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Analysis of Employee Performance with Employee Engagement as a Mediating Variable at BPR Syariah PNM Mentari

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Abstract

This study examines the effects of Mindset, Togetherness, and Result Oriented on Employee Performance, with Employee Engagement as a mediating variable, in BPR Syariah PNM Mentari. The research is conducted in a micro—Islamic banking context that emphasizes efficiency, service quality, and regulatory compliance, and aims to clarify the contribution of these behavioral and organizational constructs to employee outcomes. A quantitative survey design was used, with data gathered via a structured questionnaire that operationalized the constructs. The data were analyzed using partial least squares structural equation modeling (PLS-SEM) to test direct and indirect relationships. The results reveal that (1) Result Oriented has a positive and significant effect on Employee Performance, confirming that goal clarity and disciplined execution lead to better performance; (2) Mindset does not have a direct effect on performance, but its effect through Employee Engagement is significant, indicating that Mindset influences performance only when employees are engaged; (3) Employee Engagement mediates the effect of Result Oriented on performance, improving execution; and (4) Togetherness has no direct or indirect effect on performance, suggesting that collaboration alone does not drive performance without clear goals and engagement.

Keywords: Mindset, Togetherness, Result Oriented, Employee Engagement, Employee Performance.

1. INTRODUCTION

Sharia Rural Banks (BPRS) are Islamic financial institutions that operate based on Islamic principles, without using an interest-based system (riba). Instead, BPRS utilizes profit-sharing mechanisms (mudharabah and musyarakah) and sales-based contracts (murabahah) according to Sharia law (OJK, 2021). BPRS plays a significant role in providing equitable and ethical financial access to the public, especially for micro, small, and medium enterprises (MSMEs), which often face difficulties obtaining financing from conventional banks (Nur'aisyah et al., 2020). The institution contributes significantly to financial inclusion in Indonesia, with the number of BPRS steadily increasing every year, reaching over 150 units in 2023, spread across various regions with a focus on local economic development based on Sharia principles (OJK, 2023).

BPRS PNM Mentari Garut was officially founded in 1991 and began operations on February 2, 1993. It was established as an alternative financial solution for the community,

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particularly in Garut and the surrounding areas. BPRS Mentari operates based on Sharia principles with profit-sharing and sale-and-purchase models in accordance with Islamic law. Over time, BPRS PNM Mentari has faced challenges in maintaining Sharia-compliant operations while addressing the financial needs of the community. Human resources, especially employee performance, have become crucial elements determining the operational success and growth of the institution.

Employee performance is one of the main determinants of an organization's success, particularly in the financial services sector. In the case of Sharia financial institutions like BPRS PNM Mentari, employees are expected to not only demonstrate professionalism and work effectiveness but also adhere to strict Sharia principles. Employee performance is key to ensuring that the institution meets the expectations of its customers while maintaining compliance with Sharia law. According to Armstrong and Taylor (2020), employee performance is not only a reflection of individual productivity but also contributes directly to the achievement of the organization's overall goals. Data from the Islamic Financial Services Board (IFSB, 2022) shows that the global Islamic finance industry grows by 14% annually, requiring institutions like BPRS PNM Mentari to enhance operational efficiency and service quality through improving employee performance.

Data from BPRS PNM Mentari reveals that, of the nine financial aspects, only one, Third-Party Funds (DPK), showed an increase in target achievement from 2023 to 2024, though it was not significant. On the other hand, eight other financial aspects, such as net profit and outstanding financing, showed significant declines. For instance, net profit dropped from 110.85% to 98.61%, and outstanding financing decreased from 116.65% to 96.83%. The only aspect showing improvement was the DPK, which increased from 100.77% to 103.37%. These findings indicate that employee performance plays a critical role in achieving financial targets and necessitate a deeper evaluation of how employee performance influences organizational outcomes.

Organizational values, such as Mindset, Togetherness, and Result-Oriented, are fundamental in shaping employee behavior and motivation, which ultimately affect performance. In the context of organizations, employee engagement is formed through the interaction between internal organizational values and employees' direct work experiences. Research by Hamza and Tóvölgyi (2023) highlights that a work environment that supports employee growth, including through digital learning and performance recognition, can significantly enhance emotional and cognitive engagement. This aligns with the growth mindset theory, which emphasizes the belief that abilities can be developed through effort and learning (Julianti & Husna, 2020). Furthermore, a cohesive and collaborative work environment fosters engagement, as indicated by Erdem et al. (2014), where team cohesion and trust among employees are key determinants in building engagement.

Internal data from BPRS PNM Mentari shows that employee performance, as reflected in the Performance Appraisal (PA) for 2024 compared to 2023, declined significantly by 41%, with male employees showing a 32% drop and female employees a 10% decline. This data indicates a gap between expected and actual performance, revealing the need to address this issue through strengthening organizational values that drive employee engagement and improve performance. Thus, this study aims to identify how organizational values can be optimized to create a work environment that enhances employee performance through the mediating mechanism of employee engagement.



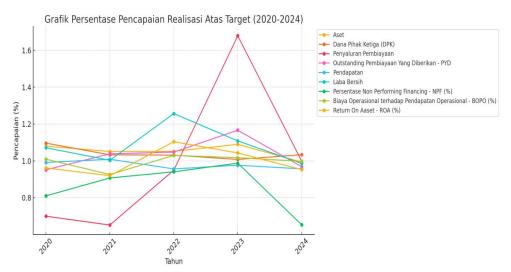


Figure 1: Performance decline phenomene (Source: BPRS PNM Mentari Internal Report, 2024)

This study aims to fill the gap in literature by exploring the role of employee engagement as a mediating variable between organizational values such as Mindset, Togetherness, and Result-Oriented behavior, and employee performance. While the impact of these organizational values on performance has been explored in various studies, the role of employee engagement as a mediator remains under-researched. The Theory of Work Performance by Campbell et al. (1993) suggests that performance results from an interaction of competence (ability), motivation (rewards), opportunity (training), and psychological factors such as job satisfaction. In this study, employee engagement is considered a mediating variable linking these factors to employee performance, providing deeper insights into how organizational values impact employee performance through engagement.

The objectives of this study are: (1) to analyze the effect of Mindset on employee performance; (2) to analyze the effect of Togetherness on employee performance; (3) to analyze the effect of Result-Oriented behavior on employee performance; (4) to determine the mediating role of employee engagement in the relationship between Mindset and employee performance; (5) to determine the mediating role of employee engagement in the relationship between Togetherness and employee performance; and (6) to determine the mediating role of employee engagement in the relationship between Result-Oriented behavior and employee performance.

2. RESEARCH METHOD

This study employs a quantitative approach with an explanatory research design aimed at explaining causal relationships among variables. The research focuses on analyzing the impact of Mindset, Togetherness, and Result-Oriented behavior on employee performance, with Employee Engagement as a mediating variable. This approach is chosen to provide a deeper understanding of how organizational values and psychological factors influence individual productivity at BPRS Syariah PNM Mentari. The population for this study includes all active employees at BPRS Syariah PNM Mentari, totaling 44 individuals.

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The sample was selected using purposive sampling with the criteria: (i) the employee must have worked at BPRS Syariah PNM Mentari for at least one year, and (ii) the employee must have undergone a performance appraisal. A total of 42 respondents were selected to ensure a representative sample across various positions and divisions within the organization.

Data for this research were obtained from both primary and secondary sources. Primary data was collected through a structured questionnaire using a five-point Likert scale. The questionnaire includes five key variables: Mindset, measured by indicators such as openness to change, the ability to learn from experiences, and confidence in achieving organizational goals; Togetherness, measured by the frequency of team interactions, cooperation in task completion, and a sense of shared ownership of team outcomes; Result-Oriented behavior, measured by commitment to achieving performance targets, efficiency in resource management, and initiative in overcoming obstacles; Employee Engagement, measured by enjoyment in work, commitment to organizational goals, and dedication to task completion; and Employee Performance, measured by productivity, work quality, and target achievement. Secondary data was obtained from BPRS's annual reports, internal performance evaluations, and relevant literature.

Data collection was conducted by distributing the questionnaire to all employees who met the inclusion criteria. Respondents were asked to rate each of the variables on the Likert scale. In addition, employee performance data was obtained through performance appraisals conducted by their immediate supervisors. For data analysis, this study uses Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). SEM-PLS was chosen because it is effective for testing relationships among latent variables even when the data are not normally distributed, and the sample size is relatively small. SEM-PLS allows for simultaneous testing of complex models, including both direct and indirect (mediated) effects. The data analysis process consists of two main stages: the outer model assessment and the inner model evaluation. The outer model test assesses convergent validity, discriminant validity, and construct reliability. Subsequently, the inner model test evaluates the relationships between latent variables through path coefficients, t-statistics, and p-values using the bootstrapping procedure. Mediation testing is also performed to examine the role of Employee Engagement in mediating the effects of Mindset, Togetherness, and Result-Oriented behavior on Employee Performance.

3. RESULTS AND DISCUSSION

Respondent Characteristics

The characteristics of the respondents in this study, based on age distribution, show that the majority belong to the 31–40 age group (40.5%), followed by the 41–50 age group (33.3%), the 20–30 age group (16.7%), and those above 50 years old (9.5%). Regarding gender, male respondents dominate with a percentage of 81.0%, while female respondents account for 19.0%. In terms of the highest level of education, the majority of respondents are bachelor's degree graduates (47.6%), followed by high school/vocational school graduates (28.6%), diploma holders (D1/D2/D3/D4) (19.0%), and postgraduates (S2/S3) (4.8%). This composition supports the objectives of the study, as it reflects a sufficient variation in age and education levels, which are essential for providing insights into how demographic factors may influence decision-making patterns and organizational management practices at BPRS PNM Mentari.



Regarding years of experience in the banking industry, the largest group of respondents has worked for over six years (64.3%), followed by those with 1–3 years of experience (21.4%) and 4–6 years of experience (14.3%). In terms of work experience, the majority of respondents have relatively long tenures, indicating a deeper understanding of the policies and strategies implemented by BPRS PNM Mentari. This condition suggests that the institution has successfully built a competent and experienced team in managing the organization and supporting the achievement of long-term goals.

Measurement Model (Outer Model)

The outer model focuses on the relationship between latent constructs and the manifest indicators used to measure them. The purpose of testing the outer model is to ensure that the research instruments used meet the validity and reliability criteria according to the measurement standards in SEM–PLS. Validity refers to the extent to which the indicators represent the construct being studied, while reliability refers to the consistency of the measurement results across indicators within a construct (Hair et al., 2019).

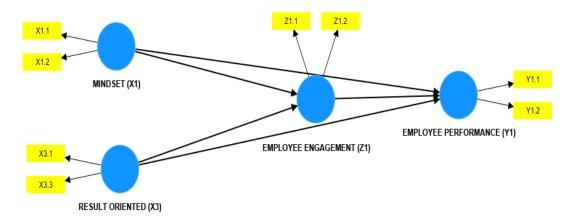


Figure 2: Research Latent Variable Model After the Elimination of X2, Indicators X1.3, X3.2, Y1.3, and Z1.3.

Figure 2 shows the revised latent variable model of the study after eliminating the Togetherness (X2) variable and the indicators X1.3, X3.2, Y1.3, and Z1.3. The test results indicate that indicators X1.3, X2.3, X3.2, Y1.3, and Z1.3 have outer loading values below 0.70, which suggests a weak contribution to the construct being measured. Therefore, according to the guidelines in evaluating the outer model, indicators X1.3, X2.3, X3.2, Y1.3, and Z1.3 were eliminated from the model to enhance the validity and reliability of the constructs of each variable. The results of cross-discriminant validity showed that the validity for Togetherness (X2) was not met, and therefore X2 was eliminated from the model: $X2.2 \rightarrow X2 = 0.933$, which was almost identical to Y1 = 0.931 (a difference of 0.002), and $X2.1 \rightarrow X2 = 0.756$, which was weaker or equivalent compared to X1 = 0.764 and Y1 = 0.756 (a difference of -0.008 compared to the highest value). Meanwhile, X2.3 \rightarrow X2 = 0.451 was highest at Z1 = 0.870 all items failed to meet the minimum difference of 0.10 and showed substantial overlap with Y1 (and partly with Z1). Substantively, this

indicates that the perception of togetherness has been internalized into performance evaluation (and partly into engagement), thus not contributing new variance as a standalone latent construct in the context of BPRS PNM Mentari.

Outer Loading Analysis

Outer loading, or loading factor, is an important measure in assessing convergent validity in measurement models based on SEM–PLS. The outer loading value indicates the extent to which each indicator consistently explains the latent construct it represents. According to Hair et al. (2019), an indicator is considered valid if it has a loading value \geq 0.70, which signifies a strong correlation with the construct. However, for exploratory research, indicators with loading values between 0.60 and 0.70 can still be retained if they do not significantly reduce the validity and reliability of the overall construct. Therefore, outer loading analysis is an essential initial step in testing whether the indicators used meet valid measurement criteria. The results of the Loading Factor Test for the Research Variables are presented in Table 1.

Table 1 Pecu	lte of I andi-	ng Factors of Re	search Variables
Table 1. Kesu	ns of Loadi	ng raciois of Re	search variables

	Mindset	Result Oriented	Employee Performa	Employee Engagement
X1.1	0.951			
X1.2	0.957			
X3.1		0.911		
X3.3		0.868		
Y1.1			0.964	
Y1.2			0.970	
Z1.1				0.907
Z1.2				0.842

Source: Processed data from the questionnaire

Discriminant Validity Test

Cross Loading Analysis

Cross-loading analysis between indicators is a standard procedure for evaluating discriminant validity in reflective measurement models in SEM-PLS. This test examines the cross-loading matrix to ensure that each indicator has the highest outer loading on its original latent construct compared to all cross-loadings on other constructs. Discriminant validity is considered satisfied if, for each indicator, the outer loading on its original construct is greater than all cross-loadings on other constructs. Ensuring discriminant validity through cross-loading criteria is essential before proceeding to structural model evaluation to prevent biased path coefficient estimates and causal inferences due to unclear construct boundaries. The cross-loading results for the discriminant validity test are shown in Table 2.

Table 2. Cross-Loading Results for the Discriminant Validity Test

	Mindset	Result Oriented	Employee Performance	Employee Engagement
X1.1	0,951	0,857	0,647	0,771
X1.2	0,957	0,831	0,654	0,856
X3.1	0,659	0,911	0,923	0,722



X3.3	0,768	0,868	0,589	0,782
Y1.1	0,644	0,787	0,964	0,786
Y1.2	0,674	0,782	0,970	0,761
Z1.1	0,879	0,836	0,735	0,907
Z1.2	0,585	0,612	0,659	0,842

Source: Processed data from the questionnaire

Based on the analysis results, all indicators for each construct show the highest cross loading on their respective original constructs. Indicators X1.1 and X1.2 have the highest loading on the Mindset construct; X3.1 and X3.3 on Result-Oriented behavior; Y1.1 and Y1.2 on Employee Performance; and Z1.1 and Z1.2 on Employee Engagement. From this analysis, the research instruments meet the criteria for discriminant validity based on the cross-loading test.

Average Variance Extracted (AVE)

Average Variance Extracted (AVE) is a key indicator for assessing convergent validity in SEM–PLS-based measurement models. This measure reflects the proportion of variance in the indicators that is explained by the latent construct, compared to the variance resulting from measurement error. Generally, the recommended threshold for AVE is \geq 0.50, implying that more than 50% of the variance in the indicators is explained by the measured construct (Hair et al., 2019). AVE values exceeding this threshold indicate that the construct has adequate convergent validity and is suitable for use in the research model. The AVE test results are presented in Table 3.

Table 3. AVE Results for the Convergent Validity Test

	Average Variance Extracted (AVE)	Information
Mindset	0,910	Valid
Result Oriented	0,872	Valid
Employee Performance	0,935	Valid
Employee Engagement	0,883	Valid

Source: Processed data from the questionnaire

Based on the analysis of the Average Variance Extracted (AVE) values, all constructs in this research model meet the criteria for convergent validity, with AVE values greater than 0.50. The Mindset (X1) construct has an AVE value of 0.910, Result-Oriented (X3) is 0.872, Employee Performance (Y1) is 0.935, and Employee Engagement (Z) is 0.883, all of which indicate that these constructs explain more than half of the variance in the indicators used to measure them. Therefore, all constructs in this model are valid and can be retained in the measurement model.

Furthermore, the results of the inner model test show that the R-square (R²) value for the Employee Performance (Y1) construct is 0.843, while for Employee Engagement (Z1) it

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is 0.761. This finding indicates that 84.3% of the variation in Y1 and 76.1% of the variation in Z1 are explained by the exogenous variables in the model, while the remaining variance (15.7% in Y1 and 23.9% in Z1) is influenced by factors outside the model. The unexplained variance (15.7%) in Y1 may be influenced by external factors such as leadership, organizational culture, and other company policies. Similarly, for Employee Engagement, the discussion indicates that 23.9% of the variance not explained by the model could be influenced by other factors, such as internal company policies and individual employee factors, like personal motivation or resilience, which were not covered in this study. Additionally, the Adjusted R-square value was 0.831 for Y1 and 0.749 for Z1. The relatively small difference between R² and Adjusted R² for both constructs suggests the model's explanatory stability after accounting for the number of predictors, thus indicating a low risk of overfitting. Overall, the combination of R² and Adjusted R² confirms that the model's predictive capability is sufficient and ready for further structural testing. R-Square and adjusted R-square results are summarized in Table 4.

Table 4. R-Square and adjusted R-square

	R-square	R-square adjusted
Employee Performance	0,843	0,831
Employee Engagement	0,761	0,749

Source: Processed data from the questionnaire

The results of the study indicate that Mindset has a significant negative effect on Employee Performance, with a coefficient of -0.670 and a significance level of 0.000. This suggests that a growth mindset does not directly enhance employee performance in the context of this study. On the other hand, Result-Oriented behavior has a significant positive effect on Employee Performance, with a coefficient of 1.052 and a significance level of 0.000, confirming that goal clarity and a focus on achieving results directly contribute to improved employee performance.

Regarding the indirect effects, the study found that Employee Engagement significantly mediates the relationship between Mindset and Employee Performance, with an indirect effect coefficient of 0.249 (t-statistic = 1.713, p-value = 0.043). This indicates that although Mindset does not directly enhance performance, employee engagement plays a crucial role in improving performance. Result-Oriented behavior was found to have a significant positive effect on Employee Performance through Employee Engagement, with an indirect effect of 0.188 (t-statistic = 1.753, p-value = 0.040), further supporting the idea that employee engagement strengthens the impact of result-oriented behavior on performance. Overall, the findings of this study show that Employee Engagement plays a significant mediating role in enhancing the effect of Mindset and Result-Oriented behavior on Employee Performance. The results of the direct effect test are summarized in Table 5, and the results of the indirect effect test are summarized in Table 6.



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Table 5 Hypothesis Testing (Direct Effect)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Information
Mindset→ Employee Performance	-0,670	-0,657	0,169	3,968	0,000	Significant
Result oriented→ Employee Performance	1,052	1,024	0,208	5,063	0,000	Significant

Source: Processed Research Questionnaire Data, 2025

Table 6 Hypothesis Testing of Mediating Variables (Indirect Effect)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Information
Mindset-> Employee Engagement -> Employee Performance	0,249	0,264	0,145	1,713	0,043	Significant
Result Oriented-> Employee Engagement -> Employee Performance	0,188	0,190	0,107	1,753	0,040	Significant

Source: Processed Research Questionnaire Data, 2025

Analysis of the Impact of Mindset on Employee Performance

Mindset has a significant negative effect on Employee Performance, indicating that Mindset does not directly impact employee performance. The characteristics of the respondents, who are predominantly experienced and of mature age, suggest that improving Mindset alone is not sufficient to significantly alter their work behavior. This explanation is supported by Herzberg's Two-Factor Theory, where Mindset functions as an intrinsic motivator that must be balanced with other hygiene factors, such as clear policies and procedures, a conducive work environment, and the setting of operational targets. These findings suggest that while employees may have a positive Mindset, it is not enough to drive significant changes in their performance. These findings support the view of Chau et al. (2021) that coaching is a structured process aimed at developing individual potential. In line with Herzberg's Two-Factor Theory (1966), coaching acts as a motivator that fosters satisfaction through achievement and self-development. Herzberg's theory posits that motivators, or satisfying factors, can enhance job satisfaction and improve performance. Intrinsic motivation, cultivated in a supportive work environment, results in executive officers who are more enthusiastic, innovative, and committed to the Sharia values that form the foundation of the organizational culture of BPRS. This finding underscores the pivotal role of internal motivation in maintaining commitment, boosting enthusiasm, and driving the achievement of results that are aligned with organizational success.

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The studies conducted by Chao et al. (2025) and Yu et al. (2024) also confirm that a Growth Mindset does not always enhance performance or productive work behavior, particularly when the work environment or job autonomy is low. Substantively, the findings of this study suggest that the expected positive effects of Mindset, such as openness to change, the ability to learn from experience, and confidence in achieving goals, do not directly translate into performance improvement. This indicates that Mindset as an intrinsic motivator is not sufficient to drive optimal performance if external factors, such as result orientation and target achievement, are not adequately supported.

Analysis of the Impact of Result-Oriented Behavior on Employee Performance

The results of the study show that Result-Oriented behavior has a significant positive effect on Employee Performance. Clear and measurable goal orientation has a direct impact on improving employee performance at BPRS Syariah PNM Mentari. Employees who are focused on clear and measurable results tend to exhibit higher discipline, better organization, and a stronger drive to achieve targets, thereby increasing productivity and output quality. This finding aligns with Herzberg's Two-Factor Theory, where Result-Oriented behavior acts as a motivator that drives higher performance through achievement and recognition of results. This indicates that employees who focus on achieving clear, measurable, and challenging targets can significantly enhance their productivity. Therefore, organizations that promote result-oriented behavior are more likely to achieve optimal performance.

In line with these findings, research by Locke and Latham (2019) and Chau, Le, and Pham (2021) in the Islamic banking sector demonstrates that a strong result-oriented focus is positively correlated with higher target achievement, with results reaching up to 25% higher compared to their peers who are less focused on results. This finding indicates that employees with a strong focus on achieving outcomes consistently make significant contributions to the success of the organization. Result-Oriented behavior serves as a key driver in achieving high performance and producing more efficient and effective output.

Analysis of the Impact of Employee Engagement Mediating the Influence of Mindset on Employee Performance

Based on the research findings, Employee Engagement plays a significant mediating role in the relationship between Mindset and Employee Performance. The findings suggest that changes in Mindset can enhance employee performance through increased Employee Engagement. Growth mindset, which is the belief that abilities and skills can be developed through effort and learning, positively influences Employee Engagement, motivating employees to be more open to challenges, more motivated to innovate, and improve the quality of their work and teamwork, which ultimately contributes to enhanced Employee Performance.

From the perspective of Herzberg's Two-Factor Theory, Mindset can be considered a motivating factor that encourages greater employee engagement. This engagement plays a



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role in improving performance by creating a sense of responsibility toward shared goals and contributing more to the organization's success. The study also confirms that Employee Engagement not only mediates positive factors but also acts as a link that transforms intrinsic motivation from Mindset into more effective performance. These findings are consistent with research by Oplot and Maket (2020), which shows that fulfilling the psychological contract between the company and employees promotes Employee Engagement, which in turn enhances job performance.

Analysis of the Impact of Employee Engagement Mediating the Influence of Result-Oriented on Employee Performance

The research shows that Employee Engagement significantly mediates the relationship between Result-Oriented and Employee Performance. This finding strongly suggests that having clear and measurable goals has a more significant impact on improving employee performance when combined with high levels of employee engagement. Employees who are focused on achieving specific outcomes and feel emotionally invested in the process tend to work more efficiently and effectively. This demonstrates that Employee Engagement acts as a link that strengthens the relationship between result orientation and optimal performance. High levels of engagement not only enhance intrinsic motivation but also strengthen employees' commitment to organizational goals, which ultimately improves overall performance.

In line with Herzberg's Two-Factor Theory, Result-Oriented is considered a motivating factor that drives performance through the achievement of clear goals. Meanwhile, Employee Engagement, a higher-level motivator, ensures that employees are emotionally and psychologically invested in their work, thus increasing their efforts to meet organizational objectives. Previous studies by Fithriyana et al. (2022) and Herlambang, Nur, and Pertiwi (2023) emphasize that engagement acts as a psychological mechanism, transforming satisfaction and expectations into actions that improve performance. In the context of BPRS Syariah PNM Mentari, where clear targets are crucial, high engagement ensures that the focus on achieving results is not just about numbers but also about achieving those outcomes with commitment and quality work.

4. CONCLUSION

This study demonstrates that Mindset does not have a direct effect on Employee Performance at BPRS Syariah PNM Mentari. Although a positive mindset provides psychological encouragement, it does not directly translate into enhanced day-to-day performance. The effect of Result-Oriented behavior was found to be significantly positive and impactful on employee performance, with clear results orientation providing a clear direction for employees to achieve the established targets. Result-Oriented behavior serves as the main driver of performance improvement by providing a clear structure for setting

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work priorities and distributing resources more effectively. On the other hand, Mindset influences employee performance through Employee Engagement, which strengthens employees' involvement in their work, thus improving overall performance. Employee Engagement plays a critical role in ensuring that the clear focus on results is not just about achieving numbers but is also done with commitment and better work quality.



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