category	Frequency	Percentage (%)
1	Gender	Male	48	20.96
		Female	181	79.04
2	Age	< 20	12	5.24
		21-30	193	84.28
		31-40	18	7.86
		41-50	5	2.18
		> 50	1	0.44
3	Education	SMP	1	0.44
		SMA	122	53.28
		Diploma	11	4.80
		Bachelor	93	40.61
		Master	2	0.87
4	Industry	Culinary	140	61.14
		Fashion	41	17.90
		Services	15	6.55
		Trade	33	14.41
5	Tenure	< 1 year	42	18.34
		1-2 years	109	47.60
		> 2-3 years	51	22.27
		> 3-4 years	9	3.93
		> 4-5 years	6	2.62
		> 5 years	12	5.24

Research Instrument Test Results

The validity of the research instrument was assessed using factor loading tests, which are critical in determining the suitability of each item in the questionnaire. According to Salim et al. (2011), an item is considered valid if the loading factor is greater than or equal to 0.5. Items with loading factors below this threshold are excluded from further analysis. In this study, several iterations of validity testing were conducted. For the ethical leadership variable, valid items were 1, 2, 6, 8, and 10. For the work-life quality variable, items 8, 12, 13, and 16 passed the validity test. Similarly, for employee loyalty, valid items included 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17. These findings are essential as they ensure that the items used in the analysis are valid representations of the constructs they are intended to measure.

Table 2. Reliability Test Result

No.	Variable	Cronbach's Alpha
1	Ethical Leadership	0.694
2	Work-Life Quality	0.645
3	Employee Loyalty	0.827

After establishing the validity of the items, reliability testing was conducted using Cronbach's Alpha to measure the internal consistency of the variables. A commonly accepted threshold for reliability is a Cronbach's Alpha value of at least 0.60 (Budiastuti & Bandur, 2018). The results showed that the ethical leadership variable had a Cronbach's Alpha of 0.694, indicating good reliability. The work-life quality variable had a Cronbach's Alpha of 0.645, which is also acceptable, though slightly lower. The employee loyalty variable showed the highest reliability with a Cronbach's Alpha of 0.827, indicating very high internal consistency. These results confirm that the instrument used for this study is both valid and reliable for further analysis.

Additionally, the normality of the data was tested using the Kolmogorov-Smirnov method. According to the test, if the Asymp. Sig. (2-tailed) value is less than 0.05, the data is considered non-normal, while a value greater than 0.05 indicates normal distribution. In this study, the Asymp. Sig. value was 0.200, which is greater than 0.05, suggesting that the data follows a normal distribution. This outcome ensures that the subsequent statistical analyses will be appropriate for the data, as assumptions of normality are satisfied.

Description of Respondent Statements

The analysis of respondent statements reveals key insights regarding ethical leadership, work-life quality, and employee loyalty. Regarding ethical leadership, the highest rated statement was "My direct supervisor sets an example of how to do things the right way ethically" with a mean score of 4.33, reflecting the perception that employees view their supervisors as role models who practice ethical behavior. This is an important factor in establishing an organizational culture based on integrity and moral standards. However, a noticeable gap appeared in the statement "My direct supervisor listens to what I say," which received the lowest score of 3.69. This suggests that while supervisors are generally seen as ethical leaders, there is room for improvement in communication, particularly in ensuring that employees feel heard and valued. Effective communication and active listening are critical for fostering trust, collaboration, and an open work environment.

In terms of work-life quality, the highest rated statement was "I feel that I am always learning new things that help me perform my job well" with a mean score of 4.32. This indicates that employees recognize opportunities for growth and continuous development, which plays a key role in job satisfaction and professional fulfillment. However, the statement "I have enough time outside of work to enjoy other aspects of life" received a lower rating of 3.99, pointing to challenges employees face in balancing their professional

responsibilities with personal time. The struggle to maintain a healthy work-life balance remains a significant concern, as it is essential not only for reducing stress but also for maintaining overall well-being. Organizations that support work-life balance are likely to see improvements in employee satisfaction, productivity, and retention.

For employee loyalty, the statement "I will do my best to complete the tasks given by my direct supervisor" received the highest score of 4.34, showing a strong sense of commitment and responsibility among employees. This reflects their dedication to fulfilling their job duties and contributing to the organization's success. On the other hand, the lowest rated statement was "I do not accept criticism of my workgroup" with a score of 3.00. This finding indicates that employees are open to feedback and constructive criticism, which is essential for growth and improvement. A culture that values openness to feedback is crucial in driving continuous improvement and ensuring that employees can adapt and develop their skills to meet the organization's evolving needs.

Descriptive Statistical Analysis

The descriptive statistical analysis, as shown in Table 2, presents the following results: For the variable of ethical leadership (X1), the minimum value was 2, the maximum value was 5, with a mean of 3.9572 and a standard deviation of 0.61280. This indicates that respondents generally rated ethical leadership positively, with some variability in responses. For work-life quality (X2), the minimum score was 2, the maximum score was 5, the mean was 4.1092, and the standard deviation was 0.61289. These results suggest that employees generally perceived a favorable work-life balance, though there is some variation in the data. Lastly, for employee loyalty (Y), the minimum value was 2.15, the maximum value was 5, the mean was 3.8223, and the standard deviation was 0.57036. These findings indicate a positive trend in employee loyalty, with a relatively consistent distribution of responses.

Table 3. Descriptive Statistical Analysis Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
X1	229	2	5	3.9572	0.61280
X2	229	2	5	4.1092	0.61289
Y	229	2.15	5	3.8223	0.57036

Hypothesis Test Results

The hypothesis testing results, presented in Table 4, demonstrate that both ethical leadership (X1) and work-life quality (X2) have significant positive effects on employee loyalty (Y). Specifically, the regression analysis shows that ethical leadership (X1) exerts a positive and statistically significant influence on employee loyalty, with a beta coefficient of 0.169. The t-value of 2.574 and a p-value of 0.011 further confirm this significant effect. Therefore, the hypothesis asserting that ethical leadership positively impacts employee loyalty is supported. Similarly, work-life quality (X2) also has a strong positive and significant effect on employee loyalty, with a beta coefficient of 0.546. The t-value of 8.304 and a p-value of 0.000 indicate that this relationship is highly significant. Hence, the hypothesis stating that work-life quality positively affects employee loyalty is also validated.

Table 4. Hypothesis Test Results

Model	B	Std. Error	Beta	t	Sig.	Explanation
(Constant)	14.434	2.671		5.403	0.000	Significant
X1	0.410	0.159	0.169	2.574	0.011	Significant
X2	1.652	0.199	0.546	8.304	0.000	Significant

The effect of ethical leadership on employee loyalty

The results of the regression analysis indicate that ethical leadership (X1) has a positive and statistically significant effect on employee loyalty (Y), with a beta coefficient of 0.169. This positive relationship suggests that higher levels of ethical leadership contribute to increased employee loyalty. The t-test results, with a t-value of 2.574 and a p-value of 0.011, further confirm the statistical significance of this effect. As a result, the first hypothesis (H1) is supported, indicating that ethical leadership positively influences employee loyalty. These findings are consistent with previous research, such as that by Brown et al. (2005), who emphasized that ethical leadership is characterized by honesty, fairness, and trustworthiness. Leaders who embody ethical principles in their decision-making and interactions with employees tend to foster a work environment that is fair, transparent, and trust-based, thereby enhancing employee loyalty.

Furthermore, the study aligns with the work of Banks et al. (2021), which highlights the importance of normative and transparent communication in ethical leadership. Ethical communication builds trust, strengthens the leader's moral image, and motivates employees to adhere to ethical standards. The questionnaire item X1.6, which asked about

whether direct supervisors exemplify ethical behavior, received a high average score of 4.33, further validating the positive impact of ethical leadership on employee loyalty. Additionally, the research by Guo et al. (2023) and Jia et al. (2022) supports the notion that ethical leadership enhances employee loyalty by improving trust, well-being, and moral behavior, ultimately reinforcing employees' commitment to the organization. Consequently, ethical leadership is a crucial factor in cultivating an environment of trust and loyalty, and its consistent application in workplaces, including SMEs in Bandar Lampung, serves as a strategic approach to strengthening employee loyalty.

The effect of quality of work life on employee loyalty

The regression analysis results indicate that the variable of quality of work life (X2) has a positive and significant effect on employee loyalty (Y), with a beta coefficient of 0.546. This suggests that as employees perceive a higher quality of work life, their loyalty towards the organization increases. The t-test results, with a t-value of 8.304 and a p-value of 0.000, which is well below the 0.05 significance level, further confirm the statistical significance of this relationship. Consequently, the hypothesis stating that quality of work life positively affects employee loyalty is supported. These findings align with Sirgy et al. (2001), who suggested that quality of work life is achieved when employees have sufficient leisure time outside of work. This is consistent with one of the survey items (X2.8), which asked employees whether they had enough time outside work to enjoy other aspects of life, receiving an average score of 3.99. This indicates that many employees feel a balanced integration of work and personal life, reinforcing the notion that employees with better work-life balance tend to have higher life satisfaction and stronger loyalty to their organizations.

These results are consistent with previous research, such as Phetpankan and Thabhiranrak (2018), which found that organizations with higher quality of work life foster greater employee loyalty. Similarly, Leitão et al. (2019) highlighted that a good quality of work life creates a stronger sense of employee loyalty, positively influencing overall organizational performance. Their findings suggest that when a company addresses the emotional, social, and physical needs of its employees, it leads to higher job satisfaction and stronger bonds with the organization. Additionally, Yao et al. (2019) emphasized that employee loyalty is closely tied to emotional attachment and psychological commitment to the organization. Therefore, ensuring a high quality of work life is crucial for enhancing employee loyalty in SMEs in Bandar Lampung. The study's findings reaffirm that

facilitating work-life balance and meeting employees' diverse needs can significantly enhance their loyalty to the organization.

5. CONCLUSION

Based on the research findings and discussions regarding the influence of ethical leadership and quality of work life on employee loyalty within the SMEs sector in Bandar Lampung, several conclusions can be drawn. First, ethical leadership significantly impacts employee loyalty, confirming that consistent ethical leadership practices in the workplace, encompassing various ethical leadership indicators, are vital for maintaining and enhancing employee loyalty within SMEs in Bandar Lampung. Second, the quality of work life also has a significant effect on employee loyalty, indicating that organizations providing a work environment that supports employees in balancing work demands with personal life contribute to increased satisfaction, commitment, and attachment to the organization. Thus, improving the quality of work life is crucial in enhancing employee loyalty within the SMEs sector in the region.

Despite these valuable insights, this study has several limitations. First, the research focused solely on the SME sector in Bandar Lampung, limiting the generalizability of the results to other industries or regions. Second, the use of an online survey for data collection may have led to biased responses, as respondents may not have answered truthfully or consistently, potentially affecting the validity of the findings. Third, the sample size was limited, which may not fully reflect the reality of all employees in the SME sector in Bandar Lampung. Future research should address these limitations by expanding the geographic scope, utilizing diverse data collection methods, and incorporating larger, more varied samples to ensure a comprehensive understanding of the relationship between ethical leadership, quality of work life, and employee loyalty. Additionally, longitudinal studies are recommended to capture the dynamics of employee loyalty over time, especially in light of external factors such as economic conditions and market changes.

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