Vol. 3 No. 6 (2025)
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
https://ecbis.net/index.php/go/index

THE INFLUENCE OF COMPETENCE, REWARD SYSTEM, AND TRAINING ON THE PERFORMANCE OF BPRS EXECUTIVE OFFICERS WITH JOB SATISFACTION AS AN INTERVENING VARIABLE

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Submitted: 04 November 2025	Revised: 06 November 2025	Accepted: 07 November 2025

Abstract

This study aims to analyze the effects of competence, reward systems, and training on the performance of executive officers in Sharia Rural Banks (BPRS), with job satisfaction as an intervening variable. The primary focus is to assess the extent to which these factors influence executive performance within the context of Islamic microfinance institutions. Employing a quantitative, explanatory design, primary data were collected via a Likert-scale questionnaire and analyzed using structural equation modeling–partial least squares (SEM–PLS) with SmartPLS. The study population consists of executive officers of BPRS in Indonesia. Using purposive sampling, 121 responses were obtained from multiple BPRS across several regions. The results show that (1) competence has a positive effect on performance; (2) job satisfaction positively affects performance; (3) the reward system influences performance primarily through job satisfaction (partial/competitive mediation), while its direct effect on performance tends to be negative; and (4) training does not exhibit a significant effect on performance, and its indirect path via job satisfaction is not significant. These findings highlight the importance of strengthening competence and redesigning reward systems in alignment with executive expectations to enhance job satisfaction and performance.

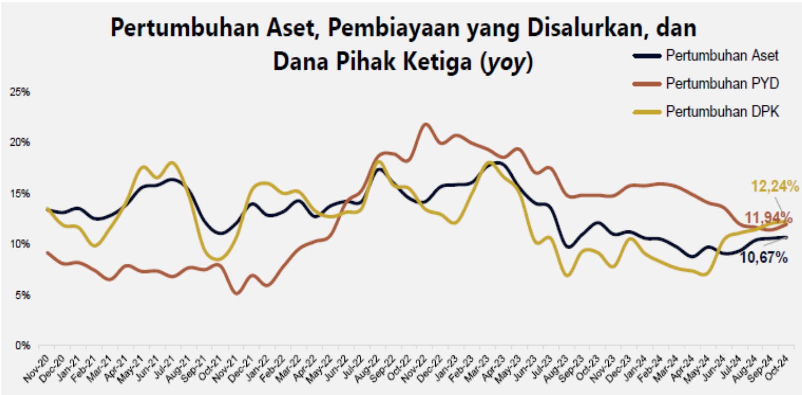
Keywords: *competence, reward system, training, executive performance, job satisfaction, BPRS.*

INTRODUCTION

Sharia Rural Banks (BPRS) are Islamic financial institutions mandated to mobilize and channel public funds in accordance with Islamic principles. In Indonesia, BPRS plays a pivotal role in advancing financial inclusion and strengthening the micro, small, and medium enterprise (MSME) sector at the regional level (Sutrisno et al., 2022). Data from the Financial Services Authority (Financial Services Authority, 2024) indicates stagnation and even declines in several key performance indicators for a subset of BPRS, including asset growth, financing disbursement, and the mobilization of third-party funds.

As shown in Figure 1.1, asset growth, disbursed financing, and third-party funds (DPK) fluctuated over the observation period. Although certain years exhibit a positive trend, several periods recorded notable downturns across all three indicators. In the final year of observation, asset growth was 10.67%, financing growth (PYD) 11.94%, and third-party fund growth 12.24%. These findings underscore that the BPRS industry's growth performance remains under pressure, thereby necessitating a strengthening of organizational fundamentals, particularly in the domain of human resources.

Figure 1.1 Growth in Assets, Financing, and Third-Party Funds



(**Source:** Financial Services Authority [OJK], 2024)

Executive officers in Sharia Rural Banks (BPRS) bear central responsibility for setting organizational direction, formulating policy, and achieving institutional objectives. Prior studies indicate that competence, reward systems, and training are primary determinants of executive performance in the financial sector (Zakiyah, 2022; Hartomo & Luturlean, 2020). At the organizational level, Table 1.1 presents the performance attainment of BPRS executive officers during 2023–2024. The data shows that none of the executives achieved the maximum performance attainment ratio (100%). The highest ratio was recorded by PE Audit Internal (Internal Audit Executive) at 63.64%, whereas other positions such as PE Compliance and Risk Management (Compliance and Risk Management Executive) and PE Legal (Legal Executive) fell within the 45.45% to 40.91% range. These findings indicate a gap between performance targets and realized outcomes, underscoring the need to enhance managerial effectiveness and governance among executive officers through competency development, refinement of reward systems, and more adaptive and measurable training.

Table 1. Performance Attainment Ratios of BPRS Executive Officers, 2023–2024

No	Jabatan	Jumlah Nilai	Rasio Pencapaian Kinerja
1	PE Kepatuhan dan Manajemen Risiko	10	45,45%
2	PE Legal	9	40,91%
3	Kepala Cabang 1	7	31,82%
4	PE Audit Internal	14	63,64%
5	Kepala Cabang 2	4	18,18%
6	PE Operasional	9	40,91%

Source: Processed data from the questionnaire

Prior studies have identified significant effects of competence, reward systems, and training on executive performance; however, most have emphasized direct relationships among these variables (Lathifah & Yuniastuti, 2023). In contrast, research that positions job satisfaction as an intervening variable linking these factors to the performance of executive officers within BPRS remains limited. The Theory of Work Performance proposed by Campbell et al. (1993) posits that performance results from the interaction of ability (competence), motivation (rewards), opportunity (training), and psychological factors such as job satisfaction. This situation reveals a research gap that warrants deeper investigation to develop a more comprehensive understanding of the mechanisms that enhance executive performance in BPRS.

Competence, as defined by Zakiyah (2022), consists of individual characteristics including knowledge, skills, and attitudes required to perform effectively. Empirical evidence from Lathifah and Yuniastuti (2023) indicates that competence is a dominant predictor of performance, where mastery of managerial skills and appropriate knowledge is positively associated with improved performance among BPRS executive officers. Beyond competence, the reward system also plays a crucial role in shaping behavior and outcomes.

Training the third variable associated with performance has also been shown to exert a substantial impact. Sianipar (2013) argues that effective training enhances employees' skills, knowledge, and work attitudes, which in turn elevates individual performance. Consistent with this view, Hartomo and Luturlean (2020) report that needs-based training contributes significantly to competency development and work efficiency among executive officers. Another salient factor is job satisfaction, understood as a positive affective evaluation of one's job when expectations and needs are met; Kusumawardani (2021) further notes that job satisfaction can moderate the relationship between workload and employee performance.

The theoretical foundation of this study is the Theory of Work Performance (Campbell et al., 1993), which specifies three primary components influencing individual performance: competence (ability), motivation (reward systems), and opportunity (training). In this framework, competence entails the knowledge, skills, and attitudes necessary to execute tasks effectively; motivation, shaped by reward systems, and opportunity, provided through training, jointly affects performance within the organization. Job satisfaction is expected to function as a mediating or potentially moderating mechanism connecting these factors to executive performance.

In this study, job satisfaction is treated as an intervening (mediating) variable that links competence, reward systems, and training to the performance of executive officers. The research addresses the gap in the literature, which has largely examined only direct effects without considering the mediating role of job satisfaction. Accordingly, the objectives are to: (1) analyze the effect of competence on the performance of BPRS executive officers; (2) analyze the effect of reward systems on the performance of BPRS executive officers; (3) analyze the effect of training on the performance of BPRS executive officers; (4) determine the mediating role of job satisfaction in the relationship between competence and executive performance in BPRS; (5) determine the mediating role of job satisfaction in the relationship between reward systems and executive performance in BPRS; and (6) determine the mediating role of job satisfaction in the relationship between training and executive performance in BPRS.

2. RESEARCH METHOD

This study employs a quantitative approach with an explanatory research design aimed at elucidating causal relationships among variables. The research focuses on analyzing the effects of competence, reward systems, and training on the performance of executive officers at Sharia Rural Banks (BPRS), with job satisfaction serving as an intervening variable. The study population consists of all BPRS executive officers in Indonesia, totaling approximately 500 individuals. Executive officers are selected as the unit of analysis because they play a strategic role in decision-making that affects overall organizational effectiveness. The sample is determined using purposive sampling with the following criteria: (1) currently serving as an active executive officer at a BPRS; and (2) willing to participate as a respondent. This approach is chosen to ensure that respondents possess competencies and experiences relevant to the variables under investigation. Following Hair et al. (2019) for Structural Equation Modeling–Partial Least Squares (SEM–PLS), the sample size is set between 75 and 150 respondents, corresponding to 5–10 times the total number of indicators (15) across the study variables. In addition to the questionnaire, confirmatory interviews were conducted with several BPRS directors to strengthen the validity of findings related to the executive performance variable (variable Y).

The data consists of primary and secondary sources. Primary data were obtained through a questionnaire employing a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The instrument covers five main variables: (1) competence, measured through indicators of knowledge, skills, and work attitudes; (2) reward system, measured through perceptions of compensation fairness, benefits, and career development opportunities; (3) training, measured through the relevance of materials, instructor quality, and application of training outcomes; (4) job satisfaction, measured through satisfaction with the job, compensation, and opportunities for development; and (5) executive performance, measured through decision-making effectiveness, target attainment, and leadership–collaboration. Secondary data were drawn from publications of the Financial Services Authority (OJK), BPRS annual reports, and relevant scholarly literature to support analysis and interpretation.

Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM–PLS) with the SmartPLS software. The analytical procedure comprised two main stages: assessment of the measurement model (outer model) to evaluate convergent validity, discriminant validity, and construct reliability; and assessment of the structural model (inner model) to examine relationships among latent variables via path coefficients, t-statistics, and p-values using the bootstrapping procedure. The R-square (R^2) statistic was employed to assess the model's predictive power, and mediation tests were performed to examine the role of job satisfaction in transmitting the effects of the independent variables to executive performance. SEM–PLS was selected because it is suitable for relatively small sample sizes, can accommodate non-normal data, and is effective for simultaneously testing both direct and indirect (mediated) effects.

3. RESULTS AND DISCUSSION

Respondent Characteristics

Based on the age distribution, most respondents were aged 31–40 years (43%), followed by those aged 41–50 years (43%), 20–30 years (8%), and >50 years (6%). In terms of gender, male respondents predominated at 66%, while females accounted for 34%. Regarding the highest level of education, the majority held a Bachelor's degree (S1) at 83%, followed by Postgraduate degrees (Master's/Doctoral; S2/S3) at 9%, Diplomas at 6%, and Senior/Vocational High School (SMA/SMK) at 2%. These characteristics support the study by reflecting variations in age and educational attainment that can provide deeper insights into how demographic factors influence leadership decisions and organizational management in BPRS. Considering tenure, most respondents had worked at BPRS for more than six years (79%), followed by those with 4–6 years (11%) and 1–3 years (10%). In terms of work experience, the majority reported very extensive experience, indicating a deep understanding of the policies and strategies implemented by BPRS.

Measurement Model (Outer Model)

Convergent Validity Test

The outer loading (loading factor) is a key metric for assessing convergent validity in SEM–PLS–based measurement models. The outer loading indicates the extent to which each indicator consistently explains the latent construct it represents. According to Hair et al. (2019), an indicator is deemed valid if its loading is ≥ 0.70, indicating a strong correlation with the construct. Nonetheless, for exploratory studies, indicators with loadings between 0.60 and 0.70 may be retained provided they do not compromise the overall validity and reliability of the construct. Analyzing outer loadings is an essential initial step to evaluate whether the indicators employed meet sound measurement criteria. The results of the loading factor tests for the study variables are presented in Table 2.

Table 2. Results of Loading Factors of Research Variables

	Competence	Reward System	Training	Executive Officer Performance	Job satisfaction
X1.1	0.933				
X1.2	0.906				
X1.3	0.828				
X2.1		0.914			
X2.2		0.901			
X2.3		0.708			
X3.1			0.882		
X3.2			0.902		
X3.3			0.885		
Y1.1				0.897	
Y1.2				0.777	
Y1.3				0.868	
Z1.1					0.744
Z1.2					0.859
Z1.3					0.842

Source: Processed data from the questionnaire

Discriminant Validity Test

Discriminant validity is an essential indicator for assessing the extent to which each construct in a model is genuinely distinct from other constructs, both theoretically and empirically. This evaluation ensures that each latent construct represents a unique dimension, preventing overlap or redundancy across constructs. A construct is considered to exhibit adequate discriminant validity when its indicators correlate more strongly with their own construct than with other constructs in the model. Establishing sound discriminant validity is a methodological prerequisite before proceeding to structural relationship testing in SEM–PLS (Hair et al., 2019).

Cross-loading analysis across indicators is a standard procedure for evaluating discriminant validity in reflective measurement models within SEM–PLS. This test examines the cross-loading matrix to verify that each indicator has its highest outer loading on its intended latent construct relative to all cross-loadings on other constructs. Discriminant validity is deemed satisfied when, for each indicator, the outer loading on the target construct exceeds all corresponding cross-loadings on alternative constructs. Ensuring discriminant validity using the cross-loading criterion should precede structural model assessment so that path estimates and causal inferences are not biased by ill-defined construct boundaries. The cross-loading results for the discriminant validity test are presented in Table 3.

Table 3. Cross-Loading Results for the Discriminant Validity Test

	Competence	Reward System	Training	Executive Officer Performance	Job satisfaction
X1.1	0.933	0.301	0.440	0.568	0.410
X1.2	0.906	0.273	0.480	0.594	0.350
X1.3	0.828	0.287	0.479	0.548	0.435
X2.1	0.244	0.914	0.380	0.250	0.742
X2.2	0.204	0.901	0.365	0.213	0.683
X2.3	0.382	0.708	0.399	0.291	0.607
X3.1	0.481	0.444	0.882	0.298	0.415
X3.2	0.410	0.374	0.902	0.292	0.385
X3.3	0.498	0.386	0.885	0.413	0.467
Y1.1	0.602	0.245	0.355	0.897	0.449
Y1.2	0.462	0.187	0.197	0.777	0.373
Y1.3	0.556	0.312	0.402	0.868	0.505
Z1.1	0.530	0.444	0.390	0.652	0.744
Z1.2	0.302	0.795	0.427	0.351	0.859
Z1.3	0.321	0.678	0.360	0.352	0.842

Source: Processed data from the questionnaire

Based on the analysis, the research instrument satisfies the criteria for discriminant validity as proven by the cross-loading test. The clear clustering of indicators within their respective constructs indicates no substantive overlap among constructs in the measurement model; therefore, the model is deemed adequate and valid to proceed to the subsequent structural analysis.

Average Variance Extracted (AVE)

Average Variance Extracted (AVE) is a key indicator for assessing convergent validity in SEM–PLS based measurement models. It reflects the proportion of indicator variance accounted for by the latent construct relative to variance attributable to measurement error. In general, the recommended AVE threshold is ≥ 0.50, implying that more than 50% of the indicators' variance originates from the construct being measured (Hair et al., 2019). An AVE value exceeding this cutoff indicates that the construct exhibits adequate convergent validity and is suitable for use in the research model. The AVE test results are presented in Table 4.

Table 4. AVE Results for the Convergent Validity Test

	Average Variance Extracted (AVE)	Information
Competence	0.792	Valid
Reward System	0.716	Valid
Training	0.792	Valid
Executive Officer Performance	0.720	Valid
Job satisfaction	0.666	Valid

Source: Processed data from the questionnaire

Based on the analysis, convergent validity in the measurement model has been successfully achieved. All constructs tested are empirically valid representations of the underlying concepts and are therefore suitable for subsequent structural analysis. These results also reinforce the earlier outer loading findings and confirm the overall suitability of the research instrument within the SEM–PLS framework.

Furthermore, the inner model results show that the R-square (R^2) for Executive Performance (Y1) is 0.420, while for Job Satisfaction (Z1) it is 0.689. These findings indicate that 42.0% of the variance in Y1 is explained by the exogenous variables in the model, and 68.9% of the variance in Z1 is also explained by its antecedent constructs. Substantially, the model's explanatory power for Z1 can be categorized as strong, whereas for Y1 it is moderate. The remaining variance—58.0% for Y1 and 31.1% for Z1—is attributable to factors outside the model.

In addition, the Adjusted R-square values are 0.405 for Y1 and 0.682 for Z1. The relatively small differences between R^2 and Adjusted R^2 for both constructs indicate that the model's explanatory capacity remains stable after accounting for the number of predictors, suggesting a low risk of overfitting. Overall, the combination of R^2 and Adjusted R^2 confirms that the model's predictive ability is adequate to strong—especially for Z1—and supports proceedings to the next stage of structural testing. The R-square results are summarized in Table 5.

ECBIS ECONOMICS AND BUSINESS JOURNAL
Vol. 3 No. 6 (2025)
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
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Table 5. R-Square and adjusted R-square

	R-square	R-square adjusted
Executive Officer Performance	0.420	0.405
Job satisfaction	0.689	0.682

Source: Processed data from the questionnaire

The hypothesis testing shows that competence has a positive and significant effect on the performance of BPRS executive officers ($\beta = 0.471$, $p = 0.000$), whereas the reward system has a negative and significant direct effect ($\beta = -0.302$, $p = 0.002$). Training does not exhibit a direct effect on performance ($\beta = -0.003$, $p = 0.487$), indicating that increasing training intensity alone does not necessarily lead to better performance. Mediation analysis further reveals that job satisfaction significantly and positively mediates the relationship between competence and executive performance (indirect $\beta = 0.124$, $p = 0.003$), as well as between the reward system and performance (indirect $\beta = 0.392$, $p = 0.000$). By contrast, the training → job satisfaction → performance path is not significant (indirect $\beta = 0.033$, $p = 0.237$).

Effect of Competence on the Performance of BPRS Executive Officers

The findings indicate that competence has a positive and significant effect on the performance of executive officers in BPRS. This suggests that the higher the level of competence possessed by executive officers, the better their performance outcomes. Competence in the form of knowledge, technical skills, managerial capability, professional attitudes, and extensive experience—emerges as a key factor in accurate decision-making, efficient resource management, and enhanced team effectiveness. The primary mechanism underlying this positive effect is that sufficiently competent executive officers are better able to navigate prevailing challenges, make more precise strategic decisions, and manage operations and teams more effectively.

Consistent with these results, Prayogi et al. (2019) report a direct relationship between increases in competence and improvements in performance, while Silvia, Bagia, and Cipta (2019) underscore competence's contribution to productivity and target attainment. Conceptually, Zakiyah (2022) formulates competence as a combination of knowledge, skills, and work attitudes aligned with role demands, thereby providing theoretical justification for the positive coefficient observed in this study. In addition, Rijal (2020) indicates that competence also operates through the enhancement of positive work attitudes, which in turn influences performance. Taken together, this body of evidence reinforces the coherence between the empirical findings and their theoretical foundations.

Effect of the Reward System on Executive Officers' Performance

The study finds that the reward system has a negative and significant effect on the performance of executive officers in BPRS. This clearly indicates that a more dominant application of rewards is associated with a decline in executive performance. Although rewards are intended to enhance motivation and performance, in practice the intensification of reward provision can divert executives' attention from strategic organizational objectives and long-term performance attainment. This suggests that an improperly designed reward system can backfire and adversely affect performance.

Consistent with the empirical evidence reported by Amrullah, Purwani, and Rezeki (2022), reward systems can exert negative effects when their design is misaligned with job demands and perceptions of fairness are weak. Mechanistically, misalignment between incentive indicators and weights and the executive role—combined with low distributive and procedural fairness—undermines expectations, instrumentality, and valence, triggers the crowding-out of intrinsic motivation, and diminishes orientation toward decision quality and disciplined execution. Accordingly, compensation policy should be calibrated by establishing indicators with a clear line-of-sight to role-specific KPIs, ensuring transparency in evaluation and pay communication, and conducting periodic audits of reward consistency and impact so as to avert detrimental effects on performance.

Effect of Training on Executive Performance

The test of the relationship between training and executive performance indicates that training does not have a significant direct effect on improving executives' performance. Despite the implementation of various training programs, the findings suggest that training has not contributed directly to executive outcomes. A primary reason is the mismatch between training content and the job demands faced by executive officers. Generic programs that are not tailored to the day-to-day challenges of executive tasks reduce the relevance of the material, limiting effective workplace applications. Moreover, low training frequency and a lack of post-training follow-up further weaken impact; absent systematic evaluation and consistent on-the-job application, knowledge acquired in training tends not to translate into tangible performance gains.

Conceptually, these results run counter to Rijal (2020), who suggests that job satisfaction can serve as a channel through which training exerts positive effects on performance. However, the present study finds no evidence of job satisfaction mediating the training–performance relationship, indicating that the training experiences observed were not directly associated with improvements in BPRS executive performance over the period under review. Additionally, while Prayogi et al. (2019) and Silvia, Bagia, and Cipta (2019) emphasize that competencies acquired through training can strongly influence performance, the evidence here suggests that, in practice, training has not operated effectively to enhance executive performance.

The Mediating Effect of Job Satisfaction on the Relationship between Competence and Executive Officers' Performance

The analysis of indirect effects indicates that job satisfaction significantly mediates the influence of competence on the performance of executive officers. This finding suggests that the competence possessed by executive officers not only affects performance directly but also operates through enhanced job satisfaction experienced by the individuals concerned. In other words, higher competence contributes to greater job satisfaction, which in turn leads to improved performance. This underscores the importance of job satisfaction as an enabling factor that strengthens the linkage between competence and performance.

The underlying mechanism is that highly competent executives are better able to handle complex tasks and lead teams effectively, which culminates in increased job satisfaction. This heightened satisfaction—stemming from successful task accomplishment and sound job management—then acts as a motivational trigger for achieving more optimal performance. The results align with motivational theory, which posits that job satisfaction elevates individual commitment and productivity and positively influences work outcomes. As a result, effective competence management yields not only direct performance benefits but also indirect, longer-term gains via the job satisfaction pathway.

These findings are consistent with Rijal (2020), who reports that job satisfaction mediates the effect of competence on performance, mirroring the pattern confirmed here. The direction of the direct effect of competence on performance is also supported by Prayogi et al. (2019), who identified competence as a positive predictor of performance. Conceptually, Zakiyah (2022) emphasizes that competence includes knowledge, skills, and work attitudes aligned with role demands; Thus, increases in competence naturally coincide with higher satisfaction and better performance. The positive satisfaction–performance relationship that undergirds this mediation is also affirmed by Robbins and Judge (2011). Taken together, the evidence supports the conclusion that job satisfaction serves as a meaningful mediator in the relationship between competence and the performance of executive officers.

The Mediating Effect of Job Satisfaction on the Relationship between the Reward System and Executive Officers' Performance

The findings show that job satisfaction partially and competitively mediates the relationship between the reward system and the performance of executive officers in BPRS. Specifically, the path from the reward system to job satisfaction is significant, as is the path from job satisfaction to performance. The indirect effect via job satisfaction is positive and confirms the validity of job satisfaction as a mediator in enhancing performance. These results indicate that while the rewards received by executive officers influence their job satisfaction, higher job satisfaction, in turn, strengthens the positive impact on performance underscoring the pivotal mediating role of job satisfaction in this relationship.

This mediation pattern is consistent with Prasetyo and Wibowo (2018), who report that job satisfaction acts as a significant mediating variable in the reward–performance linkage, and with Tănăsescu and Leon (2019), who, in a banking context, find a positive association between reward practices, job satisfaction, and performance.

The Mediating Effect of Job Satisfaction on the Relationship between Training and Executive Officers' Performance

The results indicate that job satisfaction does not mediate the effect of training on the performance of executive officers in BPRS. The indirect effect of training on performance via job satisfaction is non-significant, consistent with the non-significance of the training → job satisfaction and training → performance paths. This implies that the causal conditions for mediation are not met, as the training provided did not sufficiently enhance either job satisfaction or executive performance. Although training activities were conducted, the outcomes do not show meaningful changes in either variable, suggesting limited effectiveness of training in this context.

These findings diverge from studies that typically report training effects on performance—either directly or through attitudinal mechanisms. Rahmawati (2021), for example, finds that training influences performance within a model that includes job satisfaction. Substantively, improvements in the quality and intensity of training are followed by enhanced job skills that translate into better performance, with job satisfaction functioning as a psychological pathway that reinforces this impact. This perspective supports the view that relevant training experiences not only build technical capabilities but also strengthen employees' affective evaluations of their work.

4. CONCLUSION

This study concludes that, in the BPRS context, executive performance is most strongly explained by the linkage between competence and day-to-day role execution. Competence is positively associated with performance because mastery of knowledge, technical skills, and role capabilities align with decision-making accuracy, cross-unit coordination, and compliance with Sharia principles. By contrast, over the observation period the reward system did not display a direct, positive association with performance; Thus, strengthening incentives does not automatically translate into improved executive outputs. Training likewise showed no detectable association with performance, indicating that training experiences were not reflected in relevant changes in work behavior.

The mediation analysis underscores that job satisfaction serves as a meaningful conduit on two principal paths. The effect of competence on performance is transmitted through job satisfaction, so competence operates through two channels directly to performance and indirectly via the formation of more positive work attitudes. The effect of the reward system on performance is also observed primarily through job satisfaction, such that its linkage with performance is manifested in reward experiences that executives judge to be fair, appropriate, and transparent. In the training–performance relationship, however, mediation by job satisfaction does not emerge because training is not related to satisfaction over the period under review. Taken together, this pattern is consistent with the Theory of Work Performance, which positions ability, motivation, and opportunity as levers of performance that operate through work attitudes, and it directly addresses the research objectives advanced in the BPRS context.

For future research, we recommend broadening the empirical setting and enriching the evidence through layered measurement approaches. Triangulating data sources, conducting longitudinal assessments, and testing variables salient to the Islamic banking context can strengthen generalizability and deepen understanding of how competence, reward systems, and training operate via job satisfaction to shape executive performance.

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