

# **Risk Management Mediating Work Experience, Employee Competence, And Employee Performance In Bprs**

Agus Salim Dimiyati<sup>1</sup>, Muhadjir Anwar<sup>2</sup>, Tri Kartika Pertiwi<sup>3</sup>

<sup>123</sup>Master of Management Program, Veteran National Development University of East Java, Indonesia

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**ABSTRACT :** *The increasing financing risks and declining profitability faced by Islamic Rural Banks (BPRS) highlight the urgency of strengthening human resource capabilities, particularly in risk management. At BPRS Harta Insan Karimah Parahyangan (HIKP), employee performance is influenced by work experience, competence, and the institution's ability to implement risk management effectively. However, empirical studies on how risk management mediates this relationship remain limited, establishing the academic relevance of this research. This study aims to analyze: (1) the effect of work experience on employee performance, (2) the effect of employee competence on performance, (3) the mediating role of risk management in the relationship between work experience and performance, and (4) the mediating role of risk management in the relationship between competence and performance. A quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) was applied. The sample consisted of 135 permanent employees involved in financing, operations, and risk management at BPRS HIKP, selected through purposive sampling. Data were collected using a structured Likert scale questionnaire and processed using SmartPLS version 4.0. Findings show that: (1) work experience and employee competence significantly affect performance, (2) risk management significantly mediates both relationships. These results confirm that enhancing work experience and competence is more effective with systematic risk management practices, emphasizing the strategic role of risk-based capability development in Islamic banking.*

**KEYWORDS** – work experience, employee competence, risk management, employee performance

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## **I. INTRODUCTION**

Islamic Rural Banks (BPRS) play a crucial role in expanding financial inclusion in Indonesia, particularly for micro, small, and medium enterprises (MSMEs) that are often underserved by conventional banks. Their strength lies in their local engagement, flexibility, and close relationships with the community. According to the Financial Services Authority (OJK, 2023), BPRS and Rural Banks (BPR) collectively contribute more than 5 percent of the national banking assets and control about 15 percent of the micro-credit market. One institution that represents this strategic role is Harta Insan Karimah Parahyangan Islamic Rural Bank (BPRS HIKP), which provides Sharia-based partnership financing to support productive communities.

In recent years, BPRS HIKP has shifted its financing focus from low-risk payroll-based products to higher-risk MSMEs, project financing, and developer financing. This transformation has been accompanied by an increased exposure to risk. The 2024 financial report shows that the Non-Performing Financing (NPF) ratio increased from 1.35 percent in 2019 to 3.57 percent in 2024, with the sharpest increase occurring after the expansion into MSME financing. Asset performance also fluctuated, peaking at IDR 1.91 trillion in 2023 before decreasing by IDR 20 billion in 2024. Profitability has continued to face pressure, with a decrease of around IDR 7 billion in 2024. These conditions indicate that the transformation of financing has not been fully supported by adequate internal readiness, particularly in terms of human resources and risk management capabilities.

The challenges faced by BPRS HIKP in managing business model changes and financing risks, coupled with the limited studies that connect the variables of work experience, competence, and risk management, make this research highly relevant. This study aims to analyze the impact of work experience and employee competence on employee performance at BPRS HIKP, as well as to examine the role of risk management as a mediating variable in this relationship. Previous studies have shown that work experience and employee competence can influence performance, although existing findings are inconsistent, suggesting that contextual factors may shape the relationship between human capital and performance outcomes. In the context of BPRS HIKP, the lack of structured training and certification among financing staff highlights the need to improve experience and competence to support high-risk financing activities.

However, the effectiveness of work experience and competence heavily depends on the existence of a robust risk management system. Risk management functions as a control mechanism to identify, assess, and mitigate risks, ensuring operational stability (Bhagat et al., 2023). This function becomes increasingly crucial as BPRS HIKP expands into more complex financing sectors. While previous research has separately examined performance, experience, competence, and risk management, the integration of these factors in the specific context of BPRS is still very limited. This gap indicates the need for a more comprehensive understanding of how human resource capabilities and risk management interact to enhance performance. Therefore, this study aims to address this gap and provide insights that can strengthen the organization's capacity and support the operational sustainability of BPRS HIKP.

## **II. THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT**

### **Islamic Rural Banks (BPRS)**

Islamic Rural Banks (BPRS) are Sharia-compliant financial institutions that provide financing and financial services tailored to the needs of micro and small communities. Their establishment is intended to strengthen the economic capacity of low-income groups through Sharia-based financial intermediation. Hazanah et al. (2019) explains that the establishment of BPRS aims to support the strengthening of the community's economy, especially in the micro sector. BPRS plays a role through the provision of financial services and financing based on Islamic principles and values. A distinctive feature that differentiates BPRS from conventional financial institutions is the presence of a Sharia Supervisory Board, which ensures legal compliance with Islamic law in all products and transactions. Additionally, BPRS remains strongly focused on providing financial access to individuals and small businesses that are still underserved by the conventional banking system.

The functions and roles of BPRS emphasize its contribution to Islamic financial inclusion and local economic development. BPRS acts as a financial intermediary that mobilizes public funds and channels them to productive micro and small enterprises, contributing to income generation and job creation. Riawanti (2014) highlights that BPRS significantly expands access to Sharia-compliant financing, thus supporting economic resilience at the community level. The operations of BPRS are regulated by the Financial Services Authority (OJK) under Law No. 21 of 2008 on Islamic Banking, which provides a regulatory framework to ensure Sharia compliance and operational health. Suwarni (2023) notes that BPRS is also supervised by the Sharia Supervisory Board to verify the alignment of financial activities with Sharia principles. Furthermore, the supervision policy includes the implementation of risk management and financing guarantee mechanisms to minimize the risk of problematic financing or Non-Performing Financing (Mutawali et al., 2019).

### **Work Experience**

Work experience refers to the accumulation of knowledge, skills, and practical understanding that an individual gains through involvement in various tasks and job responsibilities over a period of time. Within the framework of Experiential Learning Theory, work experience serves as the primary foundation for acquiring knowledge and skills through the processes of reflection and practical application in work situations (Ilham, 2022). Work experience reflects an individual's exposure to various situations that shape their mastery of tasks, job challenges, and organizational social dynamics. This aligns with the view that the accumulation of work experience is closely related to achieving better performance through enhanced abilities to handle complex tasks (Wulandari & Dwiatmaja, 2020).

The indicators of work experience in this study refer to previous empirical findings. Ilham (2022) explains that work experience can be assessed by the length of time worked, the level of knowledge and skills developed, and mastery of tasks and work tools. Marani et al. (2022) add five indicators of work experience: time, frequency of task execution, job variety, application of technical skills, and the results achieved. Furthermore, Likhitar (2024) emphasizes that task variety enhances adaptive capabilities and improves employee flexibility. A study by Mustofa et al. (2024) demonstrates that the accumulation of experience contributes to professional expertise, including the ability to detect anomalies and efficiently complete tasks.

### **Employee Competence**

Competence is an integral combination of knowledge, skills, and attitudes that are collectively required to achieve optimal employee performance (Wong, 2020). In an organizational context, competence is seen as a strategic element that determines the effectiveness of an individual in performing their tasks. Employee competence reflects a comprehensive capacity that includes cognitive, technical, and affective aspects relevant to the execution of roles and job responsibilities. Therefore, enhancing competence is viewed as a strategic focus in human resource management, given its direct impact on improving performance at both the individual and organizational levels. This theoretical perspective suggests that individuals with high levels of competence are capable of adapting to job demands and demonstrating high levels of productivity.

The competence indicators used in this study refer to previous research and recognized competence frameworks. Suta (2023) identifies five key components of competence: knowledge, skills, experience, personality traits, and intellectual abilities. Arruda (2023) emphasizes that knowledge, skills, work attitudes, and interpersonal skills are also important dimensions. These indicators capture the cognitive and behavioral aspects of competence required in banking operations. While some studies confirm that higher competence leads to improved employee performance, other findings show varied results, suggesting that the impact of competence may depend on contextual factors such as job demands and organizational systems. Despite these variations, competence remains a fundamental factor that supports effective task execution and enhances service quality in BPRS.

### **Risk Management**

Risk management is a structured process used to identify, assess, and control potential risks that could disrupt the organization's objectives. It serves as a strategic mechanism that allows institutions to anticipate uncertainty, minimize losses, and maintain operational stability. Shrivastava et al. (2024) explains that effective risk management is crucial to ensure organizational resilience, particularly in environments exposed to both internal and external risks. In the banking sector, including Islamic Rural Banks (BPRS), risk management is essential to maintain financial stability and strengthen public trust. Amalutstania and Anwar (2021) emphasize that integrating principles of good governance increasingly enhances the effectiveness of risk management practices in maintaining institutional performance.

The risk management indicators in this study refer to the established framework and empirical findings. Istiningrum (2012) identifies four indicators: risk identification, risk allocation, risk assessment, and risk mitigation. These elements ensure that risks are recognized, evaluated, and controlled systematically. Deliandra (2020) adds several relevant indicators for banking, including risk understanding, risk analysis, risk monitoring, and credit risk analysis. Together, these indicators support BPRS in managing financing risks, improving asset quality, and ensuring operational continuity. Their effective implementation contributes to stronger institutional credibility and long-term sustainability.

### **Employee Performance**

Employee performance refers to the level of achievement demonstrated by employees in completing their tasks and responsibilities in accordance with organizational standards. It reflects the extent to which employees contribute to organizational goals through efficiency, accuracy, and work quality. Performance is often evaluated based on behavioral criteria and results-oriented measures, including productivity, timeliness, and quality of task completion. According to Ramawickrama et al. (2017), individual performance cannot be solely measured by the final outcomes achieved but should be understood more comprehensively by including the entire work process involved in task execution. In the context of Islamic Rural Banks (BPRS), employee performance is critical due to the complexity of financing processes, risk assessment requirements, and the need to maintain compliance with Sharia principles, all of which demand a high level of accuracy and professionalism.

The employee performance indicators used in this study are based on established performance measurement frameworks and previous empirical findings. Farhan (2023) highlights several key indicators, including quality, quantity, timeliness, effectiveness, and independence. Puspitasari et al. (2024) further emphasize speed, work quality, and interpersonal skills. These indicators capture both the quantitative and qualitative dimensions of performance relevant in financial institutions. Empirical research indicates that employee performance is influenced by individual factors such as experience and competence, as well as organizational factors including training, supervision, and the work environment. In the context of BPRS operations, strong performance is essential for maintaining asset quality, ensuring accurate financing decisions, and supporting the long-term sustainability of the institution.

### **Resource-Based View (RBV)**

The Resource-Based View (RBV) is a strategic management theory that explains how organizations achieve sustainable competitive advantage through the ownership and effective utilization of valuable internal resources. The RBV approach emphasizes that sustainable competitive advantage can only be achieved when organizations are able to manage internal resources that possess characteristics of being valuable, rare, inimitable, and non-substitutable. In the context of Sharia financial institutions such as Islamic Rural Banks (BPRS), work experience, employee competence, and risk management capabilities are positioned as intangible assets that directly contribute to operational effectiveness. Work experience provides the foundation for enhancing employees' technical capabilities and adaptive skills, as demonstrated by Ilham (2022), who states that the accumulation of experience positively correlates with improved abilities to solve complex tasks. Furthermore, relevant experience in banking services and Sharia compliance practices strengthens communication quality and decision-making related to operational risks (Shrestha et al., 2019).

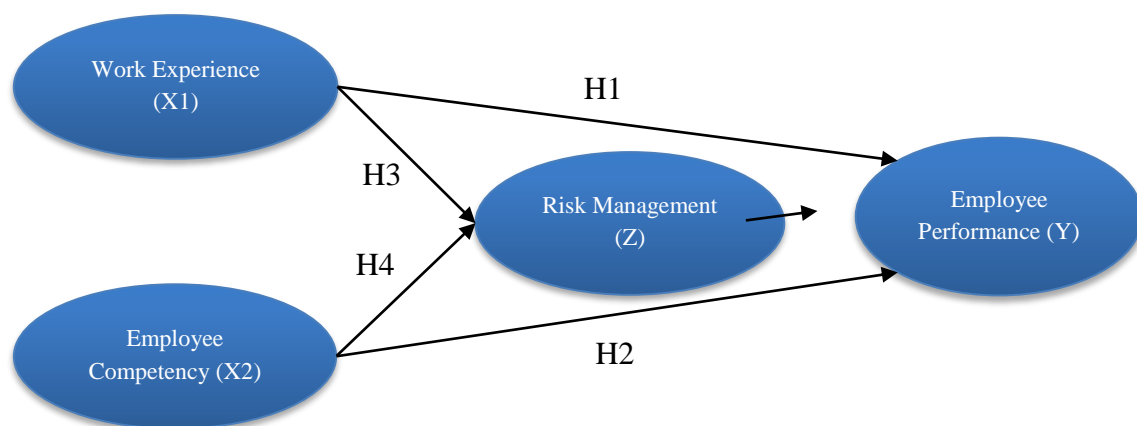
In line with this, employee competence within the RBV perspective is understood as a strategic asset formed through a combination of knowledge, technical skills, and professional attitudes that evolve through continuous learning. Findings by Zhang et al. (2024) and Marillo et al. (2024) show that structured competence development systems enhance an organization's ability to adapt to changes in the business environment. Risk management, as an organizational capability, further strengthens internal mechanisms in facing uncertainty through systematic identification, mitigation, and control of risks. Hamzah et al. (2022) emphasize that institutions with comprehensive risk management systems show greater resilience to market pressures and external risks. In the RBV framework, risk management functions as a link between the quality of human resources and organizational performance through the consistent and integrated application of risk management processes. Therefore, work experience, competence, and risk management form a strategic synergy that strengthens BPRS's long-term competitive advantage, in line with Assensoh-Kodua's (2019) view that optimal use of internal resources leads to differentiation that is difficult for competitors to replicate.

### **Human Capital Theory**

Human Capital Theory positions individual skills, knowledge, and experience as forms of productive investment that directly contribute to enhancing organizational performance and growth. Human capital is regarded as a strategic asset, whose productive value can be increased through education, training, and the accumulation of work experience, thus no longer being seen as a cost burden but as a source of sustainable competitive advantage (Almekhlafi, 2022). Within this framework, work experience is understood as the result of on-the-job learning processes that enhance technical capabilities, decision-making accuracy, and employee effectiveness in carrying out their professional responsibilities. Findings by Ilham (2022) and Shrestha et al. (2019) indicate that extensive and relevant work experience, especially in the Islamic banking sector, strengthens mastery of Sharia principles, improves service quality, and supports employees' ability to manage financing risks more accurately. This perspective is enriched by the Resource-Based View (RBV), which categorizes human capital as a resource that is valuable, rare, inimitable, and non-substitutable (Salsabila et al., 2022). Thus, Human Capital Theory and RBV complement each other in explaining how the accumulation of individual experience and capabilities generates strategic contributions to the organization.

In addition to work experience, employee competence is viewed as an important dimension within Human Capital Theory because it reflects both technical and non-technical abilities formed through formal education, training, and the accumulation of skills over time. These competencies become key indicators of individual productivity and organizational strength in responding to changes in the business environment (Khan, 2023). Research by Junaedi et al. (2023) and Widiyasari and Padmantyo (2023) affirms that work-based competencies contribute to improved operational efficiency and service quality, particularly in the context of Islamic financial institutions that require accurate financing analysis and adherence to Sharia prudence principles. In relation to performance, Human Capital Theory views performance as the conversion of the quality of human capital into measurable outputs, evident in service quality, process speed, and operational effectiveness (Kasmawati, 2017). Therefore, work experience and competence not only function as individual factors but also as foundational elements reinforced by managerial tools such as risk management, which ensures that individual capabilities are optimally translated into decision-making processes and the achievement of the organization's strategic goals.

### **Conceptual Framework**



### **Hypothesis**

1. Work experience has a positive effect on employee performance at BPRS HIKP.
2. Employee competence has a positive effect on employee performance at BPRS HIKP.
3. Risk management mediates the effect of work experience on employee performance at BPRS HIKP.
4. Risk management mediates the effect of employee competence on employee performance at BPRS HIKP.

### III. RESEARCH METHODOLOGY

This study is a quantitative explanatory research aimed at analyzing the influence of work experience and employee competence on employee performance, involving risk management as a mediating variable. The population of the study consists of 243 employees of Harta Insan Karimah Parahyangan Islamic Rural Bank (BPRS HIKP) who are involved in financing, operational, and risk management activities. The sampling technique used is purposive sampling based on specific inclusion criteria, resulting in a minimum sample size of 71 respondents, determined using Slovin's formula. However, in this study, the number of respondents successfully collected reached 135, which is larger than the minimum recommended sample size. The research variables consist of: (1) exogenous variables, namely work experience (years of service, task variety, job mastery) and employee competence (knowledge, skills, training, certification); (2) mediating variable, namely risk management (risk identification, risk analysis, risk mitigation, risk monitoring); and (3) endogenous variable, namely employee performance (work quantity, work quality, timeliness, effectiveness). The research instrument is a questionnaire with a five-point Likert scale to measure each variable indicator, where 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree).

The data source for this research is primary data obtained through a structured questionnaire administered to employees based on the study's criteria. A survey was used to gather respondents' perceptions regarding work experience, competence, risk management implementation, and employee performance. Data analysis was conducted using Partial Least Squares (PLS) through the SmartPLS version 4.0 software, which was chosen for its ability to handle complex models with mediating variables. The analysis process includes two stages: the evaluation of the measurement model to test the validity and reliability of constructs and the evaluation of the structural model to assess the relationships between variables in the study.

### IV. RESEARCH RESULTS AND DISCUSSION

Table 1. Respondent Demographics

Variable	Category	Percentage (%)
Gender	Male	74,07
	Female	25,93
Age	20–30 years	46,67
	31–40 years	27,41
	>40 years	25,93
Education	Bachelor's Degree	77,78
	Diploma	13,33
	≤ High School	4,44
	≥ Master's Degree	0
Length of Work	1-5 years	39,26
	5-10 years	30,37
	>10 years	30,37

The respondents in this study consist of 135 employees of Harta Insan Karimah Parahyangan Islamic Rural Bank (BPRS HIKP) who meet the inclusion criteria and are directly involved in financing, operations, or risk management. Demographically, the majority of respondents are male (74.07%), while female employees account for 25.93%. In terms of age, most respondents belong to the 20-30 age group (46.67%), followed by those aged 31-40 years (27.41%) and those over 40 years old (25.93%). Regarding educational level, the majority of



respondents hold a Bachelor's degree (77.78%), with a smaller proportion holding a Diploma (13.33%) or a high school qualification (4.44%). In terms of work experience, respondents are fairly evenly distributed among those with 5-10 years of service (39.26%), 1-5 years (30.37%), and more than 10 years (30.37%). This indicates that BPRS HIKP is supported by a workforce predominantly consisting of men, positioned within a productive age group, highly educated, and with diverse levels of work experience, allowing the study to capture a representative perspective on the factors affecting employee performance in a Sharia-based financial institution.

Table 2. Construct Validity and Reability

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Average Variance Extracted (AVE)</i>
<b>Work Experience (X1)</b>	0,903	0,939	0,665
<b>Employee Competency (X2)</b>	0,730	0,879	0,784
<b>Employee Performance (Y)</b>	0,746	0,856	0,838
<b>Risk Management (Z)</b>	0,837	0,902	0,755

The results of the construct reliability test indicate that all variables have Cronbach's Alpha values exceeding the minimum threshold of 0.70. The Work Experience variable has the highest Cronbach's Alpha value of 0.903, followed by Risk Management at 0.837, Employee Performance at 0.746, and Employee Competence at 0.730. These results suggest that all variables exhibit strong internal consistency. Additionally, the Composite Reliability values for all variables also exceed the recommended threshold of 0.70. Work Experience has the highest Composite Reliability value of 0.939, while Risk Management, Employee Competence, and Employee Performance have values of 0.902, 0.879, and 0.856, respectively. These findings support the Cronbach's Alpha results and confirm that all constructs in this study are reliable and that the indicators consistently measure each latent variable.

To assess convergent validity, the Average Variance Extracted (AVE) values were examined with the minimum standard of 0.50. The results show that all variables have AVE values above the requirement, ranging from 0.665 to 0.838. Employee Performance has the highest AVE value of 0.838, followed by Employee Competence at 0.784, Risk Management at 0.755, and Work Experience at 0.665. These results confirm that all variables meet the convergent validity criteria, indicating that the indicators successfully capture the variance of each construct. Overall, the reliability and validity tests show that the variables of Work Experience, Employee Competence, Employee Performance, and Risk Management meet the standards for internal reliability and convergent validity.

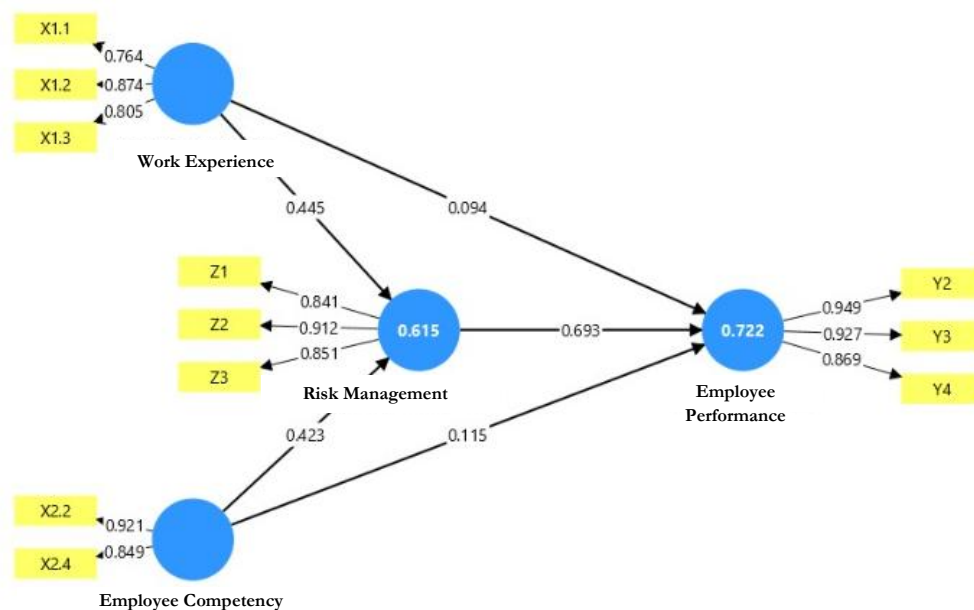
Table 3. Outer Loading

	<b>Employee Performance</b>	<b>Employee Competency</b>	<b>Risk Management</b>	<b>Work Experience</b>
<b>X1.1</b>				0,764
<b>X1.2</b>				0,874
<b>X1.3</b>				0,805
<b>X2.2</b>		0,921		
<b>X2.4</b>		0,849		
<b>Y2</b>	0,949			
<b>Y3</b>	0,927			
<b>Y4</b>	0,869			
<b>Z1</b>			0,841	
<b>Z2</b>			0,912	
<b>Z3</b>			0,851	

Based on the analysis results, all indicators of the Work Experience, Employee Competence, Risk Management, and Employee Performance variables show outer loadings above the minimum threshold of 0.70. The indicators for Work Experience, namely Years of Service, Task Variety, and Job Mastery, have loadings of 0.764, 0.874, and 0.805. The indicators for Employee Competence, including Skills and Professional Certification, show loadings of 0.921 and 0.849. For the Risk Management variable, the indicators of Risk Identification, Risk Analysis, and Risk Mitigation have loadings of 0.841, 0.912, and 0.851. Meanwhile, the indicators for Employee

Performance, such as Work Quality, Timeliness, and Effectiveness, achieve loadings of 0.949, 0.927, and 0.869. These results confirm that all indicators significantly contribute to representing their respective latent variables. The fulfillment of these criteria also indicates that the measurement model has achieved convergent validity at the outer model stage, as all loading values exceed the recommended minimum threshold of 0.70 in SEM-PLS analysis. This indicates that the indicators used in this study are valid in measuring the intended constructs.

Furthermore, the consistency of these high loading values suggests that each indicator is capable of strongly and stably capturing the conceptual essence of the variables. This also reinforces the reliability of the model, as these indicators not only meet the statistical thresholds but also possess substantive relevance to the empirical context of BPRS HIKP. Therefore, the developed measurement model structure can be considered robust for proceeding to the structural model analysis stage. These findings also strengthen the basis that the research instrument works effectively in measuring respondents' perceptions of each research variable, allowing the subsequent analysis results to be interpreted more credibly and accurately.



Picture 1. PLS Model

Table 4. Hypothesis Testing

No	Relationship between Variables	T-Statistic	P-Value	Description
1	Employee Competency → Employee Performance	4,785	0,000	Significant
2	Employee Performance → Risk Management	5,818	0,000	Significant
3	Risk Management → Employee Performance	8,522	0,000	Significant
4	Work Experience → Employee Performance	4,401	0,000	Significant
5	Work Experience → Risk Management	6,413	0,000	Significant

Table 5. Mediation Variable Testing

No	Relationship between Variables	Mediating Variable	T-Statistic	P-Value	Description
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1	Employee Competency → Employee Performance	Risk Management	5,121	0,000	Significant
2	Work Experience → Employee Performance	Risk Management	4,970	0,001	Significant

The results of this study indicate that work experience has a significant positive effect on employee performance at Harta Insan Karimah Parahyangan Islamic Rural Bank (BPRS HIKP). These findings suggest that the greater the work experience, the better the employee performance. This reflects that work experience not only equips individuals with technical knowledge about operational procedures but also enhances their ability to adapt to changing environments and make sound decisions, especially in high-risk financing activities. In the context of BPRS HIKP, work experience plays a crucial role in handling the complexities of MSME financing, which requires a deep understanding of customer behavior and risk assessment. Employees with broader work experience have a better understanding of customer patterns and can more effectively evaluate financing feasibility, which is critical in minimizing problematic financing. These findings are consistent with the Resource-Based View (RBV), which positions work experience as a valuable, rare, and inimitable resource that leads to sustainable competitive advantage. The knowledge acquired through work experience becomes a strategic asset for the organization, difficult for competitors to replicate, as it is formed through direct interaction with operational conditions and specific market characteristics. These results align with previous studies by Rozi & Sunarsi (2020) and Ilham (2022), which also found that work experience significantly contributes to individual effectiveness and productivity.

This study also shows that employee competence has a significant positive effect on employee performance at BPRS HIKP. Competence, which includes knowledge, skills, and work attitudes, plays a key role in enhancing work effectiveness and achieving organizational goals. The findings indicate that employees with higher levels of competence are better at fulfilling their responsibilities, making accurate decisions, and managing risks prudently in financing activities and customer service. Competence is particularly valuable at BPRS HIKP, as the institution has expanded its focus from consumer financing to more complex productive sectors. Furthermore, competence enhances communication skills and empathy toward customers, fostering long-term trust and loyalty. These findings are in line with RBV, which views employee competence as a strategic organizational asset, and with Human Capital Theory, which underscores the importance of investing in competence to enhance critical thinking, technical skills, and professionalism. The results are consistent with studies by Aminuddin (2018) and Melvani & Utami (2023), which highlight competence as a key driver of organizational effectiveness and productivity in the financial sector.

Additionally, risk management plays a significant mediating role in the relationship between work experience, employee competence, and employee performance at BPRS HIKP. These findings show that the effects of work experience and employee competence on performance are strengthened when supported by effective risk management practices. In other words, the positive effects of work experience and competence on performance are optimized when applied within a well-structured risk management system. The application of risk management is vital at BPRS HIKP due to the exposure to high-risk financing, especially in the productive sector. Employees with adequate work experience and competence are better prepared to identify, analyze, and mitigate potential risks accurately when supported by a structured risk management system. This process helps reduce problematic financing and improves decision-making reliability, promoting healthy banking practices. These results are consistent with the findings of Setiawan (2021) and Ticoalu & Agoes (2023), who emphasized the importance of risk management in enhancing human resource performance in Islamic banking. The findings indicate that risk management not only controls risks but also acts as a learning tool to ensure that employee competence and work experience are optimally utilized to achieve superior performance.

Overall, this study reinforces the importance of integrating work experience, employee competence, and risk management to improve employee performance at BPRS HIKP. The findings show that the synergistic effects of work experience and competence are maximized when combined with a strong risk management system. This highlights the importance of developing human resources and organizational systems to create a high-performance and sustainable organization. For practical implementation, BPRS HIKP should prioritize employee development programs that enhance work experience and competence while maintaining a structured risk management system that complies with Sharia principles. These steps will contribute to the long-term sustainability of the organization and enhance its competitive advantage in the Islamic banking sector.

## **V. CONCLUSION AND RECOMENDATIONS**

Based on the research findings and discussion, the following conclusions can be drawn. First, work experience contributes to the improvement of employee performance, enhancing effectiveness, quality, and the ability to make accurate decisions regarding complex financing issues. Second, employee competence, which



includes knowledge, skills, and work attitudes, contributes to the increased effectiveness of task execution and the achievement of organizational targets, enabling employees to apply Sharia principles and manage risks wisely. Third, risk management serves as a mediating variable in the relationship between work experience and employee performance; the benefits of experience are optimized when accompanied by effective risk management, leading to more accurate decision-making, fewer errors, and greater effectiveness in maintaining financing quality. Fourth, risk management also mediates the relationship between competence and employee performance; strong technical competence, particularly in risk analysis and mitigation, is utilized more effectively through good risk management, ensuring accurate decisions, quality financing, and institutional reliability. Fifth, these findings support the Resource-Based View (RBV) and Human Capital Theory, which indicate that optimal performance at BPRS HIKP is achieved through the synergy between strengthening human resources and the implementation of an adaptive risk management system. The main implication is that risk-based training implementation, competence certification enhancement, and the internalization of a risk culture and Sharia-based prudence principles should be strategic priorities to maintain financing quality and reduce the Non-Performing Financing (NPF) ratio.

Recommendations from this study are as follows: First, the management of BPRS HIKP should focus on enhancing both technical and managerial competencies of employees through training oriented toward financing risk management. Second, continuous risk monitoring and control, extending beyond risk identification to include evaluation and follow-up, are crucial. Third, training outcomes should be integrated into the performance evaluation system to ensure their impact on effectiveness and profitability. Fourth, for the Islamic Banking Industry, these findings can serve as a reference for developing an integrated human resource management model that combines work experience, competence development, and Sharia-based risk management to strengthen the stability of the MSME financing sector.

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