



# THE EFFECT OF INTERNAL CONTROL AND TRANSFORMATIONAL LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE, USING WORK MOTIVATION AS A MODERATING VARIABLE (CASE STUDY OF SEVERAL RURAL BANKS (BPR) IN LAMPUNG)

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## Abstract

This study aims to identify solutions to the problems faced by Rural Banks (BPR) in Lampung related to low employee performance. The low level of employee performance is presumed to be caused by internal control and transformational leadership factors. The research was conducted at five Rural Banks (BPR) in Lampung, with data collected through questionnaires distributed to 152 operational employees. Of these, 110 responses were returned and deemed suitable for analysis. The data were then analyzed using multiple regression with the Moderated Regression Analysis (MRA) method. The results show that internal control has a significant effect on employee performance, and transformational leadership also significantly influences employee performance. Work motivation is proven to strengthen the relationship between internal control and transformational leadership on employee performance. Based on these findings, the study suggests that companies should strengthen their internal control systems, consistently apply transformational leadership in employee empowerment, and enhance both intrinsic and extrinsic motivation programs to improve employee commitment and productivity.

**Keywords:** Employee Performance; Internal Control; Transformational Leadership Style; Work Motivation

## INTRODUCTION

Rural Banks (Bank Perkreditan Rakyat – BPR) are financial institutions that play a strategic role in supporting regional economic development, particularly in providing financing for micro, small, and medium enterprises (MSMEs). The existence of BPRs serves as a solution to the limited access to formal banking services for rural communities and small-scale entrepreneurs, thereby contributing directly to community welfare and local economic growth (Fauzi et al., 2024). Consequently, the sustainability and performance of BPRs are highly dependent on the effectiveness of internal management, including the quality of human resources responsible for daily operational activities.

The success of banking organizations, including BPRs, cannot be separated from optimal employee performance. Employee performance reflects the level of achievement of work outcomes based on assigned responsibilities and their alignment with organizational objectives (Mangkunegara, 2011). From a management accounting perspective, employee performance is not merely viewed as an individual work outcome but also as an integral part of the management control system and responsibility accounting, which functions to ensure the effective and efficient achievement of organizational goals (Hansen & Mowen, 2007; Anthony & Govindrajn, 2020).

However, empirical evidence indicates that employee performance in Indonesia remains relatively suboptimal. Data from the World Economic Forum show that Indonesia's labor productivity and workforce performance are still positioned at a middle level compared to other countries, highlighting the need for improvements in human resource management and organizational systems (Setyawati & Nugrohoseno, 2019). This condition is also reflected in several Rural Banks (BPRs) in Lampung Province, where employee performance achievements in credit marketing, financing portfolio attainment, and collection effectiveness have not met the targets set by the organizations.



Preliminary observations reveal that the low level of employee performance in BPRs in Lampung is caused by various internal organizational factors, including weak implementation of internal control, leadership styles that are not fully transformational, and relatively low levels of employee work motivation. Ineffective internal control may lead to operational inefficiencies, unclear responsibilities, and low work discipline among employees. In fact, effective internal control is designed to safeguard assets, enhance accountability, and create a structured and secure working environment for employees (Romney & Steinbart, 2015; COSO, 2013).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) defines internal control as a process designed to provide reasonable assurance regarding the achievement of operational, reporting, and compliance objectives. Within the context of management accounting, internal control serves as a mechanism of behavioral control that encourages employees to work in accordance with established procedures, assume responsibility, and focus on achieving organizational targets (Atkinson et al., 2010). Therefore, weak internal control may directly result in decreased employee performance.

In addition to internal control, leadership style is a crucial factor influencing employee performance. Transformational leadership emphasizes a leader's ability to inspire, motivate, and empower employees to transcend personal interests in order to achieve organizational goals (Bass & Avolio, 1994). Transformational leaders are capable of creating a clear vision, demonstrating exemplary behavior, and fostering positive working relationships, which in turn enhance employee motivation and performance (Judge & Piccolo, 2004). However, in several BPRs in Lampung, leadership practices that tend to be more instructional and less participative have resulted in employees being less motivated to perform optimally.

Work motivation is another psychological factor that plays a vital role in improving employee performance. Herzberg, Two-Factor Theory (1959) explains that work motivation is influenced by intrinsic (motivator) and extrinsic (hygiene) factors. High levels of work motivation encourage employees to work more enthusiastically, responsibly, and result-oriented, whereas low motivation can hinder performance even when systems and leadership practices are already in place (Lusri, 2017). Thus, work motivation is assumed not only to have a direct effect on employee performance but also to strengthen or weaken the influence of internal control and leadership style on performance.

Previous studies have reported mixed findings regarding the effects of internal control and leadership style on employee performance. Several studies indicate that internal control and transformational leadership positively affect employee performance (Maharani & Damayanthi, 2020; Puspitasari & Dahlia, 2020), while others report insignificant results (Triastuti, 2022). These inconsistencies suggest the existence of a research gap that warrants further investigation, particularly by incorporating work motivation as a moderating variable.

Based on the above discussion, this study is important to examine the influence of internal control and transformational leadership style on employee performance, with work motivation as a moderating variable, in Rural Banks (BPRs) in Lampung Province. This research is expected to contribute theoretically to the development of management accounting and organizational behavior literature, as well as practically to BPR management in formulating strategies to sustainably improve employee performance.

## **LITERATURE REVIEW**

### **Organizational Behavior Theory**

Organizational Behavior Theory examines the behavior of individuals and groups within organizations and how organizational structures, systems, and cultures influence such behavior. Robbins & Judge, (2019) state that organizational behavior aims to improve



organizational effectiveness through understanding attitudes, motivation, leadership, communication, and group dynamics. This theory is relevant in explaining how internal control systems and leadership styles shape employee work behavior, which ultimately affects employee performance.

In the context of this study, organizational behavior theory emphasizes that employee performance is not determined solely by formal rules and procedures, but also by psychological and social factors such as work motivation and leadership style. Internal control provides structure and behavioral boundaries, while transformational leadership and work motivation act as internal drivers that strengthen positive employee behavior.

### **Internal Control**

Internal control is a process designed and implemented by management and all employees to provide reasonable assurance regarding the achievement of organizational objectives. According to COSO (2013), internal control is defined as a process intended to ensure the effectiveness and efficiency of operations, the reliability of reporting, and compliance with applicable laws and regulations.

The COSO (2013) framework consists of five main components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. The consistent implementation of these components creates a structured, accountable, and transparent work environment. From a management accounting perspective, internal control functions as a behavioral control mechanism that encourages employees to work in accordance with established procedures and performance targets.

Effective internal control can improve employee performance by providing clarity of duties, responsibilities, and work standards. Conversely, weak internal control may lead to inefficiencies, errors, and low employee productivity.

### **Transformational Leadership Style**

Transformational leadership was introduced by Burns (1978) and further developed by Bass Bernard, (1985). This leadership style emphasizes a leader's ability to inspire, motivate, and empower employees to transcend personal interests for the achievement of organizational goals.

Behling & McFillen, (1996) argue that transformational leadership can be measured through indicators of inspiration, idealized influence (admiration), and empowerment. Transformational leaders are able to build a clear vision, provide role modeling, and encourage employee potential development. This leadership style has been proven to enhance work motivation, organizational commitment, and employee performance.

In banking organizations such as Rural Banks (BPR), transformational leadership is crucial due to high performance demands and a dynamic business environment. Inspirational and empowering leaders can strengthen the implementation of internal control systems and create a supportive work climate that enhances employee performance.

### **Employee Performance**

Employee performance refers to the results achieved by individuals in carrying out their responsibilities in accordance with organizational standards. Mangkunegara, (2011) defines performance as the quality and quantity of work achieved by an employee in performing assigned tasks. In management accounting, employee performance is closely related to responsibility accounting. This system emphasizes that each employee is accountable for performance outcomes within their area of control. Tsui et al., (1997) identify employee performance indicators including work quality, work quantity, efficiency, work standards, competence, and timeliness. Employee performance is influenced by both internal and external factors such as individual capability, motivation, internal control systems, leadership, and the



work environment. Therefore, improving employee performance requires an integrated approach that combines organizational systems and behavioral factors.

### Work Motivation

Work motivation refers to internal and external drives that influence individuals to act and perform optimally at work. Herzberg, Two-Factor Theory (1959) distinguishes between motivator factors (achievement, recognition, responsibility, and personal growth) and hygiene factors (working conditions, company policies, supervision, and compensation).

Work motivation plays an important role in strengthening the relationship between organizational systems and employee behavior. Highly motivated employees tend to be more disciplined, responsible, and performance-oriented. In this study, work motivation is positioned as a moderating variable that can strengthen or weaken the influence of internal control and transformational leadership on employee performance.

### Conceptual Framework and Research Hypotheses

This study examines the influence of internal control and transformational leadership style on employee performance, with work motivation serving as a moderating variable. Internal control and transformational leadership are conceptualized as organizational factors that shape employee work behavior and performance outcomes, while work motivation functions as a psychological factor that may strengthen or weaken the influence of these organizational factors on employee performance. Based on the theoretical review and the proposed conceptual framework, the research hypotheses are formulated as follows:

H<sub>1</sub>: internal control has a positive and significant effect on employee performance

H<sub>2</sub>: transformational leadership style has a positive and significant effect on employee performance

H<sub>3</sub>: Work motivation moderates the relationship between internal control and transformational leadership style on employee performance.

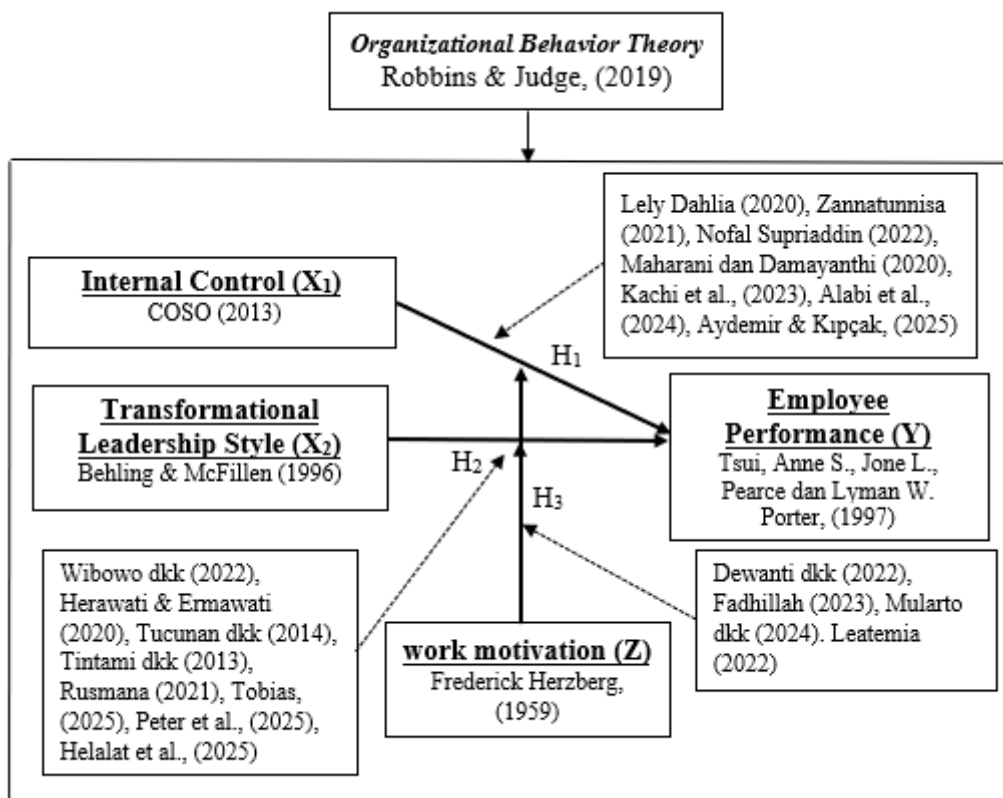


Figure 1 Framework



## METHODS

This study employs a quantitative approach with an explanatory (causal) research design. The purpose of this research is to examine the causal relationships between internal control and transformational leadership style on employee performance, with work motivation as a moderating variable.

The object of this study is operational employees of Rural Banks (Bank Perkreditan Rakyat/BPR) operating in Lampung Province, Indonesia. The research was conducted in several selected BPRs based on data accessibility and respondents' willingness to participate.

The population of this study consists of all operational employees working in several BPRs in Lampung Province. The sampling technique used was purposive sampling, with the following criteria: (1) Employees who have worked for at least one year; (2) Employees directly involved in operational banking activities. A total of 152 questionnaires were distributed, and 110 valid responses were returned and deemed suitable for analysis. This study uses primary data, collected directly from respondents through structured questionnaires. The data were collected using a cross-sectional approach during a single period of observation.

Data were collected using a closed-ended questionnaire designed based on the indicators of each research variable. All items were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The classical assumption tests used include normality, heteroscedasticity, and multicollinearity tests. Autocorrelation tests were not used because the data being analyzed was not a time series, given that autocorrelation generally occurs in time series data (Ghozali, 2018).

### Validity test

The data analysis techniques used by the author in this study are as follows: Sekaran & Bougie, (2017) define validity as an instrument's ability to measure what it is intended to measure. Validity tests are conducted to accurately determine the ability of a questionnaire.

The criteria for accepting or rejecting data are as follows:

1. If  $r_{\text{count}} \geq r_{\text{table}}$ , then the items in the question are significantly correlated with the total score of the item, and the item is declared valid.
2. If  $r_{\text{count}} < r_{\text{table}}$ , then the items in the question are not significantly correlated with the total score of the item, and the item is declared invalid.

### Reliability test

The reliability test in this study used the Cronbach's Alpha method. Reliability less than 0.60 is considered poor, while reliability in the range of 0.70 is acceptable, and reliability greater than 0.80 is considered good (Sekaran & Bougie, 2017). All questions used to measure variables are acceptable if they have a reliability coefficient greater than or equal to 0.70.

### Normality Test

This study's normality test uses a normal probability plot approach, which detects normality by examining the distribution of data (points) along the diagonal axis of the graph (Ghozali, 2018). According to Ghozali (2018), the basis for making this decision is as follows:

- a. If the data is spread around the diagonal line and follows the direction of the diagonal line, or the histogram shows a normal distribution pattern, then the regression model meets the assumption of normality.
- b. If the data is spread far from the diagonal line and/or does not follow the direction of the diagonal line, or the histogram does not show a normal distribution pattern, then the regression model does not meet the assumption of normality.



### Heteroscedasticity Test

To detect heteroscedasticity, researchers can use a scatterplot test. A scatterplot is a graph used to observe the relationship between two variables (Sudjana, 2005).

### Multicollinearity Test

The multicollinearity test aims to determine whether a high or perfect correlation exists between independent variables in a regression model. Multicollinearity can be seen from the tolerance value or Variance Inflation Factor (VIF). If the tolerance value is below 0.10 or the VIF is above 10, multicollinearity is present. If multicollinearity is found, one of the variables must be removed from the equation (Ghozali, 2018).

### Coefficient of Determination ( $R^2$ )

The formula for the coefficient of determination is as follows:

$$Kd = R^2 \times 100\%$$

The coefficient of determination is interpreted as the proportion and variance of the independent variable, indicating that the dependent variable can be explained by the independent variable to the extent of the coefficient of determination.

### Moderated Regression Analysis (MRA)

This study used multiple regression with the Moderated Regression Analysis (MRA) method, or interaction test. Moderated Regression Analysis (MRA) is a regression analysis technique used to determine whether a moderator variable can strengthen or weaken the relationship between the independent variable (X) and the dependent variable (Y).

The formula used in conducting the MRA test uses the following regression equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + e$$

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 X_1 Z + \beta_5 X_2 Z + e$$

Description:

Y = Employee Performance

$\alpha$  = Constant

$X_1$  = Internal Control

$X_2$  = Leadership Style

$\beta_1$  = Internal Control Regression Coefficient

$\beta_2$  = Transformational Leadership Style Regression Coefficient

$\beta_3$  = Interaction Coefficient of Internal Control and Transformational Leadership Style

e = Error

### F Test (Model Test)

The F test is conducted at a 95% confidence level and a 5% analytical error rate ( $\alpha$ ). The degrees of freedom in the numerator  $df_1$  are (k-1) and the degrees of freedom in the denominator  $df_2$  are (n-k), where k is the number of parameters (coefficients) in the linear regression model, and n is the number of observations.

The basis for decision-making is as follows:

- a. If  $F_{\text{count}} < F_{\text{table}}$ , then the independent variable has no effect on the dependent variable ( $H_0$  is accepted).  
If  $F_{\text{count}} > F_{\text{table}}$ , then the independent variable has an effect on the dependent variable ( $H_0$  is rejected).
- b. Based on probability values, the basis for decision-making is:  
If the probability is  $> 0.05$ , then  $H_0$  is accepted.  
If the probability is  $< 0.05$ , then  $H_0$  is rejected.



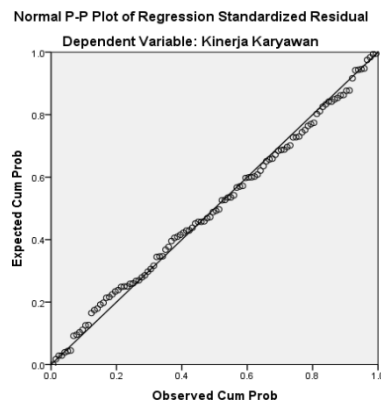
## RESULTS AND DISCUSSION

This study distributed 152 questionnaires to operational employees at five Rural Banks (Bank Perkreditan Rakyat/BPR) in Lampung Province, of which 110 questionnaires were returned and deemed usable for analysis. Based on respondents' characteristics, the majority were contract employees (50.9%), had 1–5 years of tenure (44.5%), were female (50.9%), and held a bachelor's degree (48.2%).

All research instruments for each variable were subjected to validity and reliability testing and were found to be valid and reliable. Descriptive analysis indicates that internal control has been well implemented, transformational leadership is perceived to be at a good level, employee performance shows favorable results, and work motivation is at a high (good) level.

Furthermore, the results of the classical assumption tests confirm that the regression model meets all required assumptions, including normal data distribution, absence of heteroscedasticity, and no multicollinearity, indicating that the model is appropriate for hypothesis testing. The test results are as follows:

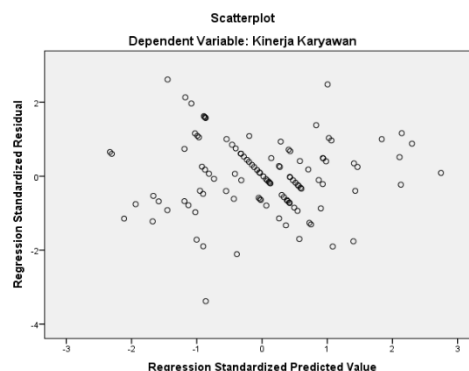
### Normality test



**Figure 2** Normal Probability Plot Test Results

Figure 2 shows the results that the data is spread around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, so the regression model meets the normality assumption, it can be concluded that the data is normally distributed, either through the normality approach with Kolmogorov-Smirnov (K-S) or the normal probability plot.

### Heteroscedasticity test



**Figure 3** Heteroscedasticity Scatterplot Graph

Figure 3 shows the results that there is no particular pattern because the points are spread irregularly above and below the 0 axis on the Y axis, so it can be concluded that there are no symptoms of heteroscedasticity.



Multicollinearity Test

**Table 1.** Multicollinearity Test Results  
Coefficients<sup>a</sup>

Model		Collinearity Statistics	
		Tolerance	VIF
1	Internal Control	.674	1.484
	Transformational Leadership Style	.613	1.631
	Work Motivation	.598	1.673

a. Dependent Variable: Employee Performance

Source: Results of processing the SPSS program

The results of table 1 show that the regression model is free from multicollinearity, because all independent variables have a tolerance value greater than 0.10 and a VIF value less than 10, so the assumption to be free from multicollinearity problems has been met.

**Moderated Regression Analysis (MRA)**

The results of the Moderated Regression Analysis (MRA) show the following findings.

**Table 2.** Effect of the Interaction between Work Motivation, Internal Control, and Transformational Leadership on Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.824	.173		4.77	.000
	Internal Control (X1)	.281	.056	.308	5.02	.000
	Transformasional Leadership Style (X2)	.297	.055	.316	5.38	.000
	Work Motivation (Z)	.191	.047	.207	4.07	.000
	X1Z	.148	.038	.172	3.89	.000
	X2Z	.119	.041	.138	2.92	.004

a. Dependent Variable: Employee Performance

Source: Results of processing the SPSS program

The significance value of the interaction between internal control and work motivation is 0.000 ( $< 0.05$ ), indicating that work motivation moderates the effect of internal control on employee performance.

Likewise, the significance value of the interaction between transformational leadership and work motivation is 0.004 ( $< 0.05$ ), indicating that work motivation moderates the effect of transformational leadership on employee performance.

**Table 3.** Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853 <sup>a</sup>	.728	.715	0.21422

Source: Results of processing the SPSS program

Table 3 shows that the coefficient of determination is 0.715, indicating that internal control, transformational leadership, and work motivation jointly explain 71.5% of the variance in employee performance. The remaining 28.5% is influenced by other factors not examined in this study.



F Test (Model Test)

**Table 4.** F-Test Results (Model Test)  
ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.007	5	5.801	39.11	.000 <sup>b</sup>
	Residual	10.834	104	.104		
	Total	39.841	109			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), X2Z, internal control, Transformasional Leadership Style, X1Z, Work Motivation

Source: Results of processing the SPSS program

Table 4. The results of the F test show that the F count value is 39.11 with a significance value (Sig.) of 0.000. This value is compared with the F table of 2.36 obtained from the F distribution table at a significance level of 5% ( $\alpha = 0.05$ ) with  $df_1 = 5$  and  $df_2 = 104$ . Because the F count is  $39.11 > F$  table 2.36 and the significance value is  $0.000 < 0.05$ , it can be concluded that the regression model can be used to predict.

**Effect of Internal Control on Employee Performance**

The results of this study indicate that internal control has a significant effect on employee performance at Rural Banks (Bank Perkreditan Rakyat/BPR) in Lampung Province. When internal control is implemented strictly and consistently, employee performance becomes more effective and efficient, thereby supporting organizational success (Putri & Rachman, 2024). These findings support previous studies conducted by Alawaqleh, (2021), Alwahamdeh (2019), Ayu Dwi Puspitasari and Lely Dahlia (2020), Maharani & Damayanthi, (2020), Kachi et al. (2023), Alabi et al., (2024), and Aydemir & Kıpçak, (2025).

Internal control practices at Rural Banks (BPR) in Lampung Province are generally perceived to be in a good condition, particularly within the control environment dimension. However, several aspects have not yet reached an optimal level, especially those related to low commitment to integrity and ethical values. This condition is presumably caused by insufficient leadership role modeling, limited ethics training, organizational culture that does not fully support ethical behavior, and relatively low employee job satisfaction (Alifian et al., 2025).

To improve this condition and achieve a very good category, organizations need to provide strong ethical role models through leadership compliance with company regulations, conduct regular ethics training, foster a work culture that emphasizes honesty and responsibility, and enhance employee job satisfaction through clear job descriptions, appropriate workloads, and recognition or rewards. These efforts are consistent with the views of Trevino & Nelson, (2021) and Schein, (2010), who emphasize that leadership roles, reward systems, and organizational culture significantly influence employee behavior.

The risk assessment dimension is also categorized as good; however, organizations have not yet fully optimized the identification, assessment, and anticipation of operational risks. In addition, employees' understanding of procedures and their ability to minimize errors remain suboptimal. Risk assessment is a critical component of internal control, and employees' understanding of risks significantly influences their behavior and compliance with organizational procedures (COSO, 2013; Robbins & Judge, 2019). Therefore, organizations need to enhance this dimension by providing comprehensive training and implementation of risk management practices. This recommendation aligns with Frigo & Anderson, (2010) and FACT, (2020), who argue that effective risk management depends on the integration of risk considerations into business processes, active leadership involvement, and a risk-aware organizational culture.

The control activities dimension demonstrates a good condition, yet the implementation of procedures such as authorization and approval, verification, segregation of duties, and



checking mechanisms has not been fully optimized to minimize errors and ensure accuracy in work processes. To achieve a very good category, organizations should simplify and clarify Standard Operating Procedures (SOPs) and conduct routine reviews through supervisory oversight and internal audits to reduce errors and improve accuracy. This approach is consistent with COSO (2013), Fauzan, (2024), and Adji, (2022), who emphasize that procedural refinement is essential to ensure effective control without disrupting operational efficiency.

The information and communication dimension is also rated as good; however, organizations have not fully optimized the provision of relevant information and the development of clear internal and external communication channels (Rahmanda et al., 2025). Improvements can be made by developing integrated information systems, such as core banking systems, accounting information systems, and management information systems, to ensure accurate and timely information. Additionally, organizations should clarify internal communication flows through digital reporting systems and establish formal, well-documented external communication and customer complaint channels.

Finally, the monitoring dimension shows a good condition, but organizations have not yet optimally conducted regular evaluations to ensure that all operational activities comply with established procedures, detect deviations, and assess the effectiveness of internal control. To achieve a very good level, organizations need to strengthen follow-up actions on monitoring results by improving evaluation documentation and providing timely responses to the relevant units.

### **Effect of Transformational Leadership on Employee Performance**

The results of this study indicate that transformational leadership has a significant effect on employee performance at Rural Banks (Bank Perkreditan Rakyat/BPR) in Lampung Province. The effective implementation of transformational leadership enhances employee performance because leaders who inspire, serve as role models, and empower their subordinates are able to foster higher levels of work enthusiasm, responsibility, and productivity compared to authoritarian leadership styles (Ardhani, 2025). This finding supports previous studies conducted by Wibowo et al., (2022), Herawati and Ermawati (2020), Putra et al. (2019), Tucunan et al. (2014), Tintami et al. (2013), Rusmana, (2021), Tobias (2025), Peter et al. (2025), and Helalat et al. (2025).

Transformational leadership at Rural Banks (BPR) in Lampung Province is generally categorized as good; however, further refinement is required to elevate its implementation to a very good level. In the inspirational motivation dimension, leadership is perceived as good, yet leaders have not fully optimized their ability to provide clear direction, motivation, and meaningfulness of work. As a result, employees may not consistently demonstrate optimal focus, discipline, and responsibility. To enhance leadership effectiveness, organizations should clarify work objectives and performance targets, align tasks with the organizational vision, provide regular motivation and recognition, and foster two-way communication to encourage greater employee focus, discipline, and accountability.

Leaders are also encouraged to adopt supportive and participative behaviors in line with situational leadership principles and to further develop transformational leadership characteristics that inspire employees through vision and meaningful work (Bass & Avolio, 1994; Del Pino-Marchito et al., 2025). Kouzes & Posner, (2012) emphasize that effective leaders inspire others through exemplary behavior and encourage employees to achieve shared success.

The idealized influence dimension (role modeling) is also rated as good; however, leaders are perceived as not yet fully optimal in demonstrating attitudes, behaviors, and ethical conduct that consistently foster employee respect and trust, as similarly found by (Wijaya, 2023). To improve this dimension to a very good level, organizations should strengthen



leadership role modeling through behavioral consistency, honesty, transparency, and fairness, as well as enhance communication and objective reward systems. Such efforts are essential to increasing employees' trust and respect toward leadership. This view is reinforced by Bass and Avolio (1994), who assert that role modeling becomes effective only when leaders' actions are truly consistent with their words.

The empowerment dimension also shows a good condition; however, leaders have not fully optimized their provision of trust to employees in completing tasks independently, making decisions within their authority, and participating in problem-solving processes. To improve this dimension to a very good level, organizations should grant greater autonomy to employees by delegating responsibilities based on competence without excessive supervision, involving employees in problem-solving through team discussions, suggestion forums, or evaluation meetings that encourage idea sharing, and providing training and competency development. These initiatives will enhance employees' confidence and skills to perform independently. This approach is consistent with transformational leadership principles that emphasize empowerment and participation as key drivers of employee motivation and performance (Bass & Riggio, 2006).

### **The Moderating Role of Work Motivation on the Effects of Internal Control and Transformational Leadership on Employee Performance**

The results of this study indicate that work motivation plays a crucial moderating role in strengthening the effects of internal control and transformational leadership on employee performance. Motivated employees tend to be more responsive to leadership direction, comply with organizational procedures, and take initiative in completing tasks optimally. Conversely, when work motivation is low, the influence of internal control and transformational leadership on performance becomes weaker, making the achievement of performance targets more difficult (Herzberg, 1965; Ryan & Deci, 2000). These findings also reinforce previous studies conducted by Dewi & Ferayani, (2019), Dewanti et al., (2022), Fadhillah, (2023), Mularto et al., (2024), and Leatemia, (2022).

The achievement dimension is categorized as good; however, employees are not yet fully motivated to complete tasks on time, maintain work quality, and achieve performance targets. To improve this condition to a very good level, organizations need to strengthen motivational aspects through reward systems, challenging job assignments, and opportunities for competency development. This recommendation aligns with Ryan & Deci, (2000), who emphasize that performance achievement increases when employees' needs for competence are fulfilled through recognition and opportunities for skill development.

The recognition dimension is also rated as good, yet the appreciation provided by leaders has not been optimally effective in enhancing employee motivation. Inconsistent recognition practices may weaken work motivation and reduce employees' drive to achieve higher performance, as identified by Wildan et al., (2021). Therefore, organizations should improve this dimension by providing consistent, fair, and timely recognition of employee performance through direct praise, formal awards, or appropriate incentives. This approach is consistent with Herzberg (1965), who identifies recognition as one of the primary motivators for improving performance.

The work itself and responsibility dimensions are categorized as good; however, these conditions remain suboptimal. Although employees perceive their work as challenging and feel responsible for their tasks, their level of work motivation still needs to be enhanced to achieve higher performance outcomes. Organizations should improve this dimension by designing jobs with greater task variety, setting more challenging performance targets, and providing training and development programs to enhance employee skills. These efforts are consistent with



Herzberg's Two-Factor Theory (1959), which explains that meaningful and challenging work increases motivation, job satisfaction, and performance.

The company policies, working conditions, and leader employee relationship dimensions are also rated as good but remain suboptimal due to inconsistencies in rule implementation, uneven workplace comfort, and fluctuating leader employee relationships. To elevate this dimension to a very good level, organizations should improve workplace comfort through adequate facilities, strengthen leader employee relationships through open communication and constructive guidance, and enforce company policies consistently and fairly. These initiatives are in line with Raharjo et al., (2023), who state that regulatory certainty, workplace comfort, and positive interpersonal relationships play a significant role in enhancing employee motivation, commitment, and performance.

## **CONCLUSION**

Based on the findings of this study examining the effects of internal control and transformational leadership on employee performance, with work motivation as a moderating variable at Rural Banks (Bank Perkreditan Rakyat/BPR) in Lampung Province, the following conclusions can be drawn:

The results indicate that internal control significantly explains variations in employee performance at several Rural Banks (BPR) in Lampung Province. Consistently implemented internal control systems create order, clear procedures, and higher levels of work accountability. Effective internal control encompassing the control environment, control activities, and monitoring processes has been proven to enhance employees' work effectiveness in achieving operational targets.

The findings also demonstrate that transformational leadership significantly explains variations in employee performance. Leaders who provide inspiration, act as role models, and empower subordinates create a work environment characterized by enthusiasm, mutual trust, and strong organizational commitment, thereby encouraging employees to deliver optimal performance.

The results of the Moderated Regression Analysis (MRA) confirm that work motivation moderates the effects of internal control and transformational leadership on employee performance. Employees with high levels of intrinsic and extrinsic motivation respond more effectively to internal control procedures and are more positively influenced by transformational leadership. Conversely, when work motivation is low, the effects of internal control and transformational leadership on performance improvement become less optimal.

## **Suggestion**

Based on the research findings, Rural Banks (BPR) are advised to improve the effectiveness of internal controls by strengthening regulatory compliance, providing ethics and risk management training, simplifying and consistently implementing standard operating procedures (SOPs), developing integrated information systems, and strengthening follow-up on monitoring results. These efforts are crucial for creating orderly work, accountability, and more effective operational control.

Furthermore, the implementation of a transformational leadership style needs to be continuously enhanced by developing supportive and participatory leadership behaviors, strengthening leadership role models through consistency, honesty, and fairness, and increasing employee empowerment through the delegation of responsibilities commensurate with competency, involvement in problem-solving, and work capacity development.

Furthermore, employee motivation needs to be strengthened through a fair and consistent reward and recognition system, challenging assignments, competency development,



improving work comfort, and strengthening communication and relationships between leaders and employees.

Finally, companies are advised to refine their performance appraisal systems by establishing clear and measurable standards, conducting regular evaluations, and communicating assessment results transparently to employees. These steps are expected to increase work motivation and encourage optimal employee performance.

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