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The Influence of Job Stress on Employee Performance with Employee Engagement as a Mediating Variable at the Baitul Tanwil Muhammadiyah Islamic Savings and Loans and Financing Cooperative (KSPPS BTM) of West Sumatra

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Abstract: This study focuses on explaining and examining the influence of job stress on employee performance, with employee engagement serving as a mediating variable at KSPPS BTM West Sumatra. In this research, the primary emphasis particularly regarding theoretical framework and data analysis is placed on evaluating employee performance as the dependent variable (Variable Y) to better understand how psychological dynamics in the workplace affect the effectiveness of achieved work outcomes. This study focuses specifically on permanent employees within the operational units across KSPPS BTM West Sumatra to capture the direct impact of operational workloads on performance. This quantitative study analyzes data using Structural Equation Modeling (SEM) via SmartPLS. The results of the data analysis demonstrate that job stress exerts a statistically significant negative impact on job performance achievement, while Employee Engagement actively functions as a vital mediating variable that bridges this relationship.

Keyword: Employee Engagement, Employee Performance, Job Stress.

INTRODUCTION

The success of an Islamic microfinance institution in maintaining public trust heavily relies on the professionalism and total commitment of its practitioners. Amid an increasingly competitive financial industry, KSPPS BTM West Sumatra is required to continuously maintain its operational stability, which deeply depends on the actual performance of its permanent operational unit employees. Operationally, employee performance is understood as the measurable realization of work outcomes spanning quality, quantity, and timeliness in fulfilling organizational responsibilities. However, based on internal institutional data, a highly significant downward trend occurred in the operational performance of employees, plummeting from 102% in 2023 to a mere 64% in 2025. This systemic degradation has had a

direct implication on the contraction of the institution's total assets. Initial field investigations indicate that operational personnel express symptoms of acute burnout syndrome and constant anxiety resulting from dual administrative workloads as well as target-driven pressures that surpass their normal functional capacities.

This distressed condition experienced by operational employees is a clear indication of job stress. Operationally, job stress is defined as an individual's psychological and physiological response to an imbalance between job demands and their personal capacity to meet those demands (Ari, 2025). The sources of this pressure are multidimensional, ranging from disproportionate task loads across divisions, role ambiguity, rigid compliance standards, and high institutional performance targets under volatile macroeconomic conditions (Soima et al., 2023; Wei et al., 2024). Theoretically, the Job Demands-Resources (JD-R) Theory explains that job stress is positioned as a manifestation of excessive job demands, thereby triggering a health impairment process that drains employees' physical and cognitive energy (Bakker & Demerouti, 2007). If exposure to this pressure continues to accumulate without adequate management, job stress will develop into emotional exhaustion that impairs working memory and decision-making accuracy, which in turn massively deteriorates the quality and quantity of employee work outputs (Kumar & Srivastava, 2023; Sartika, 2023).

Nevertheless, the collapse of performance due to psychological pressure can actually be mitigated if the organization is able to foster a strong sense of connection within its workforce through employee engagement. Operationally, employee engagement is understood as an active investment of cognitive, affective, and behavioral energy, where employees work with high energy (*vigor*), commitment (*dedication*), and total absorption (*absorption*) toward the institution's vision (Kaur, 2023). Referring back to the JD-R model, this work engagement functions as a psychological shield (*buffering mechanism*) that converts pressure into constructive challenges, so that highly engaged employees will be more adaptive and resilient when facing heavy workloads (Bakker & Demerouti, 2007; Ahmada et al., 2024). This emotional attachment is therefore positioned as a mediating variable, as job stress is suspected to erode work engagement first before ultimately culminating in the destruction of productivity (Malhotra, 2025; Isnawati & Waskito, 2024).

Given these conditions, this article is formulated to address a critical question: to what extent does job stress influence the performance of operational employees, both directly and through work engagement as a bridging mechanism? However, a research gap exists as prior empirical findings remain inconsistent. For instance, the findings of Sawir et al, (2021) demonstrated an insignificant correlation, which directly contradicts widely accepted theories. Therefore, this phenomenon warrants a more rigorous re-examination within the specific context of Islamic financial institutions (Wei et al., 2024). The primary focus of this study is to empirically test the influence of job stress on the performance of permanent operational unit employees at KSPPS BTM West Sumatra. Additionally, this study aims to observe more specifically how employee engagement serves to mediate the relationship between these two variables. Ultimately, this discussion is expected to provide both theoretical contributions to the literature and practical insights for human resource management under intense industrial pressure.

METHOD

This study is designed using a quantitative approach with a causal-descriptive nature to objectively test the existence of causal relationships among variables using statistical data. Through this model, the primary focus is directed toward dissecting the direct influence of psychological pressure in the form of job stress as the independent variable on the fluctuation of employee performance as the dependent variable, while positioning employee engagement as a mediating variable that bridges the indirect relationship between the two. The data

collection process and field observations for this research were carried out directly at the Baitul Tanwil Muhammadiyah Islamic Savings and Loans and Financing Cooperative (KSPPS BTM) of West Sumatra, headquartered on ByPass Street Km. 11, Sungai Sapih, Kuranji District, Padang City, in 2026..

The population of this study consists of all permanent operational unit employees at KSPPS BTM West Sumatra, totaling 40 individuals. Given the relatively small and limited population size, a saturated sampling technique (*total sampling*) was applied, wherein all 40 permanent employees within the population were directly involved as respondents. This approach ensures that the gathered data is highly representative and capable of fully capturing the actual conditions within the organization (Sugiyono, 2019). This comprehensive inclusion was executed to minimize sampling error while providing a holistic and accurate data profile regarding the psychological conditions of the institution's internal workforce.

To prevent misinterpretation during the completion of the research instrument, each variable is operationally defined into measurable indicators. Employee performance is understood as actual work outcomes evaluated through quality, quantity, timeliness, organizational effectiveness, and task independence (Sartika, 2023). Meanwhile, job stress is operationalized as a distressed response resulting from dual task loads, measured through the dimensions of anxiety and time constraints (Ari, 2025). Lastly, employee engagement is defined as an employee's deep mental attachment to the institution's vision, reflected through the dimensions of vigor, dedication, and absorption (Kaur, 2023).

The primary data for this study were obtained through a structured questionnaire, with items derived from the operational indicators of each variable. Each statement was measured using a 5-point Likert scale to capture the gradation of respondent perceptions, ranging from a score of 1 for "Strongly Disagree" to 5 for "Strongly Agree" (Sugiyono, 2019). To ensure efficiency in data collection amidst the demanding activities of Islamic banking, the questionnaires were distributed digitally via the Google Form platform, allowing operational staff to access and complete them independently during their work intervals.

The data analysis phase initiates with descriptive analysis to calculate the mean values and the percentage of Total Respondent Achievement (*Total Capaian Responden* / TCR) to categorize the response tendencies of the subjects. Subsequently, to test the structural model and the mediation hypotheses within this limited sample size, variance-based Structural Equation Modeling (VB-SEM) was utilized via the SmartPLS 4 software package (Hair et al., 2021). This statistical evaluation was conducted in two primary stages: the outer model evaluation to ensure convergent validity, discriminant validity, and instrument reliability, followed by the inner model evaluation using a bootstrapping procedure to determine the significance of paths between variables based on a minimum t-statistic threshold of 1.96 (Hair et al., 2021).

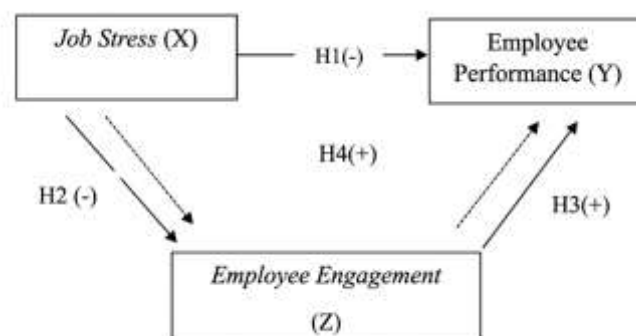


Figure 1. Conceptual Framework

RESULT AND DISCUSSION

To provide a general overview of the respondent characteristics, this study presents the data distribution based on gender and age. This descriptive profile aims to illustrate the demographic backgrounds of the respondents as the research subjects, thereby supporting a more comprehensive interpretation of the empirical findings. The detailed breakdown of respondent characteristics is presented in Table 1.

Based on the results of the questionnaire distribution, the characteristics of the respondents participating in this study can be categorized as follows:

Table 1. Respondent Distribution Based on Gender

Gender	Frekuensi	Percentage
Male	17	42.5%
Famale	23	57.5%
Total	40	100%

Source: Primary data processed (2026)

Table 2. Respondent Distribution Based on Age

Age Range	Frekuensi	Percentage
25-30 year old	20	50%
31-35 year old	9	22.5%
26-40 year old	8	20%
>40 year old	3	7.5%
Total	40	100%

Source: Primary data processed (2026)

Measurement Model Evaluation (Outer Model)

The measurement model (outer model) evaluation is used to assess the validity and reliability of the constructs within the model. Consequently, an indicator's validity is determined by the correlation between the indicator and its respective latent variable. An indicator is considered valid if it yields an Average Variance Extracted (AVE) value of ≥ 0.50 or if all outer loadings of the variable's dimensions exhibit a loading factor of ≥ 0.50 thus, it can be concluded that the measurement meets the criteria for convergent validity. Furthermore, to establish that the indicators are reliable, the composite reliability (CR) value must exceed the threshold of 0.70

Table 3. Average Variance Extracted (AVE) Results

Variabel	AVE	Remarks
Employee Performance	0.679	Valid
Employee Engagement	0.694	Valid
Job Stress	0.909	Valid

Source: SmartPLS Output Version 4.1.8

The Average Variance Extracted (AVE) test results demonstrate that all variables in this study satisfy the criteria for convergent validity, as every value exceeds the minimum threshold of 0.50. In detail, the AVE value for the Employee Performance variable is 0.679 (explaining 67.9% of the indicator variance), Employee Engagement stands at 0.694 (explaining 69.4% of the variance), and Job Stress reaches 0.909 (explaining 90.9% of the variance).

Table 4. Heterotrait-Monotrait Ratio (HTMT) Results

Variable	Employee Engagement	Employee Performance	Job Stress
Employee Engagement			
Employee Performance	0.740		
Job Stres	0.479	0.504	

Source : SmartPLS Output Version 4.1.8

Discriminant validity was evaluated using the Heterotrait-Monotrait Ratio of Correlations (HTMT) method. The analysis reveals that the HTMT value for the relationship between Employee Engagement and Employee Performance is 0.740. Furthermore, the HTMT value between Employee Engagement and Job Stress stands at 0.479, while the ratio between Employee Performance and Job Stress is recorded at 0.504. Because all calculated HTMT ratios fall safely below the strict threshold of 0.85, it is empirically confirmed that each latent construct is distinct from one another, thereby establishing excellent discriminant validity.

Table 5. Fornell-Larcker Criterion Results

Variable	Employee Engagement	Employee Performance	Job Stress
Employee Engagement	0.833		
Employee Performance	0.666	0.824	
Job Stres	-0.429	-0.497	0.953

Source: SmartPLS Output Version 4.1.8

Based on the Fornell-Larcker criterion assessment, the square root of the AVE (diagonal values) for each construct is consistently higher than its highest correlation with any other latent construct. Specifically, the diagonal value for Employee Engagement (0.833) exceeds its underlying correlations (0.666 and -0.429), and the diagonal value for Employee Performance (0.824) is greater than its lower correlation coefficient (-0.497). Furthermore, the negative sign (-) attached to the Job Stress correlation indicates an inverse relationship. This empirically demonstrates that elevated levels of job stress are associated with a decline in both employee engagement and performance, while confirming robust discriminant validity for the measurement model.

Table 6. Composite Reliability Results

Variable	Composite Reliability	Remarks
Employee Engagement (Z)	0.792	Reliable
Employee Performance (Y)	0.962	Reliable
Job Stres (X)	0.988	Reliable

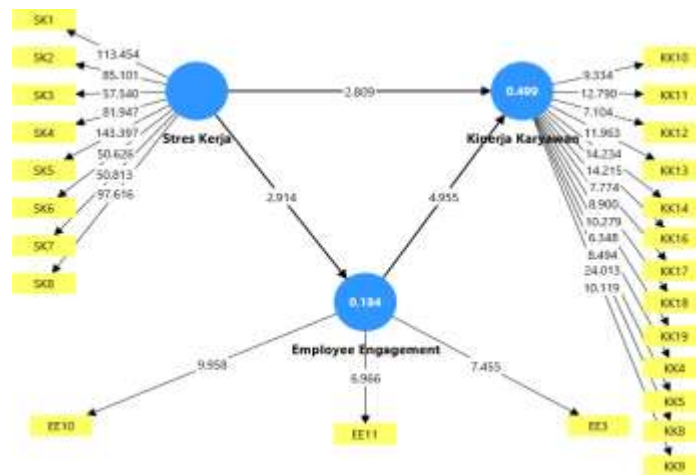
Source: SmartPLS Output Version 4.1.8

As shown in the statistical output, the composite reliability (CR) values for all latent constructs are well above the recommended threshold of 0.70. This indicates that every construct in the estimated model satisfies the necessary criteria for internal consistency and can be deemed highly reliable for further structural evaluation.

Structural Model Evaluation (Inner Model)

The evaluation of the structural model is conducted to examine the relationships between variables, the significance levels, and the R-square values of the research model. The structural model is assessed using the R-square value to determine the percentage of variance explained in the endogenous variables by the exogenous variables, alongside the t-test to

establish the significance of the latent constructs. The path coefficient scores or inner model significance, as indicated by the t-statistics, must exceed the critical threshold of 1.96.



Source : SmartPLS Ouuput Version 4.1.8

Figure 2. Structural Model (Inner Model) Results

Table 7. Coefficient of Determination R² Results

Variable	R Square	Remarks
Employee Engagement	0.184	Valid
Employee Performance	0.499	Valid

Source: SmartPLS Output Version 4.1.8

The R-Square test results indicate that the Employee Performance variable has a value of 0.499, which means that 49.9% of its variance can be explained by Job Stress and Employee Engagement (categorized as moderate), while the remaining 50.1% is influenced by other factors outside the model. Meanwhile, the Employee Engagement variable yields an R-Square value of 0.184, demonstrating that only 18.4% of its variance is explained by Job Stress (categorized as weak), with the remaining 81.6% being influenced by external factors.

Table 8. Structural Model Assessment (Hypothesis Testing Results)

			Original Sampel (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Value
Employee Engagement	>	Employee Performance (H3)	0.558	0.558	0.112	4.955	0.000
Job Stres	>	Employee Engagement (H2)	-0.429	-0.436	0.147	2.914	0.004
Job Stres	>	Employee Performance (H1)	-0.259	-0.265	0.092	2.809	0.005

Source : SmartPLS Ouuput Version 4.1.8

The structural model test results indicate that all direct hypotheses in this study are significantly supported. Job stress is empirically proven to exert a negative effect on both employee performance and employee engagement, reinforcing that chronic workplace pressure acts as a destructive factor that degrades performance while eroding the psychological commitment of operational staff. Conversely, employee engagement is shown to have a positive and remarkably strong effect on employee performance, demonstrating that fostering a sense of ownership and deep emotional alignment automatically triggers an intrinsic drive among employees to exhibit their peak productivity.

Table 9. Indirect Effects Assessment (Mediation Results)

	Original Sampel (O)	Sample mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Value
Job Stress > Employee engagement > Employee Performance	-0.238	-0.247	0.106	2.247	0.025

Source: SmartPLS Ouuput Version 4.1.8

Based on the indirect effect test results, employee engagement is empirically proven to significantly mediate the relationship between job stress and employee performance. This finding uncovers a crucial psychological dynamic within the workplace, demonstrating that job stress does not merely degrade productivity through a direct pathway rather, it operates latently by first eroding employees' emotional attachment and intrinsic commitment, which subsequently leads to a comprehensive decline in their overall performance quality.

Discussion

The Effect of Job Stress on Employee Performance

Based on the structural model evaluation, the first hypothesis (H_1) examining the impact of job stress on employee performance is empirically supported. Statistical testing clarifies that job stress carries a significant negative coefficient, meaning that unmanaged workplace pressure acts directly as a destructive factor rather than a catalyst for productivity. As the psychological strain or operational workload experienced by personnel intensifies, their cognitive and physical capacity to sustain optimal performance undergoes a significant degradation.

Theoretically, this finding provides robust confirmation for the relevance of the Job Demands-Resources (JD-R) Theory developed by Bakker & Demerouti (2007). Within this context, job stress acts as a representation of excessive job demands, such as dual administrative workloads and high monthly financing targets. In accordance with the health impairment process, task demands that exceed normal functional capacity constantly deplete employees' cognitive and physical energy. Therefore, when we look at the data, the high significance of the stress variable explicitly explains why employee performance plummets; the accumulated psychological strain triggers severe anxiety and emotional exhaustion. This condition ultimately impairs concentration, thereby degrading the quality, effectiveness, and timeliness of operational task execution. This finding strongly aligns with prior studies by Isnawati & Waskito (2024) as well as Soima et al. (2023), which state that high exposure to job stress directly correlates with a decline in individual job performance.

The Effect of Job Stress on Employee Engagement

The evaluation of the second hypothesis (H_2) reveals that job stress plays a pivotal role in eroding employee engagement, thereby providing empirical backing for this hypothesis. This negative and significant relationship uncovers a deeply human organizational reality: a work environment saturated with constant mental pressure gradually dismantles the emotional attachment, intrinsic motivation, and psychological commitment of the workforce.

From an organizational behavior perspective, prolonged exposure to heavy job demands without adaptive institutional stress-management systems pushes personnel into extreme burnout. To protect their psychological well-being against relentless target-driven pressures, employees instinctively disengage and create emotional distance from their professional roles. This chronic withdrawal erodes the core dimensions of engagement, causing a distinct drop in physical energy (vigor), a loss of professional pride (dedication), and fragmented focus (absorption) during working hours. Stressed employees simply lack the

leftover mental energy required to immerse themselves fully in the institution's vision. This reality corroborates the empirical conclusions of Breaugh (2021), who noted that workplace stressors fundamentally compromise staff members' psychological investment.

The Effect of Employee Engagement on Employee Performance

The testing of the third hypothesis (H₃) demonstrates a positive and remarkably strong linear relationship between employee engagement and employee performance; thus, this hypothesis is conclusively supported. This positive relationship underscores the critical importance of the human element in management: when an organization successfully fosters a deep sense of ownership, satisfaction, and psychological attachment within its workforce, that positive energy automatically activates a powerful intrinsic drive that escalates overall work productivity.

Highly engaged employees are characterized by a deep psychological commitment, consistent enthusiasm, and the voluntary investment of physical and mental energy toward achieving organizational goals. Within the framework of the Job Demands-Resources (JD-R) Theory (Bakker & Demerouti, 2007), this phenomenon exemplifies the motivational process in action. Personnel who feel valued and possess a strong psychological bond with the institution channel their heightened motivation into peak performance contributions. They operate with high autonomy, administrative meticulousness, and full accountability without the need for rigid or close supervision. This psychological resource allocation allows them to thrive in their roles, a premise that strongly reinforces the empirical study by Soima et al. (2023), which establishes emotional involvement as a critical foundational pillar driving task and contextual work performance.

The Mediating Role of Employee Engagement between Job Stress and Employee Performance

Based on the indirect effect test results, the fourth hypothesis (H₄), which states that employee engagement mediates the relationship between job stress and employee performance, is empirically supported. This successful mediation uncovers a crucial psychological dynamic within the workplace. Job stress does not merely degrade productivity through a single, direct pathway; rather, it operates latently by first eroding employees' emotional attachment and intrinsic commitment (employee engagement), which subsequently leads to a comprehensive decline in their overall performance quality.

To clarify this mechanism and avoid ambiguity the statistics reveal a partial mediation where chronic stress acts as an internal saboteur. High financing targets and excessive administrative workloads acting as severe job demands initially deplete employees' psychological energy and erode their internal motivation. Within the JD-R framework, when emotional attachment and vigor hit their lowest points due to chronic stress strain, employees lose their intrinsic drive to achieve. This resource depletion ultimately culminates in a drastic decline in service quality and a substantial drop in operational performance metrics.

Conversely, if the organization successfully strengthens employee engagement by providing adequate job resources (such as social support and a conducive work climate), this heightened engagement functions as an effective psychological buffering mechanism. It mitigates the destructive impact of workplace stressors, allowing employees to maintain stable performance levels. This mediating finding reinforces contemporary empirical evidence established by Isnawati & Waskito (2024) as well as Wei et al. (2024).

CONCLUSION

In summary, this study provides robust empirical evidence that aligns precisely with its core objective, examining the effect of job stress on employee performance with employee

engagement serving as a mediating variable across all operational units at KSPPS BTM West Sumatra. The validated structural data clearly demonstrate that elevated job stress primarily driven by dual task burdens and rigid institutional performance demands exerts a severely detrimental impact on both individual productivity and real operational performance metrics. Concurrently, continuous exposure to these stressors acts as a primary catalyst for the erosion of staff members' emotional and psychological attachment. This resource depletion presents a critical organizational risk, as the decline in work engagement directly triggers a substantial drop in job performance. Conversely, when properly sustained, employee engagement functions as a powerful positive engine that restores and drives work performance. In terms of indirect mechanics, employee engagement is proven to act as a significant partial mediator; this confirms that poor stress management latently undermines employees' internal psychological commitment first, which subsequently impairs the stability of their overall operational performance.

Both theoretically and practically, this study provides a significant contribution to the broader fields of human resource management and industrial-organizational psychology. Specifically, this research extends the generalizability and applicability of the Job Demands-Resources (JD-R) Theory to a unique and nuanced context: Islamic microfinance institutions (KSPPS). This sector possesses distinct structural characteristics, as it simultaneously operates under a dual-mandate framework: pursuing financial profitability while maintaining strict sharia compliance. At this juncture, the scholarly novelty of this study is established. The findings confirm that within a work system saturated with rigorous targets and regulatory compliance, organizational interventions cannot merely focus on physical or technical adjustments. Instead, prioritizing employees' psychological resilience must take precedence. This study demonstrates that employee engagement is far from a marginal factor; rather, it functions as a robust psychological buffering mechanism that mitigates the destructive impacts of job stress, ultimately enabling the organization to sustain stable productivity amid increasingly intense industry competition.

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