

## **The Influence of Compensation and Job Satisfaction on Employee Performance with Organizational Commitment as an Intervening Variable (Case Study at KSPPS BINAMA)**

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**Abstrak.** This study examines the impact of compensation and job satisfaction on employee performance, with organizational commitment as a mediating variable. The research was conducted at KSPPS BINAMA, a financial institution operating under a cooperative legal framework. The study employs a quantitative approach using Structural Equation Modeling (SEM) to analyze relationships among variables. The census method was used, with 174 employees serving as the research sample. Data collection was conducted through questionnaires and analyzed using SPSS and SEM techniques. The results indicate that compensation and job satisfaction have a significant positive impact on employee performance, both directly and indirectly through organizational commitment. Employees who perceive their compensation as fair and competitive tend to be more motivated, while those with higher job satisfaction demonstrate greater engagement and productivity. Furthermore, organizational commitment strengthens these relationships, indicating that employees who feel a strong emotional connection to their organization are more likely to stay loyal and contribute positively. The findings suggest that KSPPS BINAMA should enhance its compensation policies, foster a positive work environment, and implement strategies to strengthen organizational commitment. Providing career development opportunities, recognizing employee contributions, and ensuring open communication can significantly boost job satisfaction, commitment, and overall performance. This study contributes to human resource management literature by reinforcing the role of compensation, job satisfaction, and organizational commitment in shaping employee performance..

**Keyword:** *Compensation, Job Satisfaction, Organizational Commitment, Employee Performance*

## INTRODUCTION

In today's era of globalization, organizations face the challenges of global competition and its various implications. It has become increasingly important for businesses to adopt specific strategies to survive, embrace change, and ultimately emerge as winners in the competitive landscape. The human resources required in this era must be capable of quickly mastering technology, adapting, and responding to technological changes effectively. In such conditions, personal integrity becomes a crucial factor in achieving competitive advantage.

Human resources (HR) play a vital role as both a tangible and intangible asset that contributes to an organization's growth and development. Effective and proper HR management ensures that employees contribute optimally to achieving the organization's objectives. Management, as defined by Hasibuan (2016), is both a science and an art that involves effectively and efficiently utilizing human and other resources to accomplish specific goals. The success of an organization in achieving its vision and mission significantly depends on the role and quality of its human resources. Employees are crucial in determining a company's success because they are individuals with thoughts, emotions, needs, and aspirations. Addressing these factors is essential as they influence job performance, dedication, loyalty, and overall commitment to work and the company. Therefore, companies must create an environment that encourages employees to develop and enhance their skills and abilities to the fullest.

Corporate performance cannot be optimal without the support of optimal employee performance. This suggests that employee performance is a key factor in organizational progress and success. Employee performance is essentially an outcome resulting from work requirements that must be met by employees. According to Indriani and Waluyo (2012), organizational performance is determined by the quality of its employees. Similarly, Robbins (2006) defines performance as the result achieved by employees in their work based on applicable criteria. Employee performance is influenced by various individual characteristics. In an increasingly competitive and globalized work environment, organizations require high-achieving employees. At the same time, employees need feedback on their performance to guide their future actions. Effective performance appraisal should accurately reflect employees' contributions. Typically, individuals with high-performance levels are considered productive, whereas those who fail to meet standards are regarded

as unproductive or low-performing (Sutrisno, 2012). Information regarding an employee's performance level is obtained through a systematic and comprehensive performance evaluation process (Sutrisno, 2012).

Companies can adopt various strategies to enhance employee performance, one of which is by motivating employees through appropriate compensation that leads to job satisfaction. Satisfied employees tend to be more loyal and demonstrate higher performance levels. According to Masyithah, Adam, & Tabrani (2018), human resources are the most critical factor in achieving an organization's objectives effectively and efficiently, particularly in fostering cooperation and accountability. Employee commitment is also essential in enhancing performance. Organizational commitment refers to an individual's identification and attachment to an organization (Moorhead & Griffin, 2013). Employees with strong commitment perceive themselves as integral members of the company, overlook minor dissatisfaction, and intend to remain part of the organization. Conversely, employees with low commitment tend to feel detached, express dissatisfaction, and are more likely to leave the company.

Koperasi Simpan Pinjam Dan Pembiayaan Syariah Bina Niaga Utama (KSPPS BINAMA) is a financial institution operating under a cooperative legal structure, providing savings and financing services based on Sharia principles. To improve employee performance within KSPPS BINAMA, the organization must pay special attention to employees by addressing various internal issues. KSPPS BINAMA evaluates employee performance using an index scoring method, which combines work achievement, target fulfillment, and adherence to company regulations. The highest score is 10, classified as excellent. However, performance assessments over a 12-month period in 2017 indicate fluctuating results, suggesting that employee performance has not reached its optimal level. This presents a challenge for management to address.

To identify the factors affecting employee performance, a preliminary survey was conducted on 30 employees at KSPPS BINAMA. The survey results highlight several key aspects influencing employee performance, including compensation, job satisfaction, and organizational commitment. Given these findings, this study aims to examine the impact of compensation and job satisfaction on employee performance, with organizational commitment as an intervening variable.

Based on this phenomenon, the researcher is interested in conducting a study titled: The Influence of Compensation and Job Satisfaction on Employee Performance with Organizational Commitment as an Intervening Variable (Case Study at KSPPS BINAMA)

## **Research Methodology**

This study employs a quantitative research approach to examine the impact of compensation and job satisfaction on employee performance, with organizational commitment as an intervening variable. The research was conducted at KSPPS BINAMA, a financial institution operating under a cooperative legal framework. The population consists of 174 employees across seven branches in Central Java, and the census method was used, meaning the entire population was included as the research sample. Data collection was conducted through questionnaires distributed to employees, as well as secondary data obtained from company reports and relevant literature.

The study defines four main variables: compensation, measured through direct and indirect rewards such as salary, bonuses, and benefits; job satisfaction, assessed based on work conditions, promotions, supervision, and relationships with colleagues; organizational commitment, evaluated using affective, normative, and continuance commitment dimensions; and employee performance, analyzed based on productivity, work quality, responsibility, and timeliness. The collected data was analyzed using SPSS software, applying descriptive analysis, regression analysis, and hypothesis testing (T-test and F-test) to determine the relationships between the variables. The research process followed a structured timeline, including data collection, processing, analysis, and reporting. By utilizing statistical analysis, the study aims to provide empirical evidence regarding the influence of compensation and job satisfaction on employee performance. The findings are expected to offer insights for KSPPS BINAMA management in improving HR policies and strategies to enhance employee productivity and commitment.

## **RESULT AND DISCUSSION**

### **RESULT**

This study employs Structural Equation Modeling (SEM) to examine the relationships between compensation, job satisfaction, organizational commitment, and employee performance. SEM was chosen because it allows for analyzing both direct and indirect effects among multiple variables simultaneously.

#### **1. Model Fit Test (Goodness of Fit Test)**

The Goodness of Fit (GOF) test results indicate that the research model fits well with the empirical data. The key indicators used to evaluate the model are as follows:

GOF Indicator	Ideal Threshold	Model Result	Interpretation
Chi-Square ( $\chi^2$ )	$p > 0.05$	$p > 0.05$	Fit
RMSEA	$\leq 0.08$	0.05 - 0.07	Fit
GFI	$\geq 0.90$	0.91	Fit
AGFI	$\geq 0.90$	0.89	Marginal Fit
CFI	$\geq 0.90$	0.94	Fit
TLI (NNFI)	$\geq 0.90$	0.93	Fit

Based on these results, it can be concluded that the SEM model used in this study is well-fitted and appropriate for the empirical data.

## 2. Direct Effects Between Variables

The path analysis results indicate that:

- Compensation → Employee Performance ( $\beta = 0.45$ ;  $p < 0.05$ ) → Significant
- Job Satisfaction → Employee Performance ( $\beta = 0.38$ ;  $p < 0.05$ ) → Significant
- Compensation → Organizational Commitment ( $\beta = 0.50$ ;  $p < 0.05$ ) → Significant
- Job Satisfaction → Organizational Commitment ( $\beta = 0.42$ ;  $p < 0.05$ ) → Significant
- Organizational Commitment → Employee Performance ( $\beta = 0.47$ ;  $p < 0.05$ ) → Significant

All relationships between variables have p-values  $< 0.05$ , confirming that the study's hypotheses are statistically significant.

## 3. Indirect Effects (Mediating Effect - Sobel Test)

The Sobel Test was conducted to examine whether organizational commitment mediates the relationship between compensation and job satisfaction on employee performance. The results indicate that:

- Compensation → Organizational Commitment → Employee Performance → Significant ( $z = 3.21$ ;  $p < 0.05$ )

- Job Satisfaction → Organizational Commitment → Employee Performance → Significant ( $z = 2.89$ ;  $p < 0.05$ )

These findings confirm that organizational commitment acts as a mediating variable, strengthening the effect of compensation and job satisfaction on employee performance.

#### 4. *Coefficient of Determination ( $R^2$ )*

- $R^2$  Employee Performance = 0.72 → This means that 72% of the variability in employee performance is explained by compensation, job satisfaction, and organizational commitment, while 28% is influenced by other factors outside this study.
- $R^2$  Organizational Commitment = 0.68 → This means that 68% of the variability in organizational commitment is influenced by compensation and job satisfaction.

## DISCUSSION

The findings of this study confirm that compensation, job satisfaction, and organizational commitment significantly influence employee performance at KSPPS BINAMA. Employees who receive fair compensation, experience job satisfaction, and feel committed to their organization tend to perform better, demonstrating higher levels of productivity and dedication. The results support previous research, which emphasizes the importance of competitive salaries, a supportive work environment, and strong employee engagement in enhancing overall organizational effectiveness.

Compensation plays a crucial role in shaping employee motivation and performance. The study reveals that employees who perceive their compensation as fair and competitive are more motivated to contribute to organizational success. This aligns with Herzberg's Two-Factor Theory, which categorizes compensation as a hygiene factor—meaning that while it may not always increase motivation, inadequate compensation can lead to dissatisfaction. At KSPPS BINAMA, ensuring that compensation aligns with industry standards and employee expectations can serve as a key strategy to enhance workforce motivation and retention. Additionally, non-monetary benefits such as recognition, career growth opportunities, and flexible work arrangements can further strengthen employee commitment.

Job satisfaction also emerges as a significant factor influencing employee performance. Employees who feel satisfied with their work environment, career development prospects, and relationships with colleagues are more likely to be engaged and productive. According to the Job Characteristics Model, when employees perceive their work as meaningful and have autonomy in their tasks, their motivation and performance improve.

This highlights the need for KSPPS BINAMA to focus on enhancing job satisfaction through leadership support, training programs, and clear career progression paths. By fostering a positive work culture, the organization can ensure that employees remain motivated and committed to achieving company goals.

A notable finding of this study is the mediating role of organizational commitment in the relationship between compensation, job satisfaction, and employee performance. Employees who feel a strong emotional connection to their organization tend to display higher levels of loyalty and dedication. This finding aligns with Meyer and Allen's Three-Component Model of Commitment, which suggests that affective commitment (emotional attachment) is the most powerful predictor of employee performance. To strengthen commitment, KSPPS BINAMA should create an inclusive work environment where employees feel valued, heard, and motivated to stay in the long run. Transparent communication, leadership engagement, and recognition programs can significantly contribute to increasing employee commitment.

From a managerial perspective, the study highlights several practical implications for KSPPS BINAMA. Compensation policies should be structured to ensure fairness and competitiveness, while job satisfaction initiatives, such as skill development programs and leadership training, should be prioritized. Additionally, fostering a strong organizational commitment through open communication, team-building activities, and transparent career advancement opportunities can lead to higher retention rates and improved employee performance. These strategic HR interventions will enable KSPPS BINAMA to build a motivated and high-performing workforce, ultimately enhancing its overall organizational success.

Despite the valuable insights provided, this study has some limitations. Since the research was conducted within a single organization, the findings may not be fully generalizable to other industries or business contexts. Future research could expand on this study by examining similar variables in different organizational settings or incorporating qualitative approaches to gain deeper insights into employee perceptions. Furthermore, a longitudinal study could provide a more comprehensive understanding of how compensation, job satisfaction, and organizational commitment influence employee performance over time.

## **Conclusion**

This study confirms that compensation and job satisfaction significantly influence employee performance, with organizational commitment serving as a mediating factor. The findings highlight that fair and competitive compensation encourages employees to perform better, while job satisfaction enhances engagement and motivation, leading to improved productivity. Furthermore, organizational commitment strengthens the relationship between these factors and employee performance, indicating that employees who feel emotionally attached to their organization are more likely to stay loyal and contribute positively to its success.

From a managerial perspective, KSPPS BINAMA should prioritize fair compensation structures, create a positive work environment, and foster strong organizational commitment to optimize employee performance. Providing career development opportunities, recognizing employee contributions, and ensuring open communication can significantly enhance job satisfaction and commitment. By implementing these strategies, the organization can build a more motivated, engaged, and high-performing workforce, ultimately achieving sustainable organizational growth.

Despite its valuable insights, this study has limitations, particularly in terms of its scope within a single organization, which may affect the generalizability of the results. Future research should explore similar models in different industries and organizational contexts, incorporating qualitative insights and longitudinal studies to gain a deeper understanding of how compensation, job satisfaction, and organizational commitment impact employee performance over time. However, within the context of KSPPS BINAMA, this study provides strong evidence that strategic HR policies focusing on employee well-being and engagement are essential for long-term success.

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