

Effect of Financial and Non-Financial Compensation on Job Satisfaction

Ino Angga Putra^{1*}, Muhammad Abu Wildan², Mar'atul Fahimah³

¹Physics Education, Universitas KH. A. Wahab Hasbullah

^{2,3}Management, Universitas KH. A. Wahab Hasbullah

*Email: inoanggaputra@unwaha.ac.id

ABSTRACT

The purpose of the study was to determine the effect of financial compensation and non-financial compensation on job satisfaction of employees at CV. Flower Jaya. This study uses quantitative research methods, using multiple linear regression. This research uses survey research method. population in the study are employees at CV. Flower Jaya Lumajang. The sampling method used was random sampling. The sample taken in this study were 37 respondents. Collecting data through activities, namely a) observation, b) interviews with resource persons using interview instruments, and c) distributing questionnaires/questionnaires. The data processing of the results of this study uses the type of multiple linear regression. The results obtained indicate that the provision of financial compensation has a significant effect on job satisfaction at CV Kembang Jaya Lumajang, this is evidenced by the t-count value of 2.724 with a significance of 0.010 more than 0.005. Non-financial compensation has a significant effect on employee job satisfaction at CV Kembang Jaya Lumajang, this is evidenced by the t-count value of 5.040 with a significance of 0.000 less than 0.005. Companies must pay more attention to financial compensation and non-financial compensation to employees or employees in order to increase the employee's diligent work.

Keywords: *Financial Compensation, Non-financial Compensation, Job Satisfaction*

INTRODUCTION

One of the main things that can support the progress of a company is quality human resources. Human resources are very important for the company in managing and managing the company's performance, so that it can function productively in order to achieve the company's goals (Sa'adah & Muchfaidzah, 2021). Aware of the importance of quality human resources for the advancement of the company, human resources need to be managed professionally in order to realize the balance between the needs of employees with the demands and capabilities of the company's organization. The balance is the main key for the company to grow productively and achieve the company's goals. Therefore, employees are expected to work productively and professionally. In addition, companies need to pay attention to the welfare of human resources and realize that human resources are more than just assets. The Company must be able to be professional and fair in rewarding employees in return for the services that have been provided to the company (Anandita et al, 2021). It encourages employees to be more motivated in carrying out and doing their tasks in order to realize the company's goals. The mutually beneficial working relationship has a positive impact, especially for the company, because it can improve employee performance and company goals can be achieved. Employees provide their services with good performance for the progress of the company and the company provides rewards or compensation to employees for their services (Mangkunegara, 2001).

Proper management of human resources, one of which can be seen from the awarding of compensation, namely financial compensation and nonfinancial compensation (Mahendri & Munir, 2021). Financial compensation is compensation that is given in the form of money or in the form of salaries, bonuses and incentives, while nonfinancial compensation is compensation provided not in the form of money can be in the form of work and work environment. If the company can manage

compensation well, it will provide a good profit for the company.

Compensation is divided into two groups: direct compensation and indirect compensation. According to (Hasibuan, 2008) where direct financial compensation is provided in the form of salaries, wages and incentives. Indirect financial compensation can be in the form of employee facilities and welfare. Nonfinancial compensation consists of a work environment and interesting tasks. Compensation is very important for employees because the small amount of compensation provided is a benchmark for the achievements achieved by employees. It is expected that with compensation, employees are more motivated to complete their tasks and work. (Sadili, 2006) suggested that compensation can improve employee performance and motivation. Therefore, the attention of the organization or company to the arrangement rationally and fairly is indispensable. If employees consider compensation inadequate, their work performance or performance, motivation and job satisfaction are likely to decrease.

An employee who assesses salaries, premiums (gifts), medications, and insurance provided by the company is in accordance with the regulations. In addition, the company provides recreation programs, cafeterias, and places of worship in accordance with the needs of employees, it is expected that it can improve job satisfaction in the employees concerned.

Compensation in the form of financial compensation or nonfinancial compensation (Jaleta et al., 2019; Nugraheni, 2020). Financial compensation can be in the form of salaries, benefits, bonuses or commissions while non-financial compensation can be in the form of service satisfaction in the form of promotional opportunities, pleasant partners, sound policies and free time (Bambarandage & Priyankara, 2018; Sulhan, 2017). Compensation that can improve job satisfaction, namely the feelings of employees on salaries or wages, the job itself, job promotion, supervision, and co-workers (Husein, 2005). Employees who have high job satisfaction are characterized by satisfaction with salary or wages, employment, job promotion, supervisory, and satisfaction with co-workers. Based on the description above, the purpose of this study is a) to find out if financial compensation affects job satisfaction in CV. Kembang Jaya, and b) to find out if nonfinancial compensation affects job satisfaction in CV. Kembang Jaya.

METHOD

This research is categorized in quantitative research because the data obtained in the form of numbers derived from questionnaires, while the research approach is included in the survey. This research was conducted on CV. Kembang Jaya. The company that produces Bottled Drinking Water (AMDK) is addressed Tambakrejo Kulon Hamlet, Karanganom Village, Pasrujambe District, Lumajang Regency. The research was conducted from June 13 to 16, 2021.

In this study, the population was employees of CV Kembang Jaya. Sampling techniques applied in this study is saturated sampling technique or census, which is a sampling technique when all members of the population are used as samples. The sample used a total of 37 respondents.

Data collection in this study using 3 techniques, among others: a) observation, b) interviews (interviews), and c) questionnaire filling (questionnaires). The scale of measurement of research development of the instrument given by using the likert scale in Table 1.

Table 1. Score Criteria on Angket

No	Information	Score
1	Very Good/Agree	4
2	Good/Agree	3
3	Pretty/Agree	2
4	Not Good/Agree	1

(Source: (Sugiyono, 2018))

Data analysis uses validity tests, reliability tests, and multiple regression tests. Validity test is to use pearson product moment correlation. Pearson product moment correlation is a statistical test used to find relationships and prove the hypothesis of two-variable relationships (Sugiyono, 2018).

For the testing criteria are as follows:

- If r calculates $> r$ table (2-sided test with sig. 0.05) then the instrument or statement items are significantly correlated to the total score (declared valid).
- If r calculates $< r$ table (2-sided test with sig. 0.05) or r counts regressively, then the instrument or statement items do not correlate significantly to the total score (declared invalid).

Reliability test is to use cronbach alpha test. According to Sugiyono if alpha cronbach > 0.6 then the reliability of the statement is high / acceptable or called reliable. The data processor uses SPSS 26 applications.

The general forms of multiple regression equations used in this study are as follows:

$$Y = a + b_1X_1 + b_2X_2$$

Information:

Y = bound variable (work satisfied)

a = constant

b1 = coefficient of regression (financial compensation)

b2 = regression coefficient (non-financial compensation)

X1 = free variable (financial compensation)

X2 = free variable (non-financial compensation)

Correlation coefficient values range from -1 to +1:

- If $r = -1$, it means that the degree of tightness of the relationship of 2 variables is very strong and has a negative relationship (opposite direction);
- If $r = 0$, it means that 2 variables have no relationship at all;
- If $r = +1$, it means that the degree of relationship of 2 variables is very strong and has a positive relationship (unidirectional).

Guidelines for providing interpretation of correlation coefficients are presented in Table 2.

Table 2. Correlation Coefficient Value

Interval Koefisien	Tingkat Hubungan
0,00 – 0,199	Very low
0,20 – 0,399	Low
0,40 – 0,599	Keep
0,60 – 0,799	Strong
0,80 – 1,000	Very strong

(Source : (Sugiyono, 2018))

RESULT AND DISCUSSION

Result

The results of the study in the form of validity test results are used correlation bivariate processed using SPSS version 26 presented in Table 3, Table 4, and Table 5.

Table 3. Financial compensation variable validity test result (X1)

No.	Statement	R Count	R Table	Information
1	Statement 1	0,217	0,325	Invalid
2	Statement 2	0,651	0,325	Valid
3	Statement 3	0,487	0,325	Valid
4	Statement 4	0,430	0,325	Valid
5	Statement 5	0,704	0,325	Valid
6	Statement 6	0,476	0,325	Valid
7	Statement 7	0,545	0,325	Valid
8	Statement 8	0,586	0,325	Valid
9	Statement 9	0,736	0,325	Valid
10	Statement 10	0,485	0,325	Valid
11	Statement 11	0,633	0,325	Valid
12	Statement 12	0,582	0,325	Valid
13	Statement 13	0,572	0,325	Valid
14	Statement 14	0,726	0,325	Valid

Table 4. Nonfinancial compensation variable validity test result (X2)

No.	Statement	R Count	R Table	Information
1	Statement 1	0,414	0,325	Valid
2	Statement 2	0,636	0,325	Valid

No.	Statement	R Count	R Table	Information
3	Statement 3	0,567	0,325	Valid
4	Statement 4	0,622	0,325	Valid
5	Statement 5	0,692	0,325	Valid
6	Statement 6	0,547	0,325	Valid
7	Statement 7	0,703	0,325	Valid
8	Statement 8	0,821	0,325	Valid
9	Statement 9	0,569	0,325	Valid
10	Statement 10	0,736	0,325	Valid
11	Statement 11	0,767	0,325	Valid

Table 5. Results of The Validity Test of Job Satisfaction Variables (Y)

No.	Statement	R Count	R Table	Information
1	Statement 1	0,821	0,325	Valid
2	Statement 2	0,677	0,325	Valid
3	Statement 3	0,683	0,325	Valid
4	Statement 4	0,624	0,325	Valid
5	Statement 5	0,334	0,325	Valid
6	Statement 6	0,844	0,325	Valid
7	Statement 7	0,618	0,325	Valid
8	Statement 8	0,613	0,325	Valid
9	Statement 9	0,818	0,325	Valid
10	Statement 10	0,602	0,325	Valid
11	Statement 11	0,690	0,325	Valid
12	Statement 12	0,597	0,325	Valid
13	Statement 13	0,294	0,325	Invalid
14	Statement 14	0,113	0,325	Invalid
15	Statement 15	0,791	0,325	Valid
16	Statement 16	0,825	0,325	Valid

The reliability test results of the variables studied can be seen in Table 6.

Tabel 6. Reliability Test Results

Variable	Normal Limit	Cronbach Value	Information
Financial compensation	0,60	0,742	Reliabel
Nonfinancial compensation	0,60	0,756	Reliabel
Job satisfaction	0,60	0,757	Reliabel

Multiple linear regression analysis is used to measure the influence between more than one free variable against a bound variable. Multiple linear regression analysis is used to determine whether or not financial compensation (X1), nonfinancial compensation (X1) affects job satisfaction (Y).

The following is the result of multiple linear regression analysis with SPSS 26 program in Table 7.

Table 7. Multiple Regression Analyst Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,916	5,573		-,164	,870
	Financial	,416	,153	,325	2,724	,010
	Nonfinancial	,926	,184	,601	5,040	,000

a. Dependent Variable: Job Satisfaction

Discussion

The results showed that financial compensation and nonfinancial compensation had an impact on employee job satisfaction, both partially and simultaneously. The amount of influence given financial compensation (including salary, premiums (gifts), treatment, and insurance) on job satisfaction was 2,724. while nonfinancial compensation (including recreation programs, cafeterias, and places of worship) awarded to job satisfaction (including the work itself, promotional opportunities, supervision, and co-workers) was 5,040. This suggests that nonfinancial compensation has a greater effect on employee job satisfaction.

The results of this study are in accordance with previous research by (Etichasarie et al., 2016; Nugraheni, 2020; Santoso, 2015; Wahyu, 2017) on which shows that variables in financial compensation and nonfinancial compensation simultaneously and partially have a significant influence on employee job satisfaction. (Handoko, 2000) suggests that the best way to improve the performance, motivation, and job satisfaction of employees is through compensation. Financial compensation has a very strong influence over non-financial compensation (Baledi & Al Saed, 2017; Bambarandage & Priyankara, 2018; Nugraheni, 2020). This is because employees have responded positively to the fulfillment of their rights in work (Wahyu, 2017). In addition, employees will also be satisfied and choose a raise / allowance compared to the services provided because Financial rewards are the financial payments made to the employees for their high performance (Bambarandage & Priyankara, 2018).

The results also showed that compensation can improve employee performance and motivation (Jaleta et al., 2019; Mahathir et al., 2020; Mardiyanti et al., 2018; Sulhan, 2017).. But it is worth noting in more detail where compensation sometimes has no effect on job satisfaction. This is based on the results of (Mardiyanti et al., 2018; Viddy et al., 2020) research that suggests that financial compensation and non-financial compensation have no effect on employee job satisfaction. Taxi Citra should improve salary and overtime wages must be better and in accordance with the minimum wage regional, system and appropriate compensation can be make employee's satisfied and must develop effective communication between supervisor with employees.

CONCLUSIONS

Based on the results of the study obtained conclusions where financial compensation (including salaries, premiums (gifts), treatment, and insurance) affects job satisfaction is 2,724 with a significance of 0.010. In the financial compensation variable states that the significance figure of 0,010 is less than 0,005 then H_0 is rejected and H_a is accepted, which means that there is a significant influence of financial compensation variables on job satisfaction on CV. Lumajang Flower.

Nonfinancial compensation (including recreation programs, cafeterias, and places of worship) awarded for job satisfaction (including work work itself, promotional opportunities, supervision, and co-workers) was 5,040 with a significance of 0,000. In nonfinancial compensation variables stated that the significance figure of 0,000 is less than 0,005 then H_0 was rejected and H_a accepted, which means there is a significant influence of nonfinancial compensation variables on job satisfaction in CV. Lumajang Flower. From the research conducted, the company should pay more attention to financial compensation and nonfinancial compensation to employees or employees in order to increase diligent employees in work.

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