

## The Effect of Competency and Career Development on Employee Performance Mediated by Motivation Variables in the Rupiah Currency Management Unit of Bank Indonesia at the Regional Cash Depot (Dkw) of East Java

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**Abstract.** *This research is focused on understanding how skills and career advancement impact how well employees perform, with motivation playing a key role in this process at the Rupiah Money Management Unit of Bank Indonesia located in the Regional Cash Depot of East Java. The research follows a quantitative method with an explanatory approach. The sample for this study included 130 respondents selected through census methods. Information was gathered using surveys and analyzed through a method known as Structural Equation Modeling-Partial Least Square SEM-PLS. The findings revealed that Career Development positively influences employee performance significantly, and Competence also has a meaningful positive impact on employee performance. Furthermore, motivation has been shown to effectively mediate the link between Career Development and Employee Performance, as well as significantly mediate the connection between Competence and Employee Performance. These results highlight the critical role of strategic management of human resources, particularly in enhancing work motivation and career development as a way to boost the overall performance of the organization. This research offers theoretical insights into the field of human resource management and practical suggestions for employee policies at Bank Indonesia, especially in creating programs focused on motivating employees and enhancing their competencies and career paths.*

**Keywords:** Career; Development; Motivation; Performance.

### 1. Introduction

In its role as the central bank, Bank Indonesia strives to maintain the stability of the rupiah, ensure the security of the payment system, and help maintain overall financial system stability to encourage sustainable economic growth. To achieve these goals, Bank Indonesia focuses on three main areas: Monetary, Payment Systems, and Financial System Stability. These three areas must work together effectively and efficiently to achieve common goals. To this end,

Bank Indonesia needs to establish several representative offices in the regions, known as KPw. Representative offices within the country are called KPwDN, while those located abroad are called KPwLN. The KPwDN, which plays a crucial role in carrying out Bank Indonesia's duties, includes various representative offices located in East Java that form a unit called the East Java Regional Cash Depot. The East Java Regional Cash Depot (DKW) is located in East Java Province and is part of an effort to enhance Bank Indonesia's function and influence in the East Java region. This representative office was established to improve the efficiency of monitoring and implementing monetary policy while providing excellent service to the public and economic actors in East Java. In a rapidly changing work environment, employee performance plays a crucial role in organizational success. The East Java Regional Office of the Ministry of Foreign Affairs and Trade (DKW) serves as a key unit responsible for monitoring the rupiah exchange rate at the local level. Employees at the DKW East Java Office face several significant challenges in achieving the agency's goals, from oversight responsibilities to policy implementation.

Labor is one of the primary assets of an organization, along with resources such as finances, raw materials, and equipment. A business requires staff, known as human resources, to function effectively. Staff are a vital resource for any business, providing the expertise, drive, and ingenuity essential to achieving goals. For some, the pursuit of financial gain is the sole reason for working, while others consider money to be just one of several needs fulfilled through work. Individuals who work tend to feel more valued by their communities than those who do not.

Based on the explanations provided, it is clear that employees' willingness to contribute their skills, understanding, abilities, energy, and time is driven by the expectation of receiving adequate compensation from a company that meets their needs. The primary goal of human resource management is to ensure that the company has an enthusiastic and productive team that has what it takes to navigate change and meet job requirements. Initiatives aimed at fostering an enthusiastic and productive staff include addressing their needs.

Employee skills and career growth are crucial elements in enhancing their motivation and work performance. Wibowo (2016) defines competence as the ability to perform a job or task based on skills and knowledge, combined with the required professional attitude. Gilster (in Qory, 2018: 7) argues that beyond critical thinking skills, competence also includes understanding how to organize knowledge, interpret and organize reliable information from various sources, and have a flexible understanding of the world around us. Therefore, superior competence is crucial to increasing the effectiveness of workers themselves, so they can adapt effectively to new developments.

Many aspects influence employee performance. This study focuses on three key elements: skills, career development, and motivation, as significant factors influencing employee performance in the Rupiah Money Management Unit of Bank Indonesia at the Regional Cash Depot (DKW) in East Java. This conclusion is drawn from a preliminary survey and the fact that these three aspects are generally highlighted in employee performance theories from previous studies.

Given these factors and the need to meet targets in each work area by utilizing the available workforce, further investigation is needed to determine the sources of employee skills in the Rupiah Money Management Unit of Bank Indonesia at the Regional Cash Depot (DKW) in East Java, because the competitiveness of an organization is related to the management of its human resources. Therefore, the discussion begins with how employee skills affect performance, aiming to achieve success through the ability to develop and utilize employee skills as outlined in the organization's business strategy.

Performance is crucial for an organization to successfully achieve its goals. It is crucial for everyone to periodically evaluate their performance, as this feedback can foster growth and improvement. As Rivai stated in 2005, many experts share similar views on the meaning of performance. Furthermore, Osborn (1991) describes performance as the quality and quantity of how tasks are completed, whether by individuals, teams, or companies. Furthermore, Tika (2006) defines performance as the outcome of work functions or activities carried out by individuals or groups within an organization, which are influenced by various factors in an effort to achieve organizational goals within a specified timeframe. Performance can be viewed as the degree of success or level of achievement of organizational goals. This can indicate how well an organization is able to carry out its tasks. Furthermore, performance reflects how well the objectives outlined in the output instructions can be realized by an organization. Therefore, performance can be defined as the fulfillment of functions and provisions established by an agency to achieve organizational goals.

## 2. Research Methods

This study uses a quantitative research design accompanied by descriptive quantitative analysis techniques. The selection of a quantitative approach was made to assess in depth how two main factors—competence and career development—influence employee performance, while also considering work motivation as a supporting aspect that directly affects the quality of employee output at Bank Indonesia Regional General Manager (DKW) East Java. Quantitative methods focus on objective assessment and data analysis through numbers to clarify or examine the relationship between variables. This strategy is generally applied to test hypotheses in an organized and methodical manner. Sekaran and Bougie (2017) state that research design is a blueprint for how data will be collected, measured, and analyzed to answer research questions and findings. The approach used in this study is causal. Causality refers to the relationship that influences between variables, and this type of research essentially relies on cause and effect. According to Sugiono (2013), causal design aims to study the cause-and-effect relationship between independent variables (influencing factors) and dependent variables (influenced factors). This study collected data using a questionnaire based on a Likert scale format with an explanatory survey method. In explanatory survey research, the main framework is articulated and linked to research methodology issues, including aspects such as population and sample, sampling method, data collection tools, and data processing and analysis methods. This causal study aims to evaluate how independent variables (Competence and Career Development) affect the dependent

variable (employee performance), with Motivation as a mediating or intervening factor. This study aims to collect data that clarifies which variables contribute significantly to improving employee performance in the Rupiah Currency Management Unit of the East Java DKW.

### 3. Results and Discussion

This conversation not only highlights how frequently respondents responded but also explores the significance of the information gathered. Therefore, in addition to outlining the patterns in how respondents responded to each factor, this section interprets the results based on real-world contexts and related theories. This understanding is crucial for understanding why how employees perceive their skills, opportunities for career growth, and motivation influence their job performance. The findings of this study reveal that employee performance is shaped not only by their technical abilities and management skills, but also by their perceptions of evaluation fairness and the availability of a clear career path, as well as their desire to contribute their best to the organization. Therefore, this conversation seeks to clarify the relationship between these factors and offer a richer contextual understanding that aligns with the actual situation of the East Java DKW PUR Unit.

The research sample consisted of 130 employees from the PUR Unit of the Bank Indonesia Regional Treasury Office (DKW) in East Java. Interviews were conducted before determining the research topic. With diverse educational qualifications and different job roles, this approach aims to present a broader view of the research findings with more adaptive and dynamic data collection. Purposive sampling is considered the best method to show and represent the research results with various job levels (Staff, Assistant Manager, Manager) and teams involved in cash management, cash services, and distribution. Employee performance at the Bank Indonesia Regional Treasury Office (DKW) in East Java is crucial to maintaining inflation stability and rupiah circulation, so skill improvement, career growth, and motivation are crucial in facing the uncertain global industry. The purpose of this study is to investigate how employee skills, career advancement, and motivation affect work performance at the Rupiah Currency Management Unit of the Bank Indonesia Regional Treasury Office (DKW) in East Java.

Furthermore, when examining the respondents' gender characteristics, it is clear that all employees are male. This leads to the conclusion that the PUR Team's responsibilities require physical skills to increase productivity and effectiveness, particularly in cash handling, cash services, and cash distribution, which are key aspects of the PUR unit's operations.

According to Wold (1982), Partial Least Squares (OUTER) is an effective analytical approach because it does not rely on many assumptions. PLS was originally created by Herman Wold, who collaborated with Karl Joreskog, the creator of AMOS. This model was created as a substitute for cases where the theory is weak or the existing indicators do not fit the reflexive measurement model. PLS functions as a technique that can link multiple independent variables with multiple dependent variables. In terms of predictors, PLS is able to manage multiple independent variables, even if there is multicollinearity among them. PLS functions

as a regression model, predicting one or more outcomes based on a group of independent variables (David Garson, 2016).

PLS is the best method when the research goal is prediction or theory development. However, if the goal is to confirm a model and test a theory, covariance-based SEM (CBSEM) is more appropriate. Partial Least Squares (OUTER) is known as variance-based SEM. However, PLS differs from Covariance-Based SEM, which uses tools such as AMOS (Analysis of Moment Structure) or LISREL (Linear Structural Relationships). Wold. H (1985) refers to PLS as "soft modeling." The PLS analysis method is very powerful because it can be used with all types of data scales, requires fewer assumptions, and does not require large sample sizes. PLS can be applied not only to validate theories but also to suggest existing or absent relationships, as well as to further test ideas. The variance-based Structural Equation Modeling (SEM) process is known as the Partial Least Squares (OUTER) method. The reasons for choosing the PLS analysis model are:

- 1) As a robust analysis technique, PLS is based on minimal presuppositions, which facilitates the investigation of a variety of metrics for the underlying constructs, including both reflective and formative types.
- 2) The practical application of the PLS approach is simplified due to its independence from strict distributional prerequisites, the elimination of mandatory index adjustments, and the capacity to evaluate model fit through the Q-Square Predictive metric.
- 3) PLS SEM allows researchers to use measurement scales beyond mere interval scales, accommodating nominal, ordinal, and ratio-scale information, a flexibility not offered by covariance-based SEM (CBSEM) when using software such as Amos and Lisrel.

a. Partial Least Square Assumption

PLS assumptions relate only to structural modeling, not to hypothesis testing:

- a) The relationship between hidden variables in the internal model is linear and additive.
- b) Structural models are constructed recursively. Additionally, to determine the sample size, you can estimate it in PLS by multiplying the number of structural paths in the internal model by ten.
- c) Small sample sizes are usually between 30 and 50, while large samples are more than 200.

Internal model fit is assessed by examining the percentage of explained variance, represented by  $R^2$  (R-squared of the exogenous variable) for the latent construct. This indicates how well the model and its parameter estimates account for the observed values. A high Q-squared value indicates that the model is good at making predictions; conversely, a low Q-squared value indicates that the model has poor predictive power.



Analysis of the data obtained from the survey approach showed substantial heterogeneity, and to simplify the depiction of the relationship between variables, the researcher used SEM-PLS, formulating a diagram to assess each variable examined.

The results of Partial Least Squares Analysis can be divided into two main parts: measuring the indicators (outer model) and testing the structural model (inner model). In the field of Structural Equation Modeling – Partial Least Squares (SEM-PLS), the outer model describes how latent variables (constructs) relate to their indicators (observed variables). This measurement model aims to assess how effectively the indicators embody the desired construct. Measuring indicators (outer model) involves examining several aspects such as convergent validity, construct reliability, average variance extracted (AVE), discriminant validity, cross-loadings, and whether the model is unidimensional.

- a. Convergent validity evaluates how well an indicator functions as a variable, based on its respective external loadings. An indicator is considered reliable if its external loading exceeds 0.70, although some studies in less developed regions may accept values between 0.5 and 0.6. If the standard convergent validity value exceeds 0.70, indicators with loadings below this threshold are removed from the model.
- b. Construct reliability assesses the level of trustworthiness of the latent variable construct. A reliability value greater than 0.70 is considered reliable. Construct reliability is similar to Cronbach's alpha.
- c. Evaluation of discriminant validity criteria involves the use of Average Variance Extracted (AVE). A threshold of 0.50 is the lowest acceptable value to indicate reliability.
- d. The purpose of discriminant validity is to examine how much a latent concept differs from other concepts. A high discriminant validity score indicates that a concept is distinct and can effectively explain what is being measured. To determine the validity of a concept, the square root of the average variance value is compared with the correlation value between the latent variables. The square root of the average variance value must exceed the correlation value of the latent variables.
- e. Cross-loading is another way to assess discriminant validity by looking at the cross-loading values. If the loading value for each item related to the concept is higher than the cross-loading value, the concept is considered valid.
- f. Unidimensionality confirms that there are no measurement issues. Unidimensionality tests were conducted using composite reliability indicators and Cronbach's alpha. For both indicators, the lowest acceptable value was 0.7. Convergent validity is ensured based on the idea that measures for a construct should demonstrate a strong level of correlation (Ghozali and Latan, 2015). The level of convergent validity for a construct using reflective indicators is assessed through the Average Variance Extracted (AVE) value. The AVE value must be at least 0.5. An AVE value reaching at least 0.5 indicates that the construct has the ability to account for at least 50% of the observed variability in its constituent items (Wong KK, 2013, Sarstedt

et al., 2017). Considering the results of the analysis, all constructs have successfully met the convergent validity standards, because their AVE values all exceed 0.50, thus indicating that the required convergent validity criteria have been met based on the values (AVE).

Discriminant validity aims to determine whether a reflective indicator effectively measures its specific construct. This is based on the idea that each indicator should show a strong relationship with its respective construct. However, different constructs should not show a strong relationship with each other (Ghozali and Latan, 2015). In SmartPLS version 3.2.7, the discriminant validity test uses cross-loading values and the Fornell-Larcker Criterion (Henseler et al., 2015).

The purpose of discriminant validity is to evaluate how significantly a latent construct differs from other constructs. A high discriminant validity value indicates that a construct is unique and can accurately explain what is being measured. A construct is considered valid when the square root of the Average Variance Extracted (AVE) is compared with the correlation values between the latent variables. The square root of the AVE must be greater than the correlation between the latent variables.

Discriminant validity was determined using the Fornell-Larcker Criterion, which has been a standard approach for over three decades. This approach involves comparing the square root of the Average Variance Extracted (AVE) for each construct with the correlations between the constructs in the model (Henseler et al., 2015). A model demonstrates satisfactory discriminant validity when the square root of the AVE of each construct exceeds its correlation with the other constructs included in the model (Fornell and Larcker, 1981, as cited in Wong, 2013).

Evaluation of the cross-loading value for each construct is carried out to ensure that the correlation between the construct and the measurement items exceeds the correlation between the other constructs. The cross-loading value is estimated to exceed 0.7 (Ghozali and Latan, 2015).

In this paper, researchers examined information obtained from the Bootstrapping Model, Blindfolding Model, and PLS Model. Next, the path coefficients between constructs were assessed to determine the significance and intensity of the relationship, as well as to validate the proposed hypotheses. The path coefficient values range from -1 to +1. The closer to +1, the stronger the interconnection between the two constructs. A relationship closer to -1 indicates an inverse relationship (Sarstedt et al., 2017).

The results of the test at the internal level are presented as follows: (The t-value obtained from the factor loadings and the t-value calculated from the direct effect of the path coefficient)

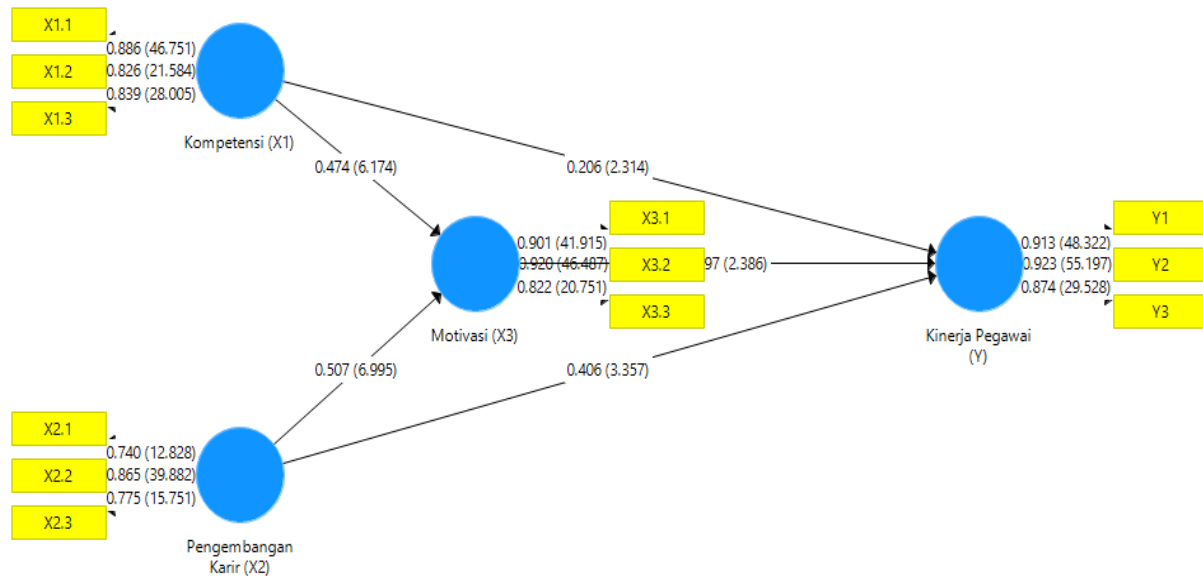


Figure T Value Bootstrapping Model Diagram

The findings from the analysis conducted at the internal level are shown below: (The P value of the path coefficient indicates the direct effect) mentioned previously.

### Discussion:

#### 1) The Influence of Competence on Employee Performance

The results of the study indicate that competency influences the performance of Bank Indonesia employees at the Regional Development Planning Agency (DKW) in East Java. An analysis of how various variables influence each other, which takes into account real-world data, supports Hypothesis (H1). This indicates that employee performance is significantly and positively influenced by competency. This suggests that companies need to focus on improving the competency of their workforce to increase productivity. This clearly demonstrates that the more skilled an individual is, the better their performance will be.

A 2023 study by Miladdy Airyq and colleagues reinforces this, examining how competency, leadership style, and culture within an organization influence human resource effectiveness. Their research demonstrated that competency significantly and positively impacts HR performance, with professional skills being the most influential factor. Simply put, higher competency levels lead to improved employee performance. The impact of employee competency on performance at the BI DKW East Java PUR Unit was evident in various competitive scenarios, both against other Work Units and in external events organized by BI in the East Java region. This was evident in the results of winning competitions, which increased competency and subsequently impacted employee performance in all aspects of their work.

#### 2) How Career Growth Impacts Employee Performance



This study shows that career development significantly improves employee performance. The relationship between various factors indicates that career growth has a positive effect on employee performance, leading to the acceptance of Hypothesis H2. To improve employee performance, companies should focus on improving their staff's career paths by offering opportunities to enhance their skills and knowledge. Bank Indonesia has adopted this strategy for all staff by organizing In-House Training (IHT), which is mandatory for every employee to attend at least once a year. In addition, regular annual off-site training has a positive impact on performance, further supporting the hypothesis found in this study. The success of sustainable career development depends on the effectiveness and results of employee work. Therefore, organizations must offer organized and continuous career development for their employees. Tyas Ayu Savitri (2023) examined how career growth and the work environment affect employee performance through job satisfaction as an intermediary factor. She found that effective career development combined with a supportive work environment increases job satisfaction and has a positive effect on employee performance. In her findings, Savitri (2023) noted that career development has a positive impact on employee job satisfaction and performance.

### 3) The Influence of Competence on Employee Performance Mediated by Motivation

Based on previous studies and factual data, it can be concluded that the hypothesis (H3) regarding the results of the Inter-Variable Influence Test is proven. Therefore, it is proven that Competence has a significant and beneficial impact on employee performance, which is facilitated by the mediating influence of Motivation in the Rupiah Currency Management Work Unit of the Bank of Development Regions of Bank Indonesia (BI DKW) East Java. This is in line with research conducted by Manu, IA et al. (2022), which shows that an individual's career growth has a substantial positive impact on employee performance, with the level of work motivation acting as an intermediary factor. The level of motivation in the workplace plays a crucial role between an individual's career advancement and improved employee performance. This study highlights the importance of a comprehensive HR strategy in achieving peak performance. Practical implementation in the Rupiah Currency Management Work Unit at the Bank of Development Regions of Bank Indonesia (BI DKW) East Java includes providing a forum for employees to improve their capabilities, with the support of leadership, thereby empowering them to maximize their contributions in accordance with the goals set for each individual.

### 4) The Influence of Career Development on Employee Performance Mediated by Motivation

Reflecting the implementation of leadership practices at BI that provide opportunities for employees to advance professionally through educational programs and awards for high-achieving employees, both inside and outside the office, this encourages greater motivation among employees to make greater contributions to the organization in the future. By considering the results of previous studies supported by real evidence, the findings of this study are hypothesis (H4), as reflected in the results of the Inter-Variable Influence Test, confirmed.

Umar (2015) stated in his study that work motivation plays a role in how career growth affects employee performance. Both career growth and work motivation have a significant positive influence on employee performance. The effectiveness of an employee's career growth significantly impacts their performance. This occurs because the stronger an employee's career growth, the better their performance tends to be.

#### 4. Conclusion

After reviewing the results of the investigation and the author's information description, the relevance of skills and professional growth to worker output, which is influenced by encouragement as one of the factors, especially in the BI Rupiah Money Management Work Unit (Uker) at the East Java Regional Cash Depot (DKW), can be summarized with the following points: Employee performance is heavily influenced by competence. Improved employee performance correlates with higher competence. Essentially, employees with superior skill levels will be better equipped to handle workplace challenges. There is a significant positive correlation between career development and employee performance. In other words, all businesses and organizations should seriously consider their employees' career paths by enabling them to enhance their talents and knowledge. Motivation plays a crucial and substantial role as a mediator between employee competence and performance. This aligns with the potential for employee career advancement through learning activities and rewards (incentives) for high performers. Motivation is a key mediating factor in how career growth affects employee performance. This highlights the crucial function of motivation.

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