

THE EFFECT OF WORK STRESS ON EMPLOYEE PERFORMANCE: THE MEDIATING ROLE OF MENTAL HEALTH

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ABSTRACT

The banking industry in Indonesia is currently facing increasingly high operational demands, ranging from the achievement of business targets and pressure to deliver excellent customer service to the need to adapt to rapid digital transformation, all of which require employees to consistently perform at an optimal level. Under these conditions, employee performance becomes a critical element in maintaining operational effectiveness and service quality within the banking sector. At the same time, high job demands have the potential to induce work stress among employees, which, if not properly managed, may adversely affect their psychological well-being and lead to an overall decline in performance. This study examines the effect of work stress on employee performance, with mental health serving as a mediating variable, among employees of Bank Tabungan Negara (BTN) and Bank Syariah Indonesia (BSI) at the Bandar Lampung Branch Office. The data used in this study were primary data obtained from respondents' answers collected through the distribution of questionnaires. The sample consisted of 230 respondents, selected using a non-probability sampling method with a convenience sampling technique. This study employed Structural Equation Modeling (SEM) analysis with the assistance of IBM AMOS, along with the Sobel test to examine the mediating effect. The findings support the hypothesis that work stress has a negative and significant effect on employee performance, and that mental health partially mediates the negative effect of work stress on the performance of BTN and BSI employees at the Bandar Lampung Branch Office. Based on the results of the descriptive analysis, this study recommends the need to review the distribution of workload and to arrange working hours and rest periods more proportionally, to provide psychological support programs and stress management training, and to offer appreciation or incentives as a form of recognition for employees' efforts and dedication in performing their work to the fullest extent.

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INTRODUCTIONS

Employee performance is a critical determinant of organizational effectiveness in the banking industry, where employees are required to maintain service quality, achieve business targets, comply with regulatory requirements, and respond to rapidly changing customer needs. These demands have become increasingly complex as banking institutions adopt digital technologies and restructure their operational processes. Consequently, employee performance can no longer be considered solely in terms of productivity or target achievement; it is also closely related to employees' capacity to manage the psychological demands associated with their work.

Work stress is one of the factors that may shape this capacity. In demanding work environments, employees may experience pressure arising from workload, time constraints, performance expectations, and continuous organizational change. When such demands exceed employees' available psychological and organizational resources, stress may impair concentration, motivation, emotional regulation, and work effectiveness. Previous empirical studies have reported negative associations between excessive work stress and employee performance, including reduced productivity and work effectiveness (Chen et al., 2022; Sun et al., 2022). However, the relationship is not necessarily uniform. Some studies suggest that manageable levels of work pressure may stimulate motivation and effort, indicating that the consequences of stress depend partly on its intensity and the conditions under which it occurs (Ismail et al., 2015; Soomro et al., 2019).

This inconsistency indicates that examining only the direct relationship between work stress and employee performance may provide an incomplete explanation. Psychological conditions may represent an important mechanism through which occupational demands are translated into work outcomes. Mental health is particularly relevant because it reflects employees' ability to manage stress, maintain emotional stability, sustain interpersonal functioning, and continue performing daily responsibilities. Empirical evidence indicates that occupational stress is associated with psychological problems such as anxiety, depression, emotional exhaustion, and reduced well-being, which can subsequently undermine work effectiveness (Qiu et al., 2021; Chen et al., 2022). Research also suggests that employees with better psychological well-being are more capable of maintaining resilience, engagement, and adaptive work behavior under demanding conditions.

The issue is particularly relevant to the Indonesian banking sector, where digital transformation has changed both customer-facing services and employees' work processes. The adoption of mobile banking, digital payment systems, and integrated financial platforms has increased the importance of technological competence and adaptability among banking employees. Research on Indonesian mobile banking users also demonstrates the increasing importance of digital channels in banking-service adoption and customer behavior (Sebayang et al., 2024). For employees, however, digital transformation does not simply represent technological improvement. It can also require adaptation to new systems, changing service procedures, evolving customer expectations, and additional competency requirements.

These conditions are particularly relevant to PT Bank Tabungan Negara (Persero) Tbk. (BTN) and PT Bank Syariah Indonesia Tbk. (BSI). BTN operates strongly within housing finance, creating work demands related to mortgage services, customer acquisition, financing targets, documentation, and service quality. BSI, meanwhile, operates within the Islamic banking sector and has expanded digital banking and technology-based financial services. Employees in both institutions therefore operate in environments where business targets, customer service, administrative accuracy, regulatory requirements, and technological adaptation may occur simultaneously. These characteristics provide a relevant organizational setting for examining how work stress is associated with employee performance and psychological well-being.

Previous research provides evidence for the relationships among the variables examined in this study, but several aspects remain insufficiently integrated. First, empirical findings regarding the relationship between work stress and employee performance are not entirely consistent, suggesting that additional psychological mechanisms

should be considered rather than treating the relationship as exclusively direct. Second, existing studies have examined different mediating mechanisms, including job satisfaction, burnout, and mental health, but evidence remains limited regarding how mental health functions as a mediator in the specific context of Indonesian banking employees operating amid digital and operational transformation. For example, Johan and Satrya (2023) examined job satisfaction as a mediator among banking employees, while Fauzi et al. (2023) examined the mediating role of mental health in the work stress–employee performance relationship.

Therefore, rather than claiming that mental health has been “rarely investigated” in banking, the present study addresses a more specific contextual gap: the need for further empirical evidence on the role of mental health as a mediating mechanism between work stress and employee performance among employees of Indonesian banking institutions facing simultaneous business, service, administrative, and digital-transformation demands. This contextual focus is important because the mechanisms identified in other sectors may not necessarily operate in the same way within banking organizations.

Accordingly, this study examines the relationship between work stress and employee performance and investigates whether mental health mediates this relationship among employees of BTN and BSI branch offices in Bandar Lampung. The study is designed to contribute in three ways.

First, the theoretical contribution lies in integrating work stress, mental health, and employee performance into a single explanatory model, thereby emphasizing the psychological mechanism underlying the relationship between occupational demands and performance.

Second, the empirical contribution lies in providing evidence from employees of two Indonesian banking institutions with different business orientations—housing finance and Islamic banking—within the same regional context. This extends existing evidence that has predominantly examined stress and performance through other sectors, organizational settings, or mediating mechanisms.

Third, the practical contribution lies in providing evidence that may assist banking managers in designing human-resource practices that address employee performance together with psychological well-being, particularly in relation to workload, performance targets, customer-service demands, administrative requirements, and technological change.

Based on this rationale, the study proposes the following hypotheses:

H1: Work stress is negatively and significantly associated with employee performance.

H2: Mental health mediates the relationship between work stress and employee performance.

RESEARCH METHODS

Research Design

This study employed a quantitative explanatory research design to examine the relationships among work stress, mental health, and employee performance. Specifically, the study investigated the direct effect of work stress on employee performance and the mediating role of mental health in the relationship between work stress and employee performance.

A cross-sectional survey design was adopted, in which data were collected from respondents at a single point in time using a structured questionnaire. The conceptual model consisted of three latent constructs: work stress as the exogenous construct (X), mental health as the mediating construct (M), and employee performance as the endogenous construct (Y).

Because the proposed model involved latent variables measured by multiple observed indicators and required simultaneous estimation of measurement and structural relationships, Covariance-Based Structural Equation Modeling (CB-SEM) was employed. CB-SEM was selected because the primary purpose of the analysis was to evaluate the hypothesized theoretical model and estimate the relationships among the latent constructs.

The analysis was conducted using IBM SPSS for preliminary and descriptive analysis and IBM AMOS for confirmatory factor analysis (CFA) and structural equation modeling.

Population and Sample

The population comprised employees working at the Bandar Lampung branches of PT Bank Tabungan Negara (Persero) Tbk. (BTN) and PT Bank Syariah Indonesia Tbk. (BSI). The total population consisted of 655 employees, comprising 172 employees from BTN and 483 employees from BSI. The population and sampling criteria were based on the original research design.

A non-probability convenience sampling technique was employed based on respondents' accessibility and willingness to participate. Respondents were eligible if they were currently employed at BTN or BSI, had a minimum work tenure of three years, and voluntarily completed the questionnaire. The minimum-tenure criterion was applied to ensure that respondents had sufficient organizational experience to assess the work-related conditions examined in this study.

A total of 230 valid questionnaires were obtained and retained for the final analysis.

Because the present study employed CB-SEM, sample adequacy was not determined using a fixed indicator-to-sample ratio. Instead, sample-size considerations were based on the characteristics of the structural equation model, including model complexity, the number of latent constructs and observed indicators, structural paths, expected effect sizes, statistical power, and significance level. Previous methodological studies have demonstrated that SEM sample-size requirements depend on these model characteristics rather than on a single universal ratio (Westland, 2010; Wolf et al., 2013).

RESULTS AND DISCUSSION

Respondent Characteristics

A total of 251 questionnaires were distributed to employees of PT Bank Tabungan Negara (Persero) Tbk. (BTN) and PT Bank Syariah Indonesia Tbk. (BSI) in Bandar Lampung. Following the data-screening process, 230 questionnaires met the inclusion criteria and were retained for subsequent analysis, while 21 questionnaires were excluded. The final sample consisted of 120 respondents from BTN (52.2%) and 110 from BSI (47.8%). Most respondents were female (62.6%), aged 30–50 years (66.5%), held a bachelor's degree (60.0%), and had 6–10 years of work experience (36.5%). Almost all respondents were operational staff (99.1%).

Table 6. Respondent Characteristics (N = 230)

Characteristic	Category	Frequency	Percentage (%)
Bank	BTN	120	52.2
	BSI	110	47.8
Gender	Male	86	37.4
	Female	144	62.6
Age	<30 years	61	26.5
	30–50 years	153	66.5
	>50 years	16	7.0
Education	Diploma (D3)	74	32.2
	Bachelor's Degree (S1)	138	60.0
	Master's Degree (S2)	18	7.8
Work Experience	3–5 years	63	27.4
	6–10 years	84	36.5
	11–20 years	67	29.1
	>20 years	16	7.0

Position	Staff	228	99.1
	Head of Operations	2	0.9

Source: Processed research data.

Measurement Model Assessment

The measurement model was assessed using Confirmatory Factor Analysis (CFA) with IBM AMOS. The final measurement model consisted of 23 indicators, comprising seven indicators for work stress, eight indicators for mental health, and eight indicators for employee performance.

The CFA results showed that all indicators had standardized factor loadings above the minimum acceptable criterion of 0.50. Therefore, all 23 indicators were retained, and no indicator was eliminated during the CFA process.

Table 7. Confirmatory Factor Analysis Results

Construct	Indicator	Standardized Factor Loading	Decision
Work Stress	X1	0.909	Retained
	X2	0.904	Retained
	X3	0.912	Retained
	X4	0.912	Retained
	X5	0.928	Retained
	X6	0.898	Retained
	X7	0.902	Retained
Mental Health	M1	0.904	Retained
	M2	0.909	Retained
	M3	0.909	Retained
	M4	0.917	Retained
	M5	0.919	Retained
	M6	0.902	Retained
	M7	0.898	Retained
	M8	0.911	Retained
Employee Performance	Y1	0.903	Retained
	Y2	0.904	Retained
	Y3	0.913	Retained
	Y4	0.904	Retained
	Y5	0.914	Retained
	Y6	0.913	Retained
	Y7	0.909	Retained
	Y8	0.917	Retained

Note: All 23 indicators achieved standardized factor loadings > 0.50 and were retained in the final measurement model.

The standardized factor loadings ranged from 0.898 to 0.928, indicating that all indicators adequately represented their respective latent constructs. The complete indicator-level results are presented in Table 7.

Construct Reliability and Convergent Validity

Construct reliability and convergent validity were evaluated using Composite Reliability (CR) and Average Variance Extracted (AVE), respectively.

Table 8. Construct Reliability and Convergent Validity

Construct	Number of Indicators	Loading Range	CR	AVE	Assessment
Work Stress	7	0.898–0.928	0.971	0.827	Reliable and valid

Mental Health	8	0.898–0.919	0.974	0.826	Reliable and valid
Employee Performance	8	0.903–0.917	0.975	0.827	Reliable and valid

Note: CR ≥ 0.70 and AVE ≥ 0.50 indicate satisfactory construct reliability and convergent validity.

All three constructs satisfied the predefined criteria for construct reliability and convergent validity. CR values ranged from 0.971 to 0.975, while AVE values ranged from 0.826 to 0.827. These results support the adequacy of the measurement model for subsequent structural analysis.

Descriptive Statistics and Correlations

Descriptive statistics and Pearson correlations were examined before structural model estimation.

Table 9. Descriptive Statistics and Correlation Matrix

Variable	Mean	SD	Work Stress	Mental Health	Employee Performance
Work Stress	21.126	7.292	1		
Mental Health	24.074	8.195	-0.210**	1	
Employee Performance	28.883	7.894	-0.202**	0.276**	1

Note: $p < 0.01$.

Work stress was negatively correlated with mental health ($r = -0.210$, $p = 0.001$) and employee performance ($r = -0.202$, $p = 0.002$). Mental health was positively correlated with employee performance ($r = 0.276$, $p < 0.001$). The direction of these correlations was consistent with the hypothesized relationships.

Goodness-of-Fit of the Structural Model

The structural model was estimated using Covariance-Based Structural Equation Modeling (CB-SEM) with IBM AMOS. Model adequacy was evaluated using multiple goodness-of-fit indices.

Table 10. Goodness-of-Fit Results

Fit Index	Criterion	Obtained Value	Assessment
Chi-square (χ^2)	—	227.793	—
df	—	227	—
Probability (p)	≥ 0.05	0.473	Acceptable
CMIN/DF	≤ 3.00	1.003	Acceptable
GFI	≥ 0.90	0.922	Acceptable
AGFI	≥ 0.90	0.905	Acceptable
RMSEA	≤ 0.08	0.004	Acceptable
NFI	≥ 0.90	0.968	Acceptable
TLI	≥ 0.90	1.000	Acceptable
CFI	≥ 0.90	1.000	Acceptable

Source: IBM AMOS output.

The goodness-of-fit indices met the predefined criteria for acceptable model fit. The model produced $\chi^2 = 227.793$ with 227 degrees of freedom and $p = 0.473$. The CMIN/DF value was 1.003, while GFI and AGFI were 0.922 and 0.905, respectively. The RMSEA was 0.004, with NFI = 0.968, TLI = 1.000, and CFI = 1.000.

These results indicate that the proposed structural model adequately reproduced the observed covariance structure according to the specified fit criteria. The very low RMSEA and high CFI and TLI values are reported descriptively and are not interpreted as evidence of a “perfect” model.

Structural Model and Hypothesis Testing

The hypothesized relationships among work stress, mental health, and employee performance were examined using the structural model.

Table 11. Structural Relationships

Hypothesis	Relationship	Estimate	S.E.	C.R.	p-value	Decision
H1	Work Stress → Mental Health	-0.218	0.068	-3.224	0.001	Supported
H2	Work Stress → Employee Performance	-0.147	0.065	-2.285	0.022	Supported
H3	Mental Health → Employee Performance	0.239	0.064	3.724	<0.001	Supported

Note: Estimates are reported as regression estimates from the AMOS output.

The results indicate that work stress has a statistically significant negative effect on mental health (Estimate = -0.218, $p = 0.001$). Thus, higher work stress is associated with lower mental health.

Work stress also has a statistically significant negative effect on employee performance (Estimate = -0.147, $p = 0.022$), indicating that higher work stress is associated with lower employee performance.

Conversely, mental health has a statistically significant positive effect on employee performance (Estimate = 0.239, $p < 0.001$). Thus, employees with better mental health tend to demonstrate higher employee performance.

Mediation Analysis

The mediating role of mental health was examined by estimating the indirect effect of work stress on employee performance through mental health.

Because bootstrapping was performed in the original AMOS analysis, the bootstrap result is used as the primary evidence for the indirect effect, while the Sobel test is reported as a supplementary test.

Table 12. Indirect Effect and Mediation Results

Mediation Path	Indirect Effect	Bootstrap p-value	Sobel Z	Sobel p-value	Interpretation
Work Stress → Mental Health → Employee Performance	-0.052	0.010	-2.432	0.015	Significant partial mediation

The bootstrap analysis showed that the indirect effect of work stress on employee performance through mental health was -0.052 and statistically significant ($p = 0.010$). The Sobel test produced a Z value of -2.432 ($p = 0.015$), providing additional support for the significance of the indirect effect.

The direct effect of work stress on employee performance remained statistically significant ($p = 0.022$), while the indirect effect through mental health was also significant. Therefore, mental health functions as a **partial mediator** in the relationship between work stress and employee performance.

Summary of Hypothesis Testing

Table 13. Summary of Hypothesis Testing

Hypothesis	Relationship	Result	Conclusion
H1	Work Stress → Mental Health	Significant negative effect	Supported
H2	Work Stress → Employee Performance	Significant negative effect	Supported
H3	Mental Health → Employee Performance	Significant positive effect	Supported
H4	Work Stress → Mental Health → Employee Performance	Significant indirect effect	Supported; partial mediation

Overall, the findings provide empirical support for the proposed structural relationships. Work stress was significantly and negatively associated with both mental health and employee performance, whereas mental health was significantly and positively associated with employee performance. The mediation analysis further demonstrated that mental health significantly transmits part of the effect of work stress on employee performance.

The measurement model was supported by satisfactory indicator loadings, composite reliability, and convergent validity. The structural model also met the predefined goodness-of-fit criteria. The significant indirect effect further indicates that the relationship between work stress and employee performance is not exclusively direct but also operates through employees' mental health.

Discussion

The Effect of Work Stress on Employee Performance

The findings demonstrate that work stress is negatively associated with employee performance among employees of BTN and BSI in Bandar Lampung. Rather than indicating that stress automatically reduces performance, this relationship suggests that performance may deteriorate when employees are exposed to work demands that continuously consume their physical and psychological resources. This interpretation is particularly relevant in banking, where employees are required to achieve business targets while simultaneously maintaining service quality, administrative accuracy, regulatory compliance, and responsiveness to customers.

The descriptive findings provide an important context for interpreting this relationship. Employees reported a moderate level of work stress, with concern about work outcomes and excessive workload emerging as the most prominent stress-related conditions. At the same time, employees generally reported relatively high performance, particularly in completing their work promptly. This combination suggests that employees are still capable of maintaining performance despite experiencing work pressure, but that their performance may be sustained at a psychological cost when demands remain high. Thus, the negative relationship identified in the structural model should be understood as a potential consequence of prolonged or unmanaged demands rather than as evidence that employees are unable to perform under pressure.

This interpretation is consistent with the Job Demands–Resources (JD–R) perspective, which proposes that demanding work conditions consume employees' physical and psychological resources. When job demands are not sufficiently balanced by organizational resources, employees may experience fatigue, reduced concentration, emotional exhaustion, and declining work effectiveness. Previous empirical research similarly indicates that excessive occupational stress can impair psychological functioning and subsequently reduce productivity and work performance (Chen et al., 2022; Sun et al., 2022). The present study extends this understanding to employees working in two Indonesian banking institutions undergoing substantial operational and technological change.

The specific business characteristics of BTN provide one explanation for why work stress may translate into lower performance. BTN has a strong orientation toward housing finance, meaning that employees involved in mortgage-related activities may face pressure associated with financing targets, customer acquisition, loan processing, documentation, and service responsiveness. These activities require employees to balance quantitative targets with accuracy and compliance. Consequently, an employee may simultaneously be expected to acquire customers, achieve financing targets, complete administrative requirements, and maintain service quality. When these demands accumulate, the pressure to achieve one performance objective may interfere with the cognitive resources required to perform other tasks effectively.

The situation at BSI reflects a somewhat different but equally demanding operational environment. Employees operate within Islamic banking, where business activities include Sharia-based financing and other specialized financial products. In addition to conventional service and performance expectations, employees must understand and communicate products in accordance with Islamic banking principles. The expansion of digital banking further adds a technological dimension to their work. Previous research on Indonesian mobile banking has shown the increasing importance of digital channels and customer preferences in shaping banking services (Sebayang et al., 2024). For employees, this transformation requires continuous adaptation to new systems and customer expectations rather than simply replacing traditional banking procedures with digital alternatives.

Therefore, the negative relationship between work stress and performance in this study can be interpreted as the result of competing and simultaneous work demands. Employees are not dealing with a single source of pressure. Rather, target achievement, customer service, administrative work, regulatory requirements, product knowledge, and technological adaptation can occur simultaneously. Under these circumstances, stress may reduce the psychological capacity needed for sustained concentration, problem solving, and effective service delivery.

This interpretation is also consistent with evidence from the Indonesian banking sector. Research on banking employees has shown that workload, burnout, and job stress are important factors in optimizing employee performance (Sari & Rizaldi, 2022). The present findings therefore reinforce the argument that improving employee performance should not rely exclusively on increasing performance targets. Organizations also need to examine whether the workload and resources provided to employees are sufficiently balanced to enable sustainable performance.

The Effect of Work Stress on Mental Health

The negative relationship between work stress and mental health indicates that occupational demands in the study setting are associated not only with employees' work outcomes but also with their psychological condition. This finding is important because the banking environment requires employees to maintain emotional control and concentration while interacting with customers, processing financial information, and responding to organizational demands.

The descriptive findings provide additional insight into this relationship. Although employees generally demonstrated a moderate level of mental health, coping with workplace pressure emerged as a relatively weaker aspect compared with emotional regulation during work. This pattern suggests that employees may still be able to regulate their emotions during routine work interactions while experiencing greater difficulty in managing the underlying pressure generated by their workload and responsibilities.

The distinction between emotional regulation and coping capacity is important in interpreting the findings. Employees may remain professional when dealing with customers even when they experience considerable internal pressure. In other words, maintaining appropriate workplace behavior does not necessarily mean that employees are psychologically unaffected by work demands. Banking employees are expected to remain courteous, responsive, and accurate regardless of the pressure they experience. Consequently, psychological strain may remain relatively invisible in day-to-day service interactions while accumulating over time.

This mechanism is consistent with the Conservation of Resources (COR) perspective, which argues that individuals seek to preserve valuable psychological and personal resources. When work demands continuously consume these resources without sufficient opportunities for recovery or replenishment, employees become increasingly vulnerable to psychological strain. Qiu et al. (2021), for example, found that work stress is associated with mental-health problems, while job dissatisfaction can further contribute to this relationship.

The context of BTN and BSI provides several plausible sources of this resource depletion. At BTN, mortgage-related activities can involve customer expectations, financing targets, documentation, and coordination across different stages of the lending process. At BSI, employees must operate within the specific requirements of Islamic financial services while also responding to developments in digital banking and changing customer behavior. These demands require not only technical competence but also sustained emotional and cognitive effort.

Digital transformation is particularly relevant to this issue. Digitalization can improve operational efficiency, but it also changes the nature of employees' work. Employees need to learn new systems, adapt to new workflows, address customers' digital-service problems, and remain responsive across increasingly diverse service channels. Thus, technological development should not be interpreted solely as a source of efficiency; it can also introduce new learning and adaptation demands. When employees are required to adapt continuously without adequate support, technological change may become another component of job demand.

Accordingly, the findings suggest that maintaining mental health among banking employees requires more than individual stress-management skills. Organizational conditions—including workload distribution, target-setting practices, supervisory support, training, staffing adequacy, and technological assistance—can influence whether employees have sufficient resources to cope with demanding work environments.

The Effect of Mental Health on Employee Performance

The positive relationship between mental health and employee performance indicates that psychological well-being is an important resource for sustaining effective work behavior. This finding is particularly relevant to banking employees because their work requires continuous attention, interpersonal interaction, emotional regulation, and accurate decision-making.

Banking performance is not limited to the number of customers served or financial targets achieved. Employees must also process information accurately, communicate effectively, respond to customer concerns, and complete administrative procedures within established requirements. These activities require employees to maintain concentration and regulate their emotional responses even when facing difficult customers or demanding workloads.

The finding can therefore be interpreted through the resource perspective: employees with better psychological conditions are more capable of allocating cognitive and emotional resources to their work. Conversely, when mental resources are depleted, employees may have greater difficulty maintaining concentration, solving problems, responding constructively to customers, and sustaining work motivation.

This interpretation is supported by previous research. Chen et al. (2022) demonstrated the interconnected relationship between work stress, mental health, and employee performance, while Sun et al. (2022) showed that work-related psychological problems can undermine employee productivity and effectiveness. More recent research also emphasizes the role of employee well-being in supporting resilience, adaptability, and sustainable performance in demanding organizational environments.

The context of BTN and BSI makes this relationship particularly meaningful. At BTN, employees involved in mortgage and customer-acquisition activities need to maintain persistence and accuracy throughout processes that may involve substantial documentation and customer expectations. At BSI, employees face the additional requirement of communicating Sharia-based products while adapting to increasingly digitalized banking services. In both settings, psychological well-being can help employees remain engaged and responsive when dealing with complex work situations.

Thus, mental health should not be treated merely as an individual welfare issue that is separate from organizational performance. In the context of banking, psychological well-being can be viewed as a work resource that supports the cognitive, emotional, and interpersonal capabilities required for effective service and task completion.

The Mediating Role of Mental Health

The mediation findings provide a more comprehensive explanation of how work stress is associated with employee performance. The relationship does not operate exclusively through direct work demands; part of its effect occurs through employees' mental health. This means that the consequences of work stress may become more substantial when occupational pressure begins to affect employees' psychological capacity to perform.

This mechanism can be understood as a resource-depletion process. Employees initially encounter work demands such as performance targets, customer expectations, administrative requirements, technological changes, and regulatory responsibilities. When these demands accumulate, employees may experience difficulty coping with workplace pressure. Reduced psychological well-being can then affect their ability to concentrate, regulate emotions, maintain motivation, and solve problems effectively. The resulting decline in psychological resources can ultimately interfere with employee performance.

The partial nature of the mediation is particularly informative. Mental health explains an important part of the relationship between work stress and employee performance, but it does not explain the entire relationship. This suggests that work stress may also influence performance through other pathways, such as fatigue, burnout, work engagement, job satisfaction, organizational commitment, or reduced concentration. Thus, reducing work stress may improve performance through multiple mechanisms, while strengthening mental health represents one particularly important pathway.

The banking context helps explain why both direct and indirect pathways may coexist. Some consequences of stress can affect performance immediately—for example, excessive workload may reduce the time available to complete tasks or increase the possibility of errors. Other consequences operate more gradually by affecting employees' psychological condition. An employee who repeatedly experiences pressure may initially continue to meet performance expectations, but sustained stress may eventually affect motivation, emotional stability, and concentration.

This mechanism is especially relevant in an environment characterized by digital transformation. Employees at BTN and BSI are expected to adapt to changing systems while continuing to meet existing performance requirements. Digitalization may reduce certain routine tasks, but it also creates new learning and adaptation requirements. Therefore, organizations need to distinguish between technological efficiency and employee capacity to absorb organizational change. A transformation that improves operational efficiency at the organizational level may still generate additional psychological demands if employees do not receive adequate training, support, or adjustment time.

The mediation finding consequently has an important managerial implication: improving employee performance cannot be achieved solely by reducing the number of tasks. Organizations must also strengthen employees' capacity to cope with the demands that remain. Stress-management programs, supportive supervision, appropriate workload allocation, opportunities for recovery, psychological support, and training during technological changes may help prevent work demands from developing into psychological strain.

Contextual Interpretation for BTN and BSI

An important contribution of this study is the examination of employees from BTN and BSI within the same regional context but under different banking orientations. The findings suggest that the relationship between work stress, mental health, and employee performance should be understood within the specific operational demands of each institution.

For BTN, the pressure associated with housing finance is particularly relevant. Mortgage-related work can involve customer acquisition, financing targets, document verification, coordination, and service delivery. Employees therefore need to balance business objectives with procedural accuracy. The pressure is not necessarily generated by one task but by the requirement to perform several interconnected activities within a limited working period.

For BSI, the context involves the expansion of Islamic banking products and increasingly digitalized services. Employees need to understand specific Sharia-based products while also responding to changing customer preferences and digital-service expectations. The transition toward digital banking can improve efficiency and customer accessibility, but it also requires employees to develop new competencies and adapt to changing workflows.

These differences should not be interpreted as evidence that one institution necessarily creates more stress than the other because the present study did not test BTN and BSI as separate groups. Rather, they provide a contextual explanation for why banking employees in both institutions may experience simultaneous performance, service, administrative, and adaptation demands.

The shared regional context is also relevant. Most respondents were operational employees, meaning that the findings predominantly represent employees directly involved in day-to-day banking activities. This strengthens the

relevance of the interpretation concerning customer service, administrative processes, target achievement, and operational adaptation.

Theoretical Implications

The findings provide support for integrating the Job Demands–Resources and Conservation of Resources perspectives when examining employee performance in contemporary banking environments.

The JD–R perspective helps explain why multiple job demands can undermine performance when organizational resources are insufficient. In this study, performance targets, workload, customer service requirements, administrative responsibilities, and technological adaptation can be understood as potential job demands. Meanwhile, supportive leadership, adequate staffing, training, autonomy, psychological support, and opportunities for recovery can function as resources that help employees manage those demands.

The COR perspective further explains why mental health becomes an important mechanism in this relationship. Work stress may gradually deplete psychological resources, and declining mental health may subsequently reduce the resources available for effective performance. The partial mediation observed in this study suggests that psychological resource depletion is an important mechanism but not the only mechanism through which work stress affects performance.

This combined interpretation provides a more nuanced explanation than simply concluding that “higher work stress reduces employee performance.” The findings suggest that the consequences of work stress depend partly on how much psychological capacity employees have available to absorb and manage demanding work conditions.

Practical Implications

The findings suggest several implications for human-resource management in BTN and BSI.

First, performance targets should be accompanied by realistic workload allocation. Targets related to mortgage financing, customer acquisition, financing products, and service performance need to be evaluated together with the administrative workload required to achieve them.

Second, organizations should strengthen supervisory and psychological support. Employees may be able to maintain professional behavior despite experiencing internal psychological pressure; therefore, the absence of visible performance problems should not automatically be interpreted as evidence that employees are not experiencing work stress.

Third, technological transformation should be accompanied by adequate training and adjustment support. Employees should not only be expected to use new digital systems but should also receive sufficient resources to develop the competencies required to work effectively within changing systems.

Fourth, employee performance evaluation should consider sustainability rather than short-term output alone. Maintaining high performance through persistent psychological strain may not be sustainable. Supporting mental health can therefore be considered part of a broader strategy for maintaining service quality and long-term employee effectiveness.

Overall, the findings suggest that employee performance among BTN and BSI employees is shaped by an interaction between work demands and psychological resources. Banking employees are required to manage business targets, customer expectations, administrative requirements, regulatory standards, product-specific responsibilities, and technological change. These demands can become particularly consequential when employees have limited psychological resources with which to cope.

The contribution of mental health in this study lies in demonstrating that the relationship between work stress and employee performance is not simply an organizational input-output relationship. Work stress can influence performance partly because it affects employees' psychological condition. Consequently, organizational efforts to improve performance should address both sides of the equation: reducing unnecessary job demands and strengthening the resources employees need to manage unavoidable demands.

This interpretation provides a more context-sensitive explanation of the findings and highlights why employee well-being should be integrated into human-resource strategies in Indonesian banking institutions undergoing continuous digital and operational transformation.

CONCLUSION

This study examined the relationships among work stress, mental health, and employee performance among employees of PT Bank Tabungan Negara (Persero) Tbk. (BTN) and PT Bank Syariah Indonesia Tbk. (BSI) in Bandar Lampung. The findings indicate that work stress is negatively and significantly associated with both mental health and employee performance, whereas mental health is positively and significantly associated with employee performance. The mediation analysis further indicates that mental health partially mediates the relationship between work stress and employee performance. These findings suggest that employees' psychological well-being represents an important mechanism through which work-related demands are associated with performance in the banking context.

The main contribution of this study is to provide an integrated explanation of the relationship between work stress and employee performance by positioning mental health as a mediating mechanism. In the context of BTN and BSI, the findings highlight the importance of managing employee performance together with psychological well-being, particularly amid demanding targets, customer-service requirements, administrative responsibilities, and ongoing digital transformation. Accordingly, banking organizations may benefit from balanced workload allocation, supportive supervision, employee development, and organizational initiatives that strengthen employees' capacity to cope with work demands.

This study has several limitations. First, the sample was limited to employees of BTN and BSI branches in Bandar Lampung; therefore, the findings may not be generalizable to other banking institutions, regions, or industries. Second, the use of **convenience sampling**, a non-probability sampling technique, limits the representativeness of the sample and may introduce selection bias, thereby restricting the generalizability of the findings. Third, the cross-sectional design captures the relationships among variables at a single point in time and therefore does not allow strong causal conclusions to be drawn. Fourth, mental health was examined as the sole mediating variable, whereas other psychological and organizational factors may also help explain the relationship between work stress and employee performance.

Future research should consider probability-based sampling and broader samples across different banking institutions and geographical regions to improve representativeness. Longitudinal or mixed-method designs could also provide stronger evidence regarding the temporal relationships among work stress, mental health, and employee performance. Further studies may examine additional mediating or moderating variables, such as burnout, work engagement, organizational commitment, job satisfaction, psychological resilience, perceived organizational support, and leadership style, to develop a more comprehensive understanding of the mechanisms underlying employee performance in the banking sector.

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