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Job Satisfaction as A Mediator between Nonfinancial Compensation on Employee Performance of Bank Indonesia in South Sulawesi

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Abstract

The objectives of this study were, to analyze the effect of non-financial compensation and job satisfaction on employee performance; and to analyze the mediating role of job satisfaction. The minimum sample for this research is 80 employees of Bank Indonesia Representative Office of South Sulawesi Makassar City.
The test tool used is SEM-SmartPLS 4 vers. 4.0.9.3 as a statistical test tool. The results of this study indicate that non-financial compensation is no less important than financial compensation, and one of the sources of job satisfaction is non-financial compensation. This study proves that non-financial compensation has a positive and significant effect on job satisfaction and employee performance. In addition, job satisfaction also has a significant effect on employee performance, and mediates the relationship between non-financial compensation and employee performance at the Makassar City Representative Office of Bank Indonesia South Sulawesi.

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INTRODUCTION

The performance of human resources in banking is an important and main factor in achieving overall organizational goals. Therefore every Bank Indonesia employee must have the knowledge and skills to carry out various tasks that are relevant to the goals of the organization. Because of that, every banking organization needs to understand and manage the employee compensation (reward) system which consists of financial and nonfinancial compensation. In addition, nonfinancial compensation is part and/or directly related to financial compensation or overall compensation. There is empirical evidence in banking world, for example research in five (5) banks in Negerian Country using a sample of 352 bank employees, the results of research show that nonfinancial compensation has a significant effect on employee performance (Alabi et al., 2022). In addition, the conclusion of Alabi et al., (2022) is that banking should provide a copy of (normative) manual on compensation system and provide opportunities for employees to discuss it. So, the Representative Office of Bank Indonesia in South Sulawesi Province, whose duties are “to regulate the interbank clearing system in rupiah or foreign currency and determine the types, prices, characteristics of money to be issued, raw materials used and

the date of entry into force as a means of illegal payment (Bank Indonesia, 2023)**"** it is also necessary to manage human resources related to nonfinancial compensation and job satisfaction.

According to Hasibuan (2008) compensation is all income in the form of money, direct or indirect goods received by employees in return for services provided to the company. Direct compensation consists of one employee's wages received in the form of base pay, and Indirect financial compensation, or benefits, consists of all financial awards where this type of compensation is not included in direct financial compensation. In addition, no less important is non-financial compensation. Compensation Non-financial praise, self-esteem, and recognition can affect motivation, productivity/performance, and job satisfaction (Ivancevich & Konopaske, 2013). Non-financial compensation can be seen based on: job interests, job challenges, responsibility, recognition, promotions, and performance feedback (Stone, 2017).

Basically, compensation is a human resource management function related to each type of reward/monetary individual received in exchange for performing organizational tasks (Ivancevich & Konopaske, 2013). Nonfinancial compensation cannot be separated from financial compensation, because compensation in theory and practice is need not desire that has an impact on job satisfaction, work motivation, and especially employee performance. Work results or employee performance is the result of work that has a strong relationship with organizational goals, customer satisfaction and economic contribution (Armstrong, 2010). The results of the study show that the reward system or intrinsic and extrinsic reward systems have a positive and significant effect on employee performance (Riasat, F., Aslam, S., & Nisar, 2016). In addition, the research results also show that nonfinancial compensation (for example: promotion, empowerment, & job autonomy) has a positive and significant effect on job satisfaction (Seman & Suhaimi, 2017; dan Akbar et al., 2018). The various impacts of nonfinancial compensation will ultimately affect employee performance, as the results of previous research show that non-financial compensation has a positive and significant effect on employee performance (Idris et al., 2017; Purba, Rafiani, Ali, 2018; dan Supraja, 2020). Job satisfaction has a significant effect on employee performance (Pancasila et al., 2020; Sariati et al., 2020; dan Yang et al., 2021).

Nonfinancial Compensation

The reason leaders why most individuals seek work, because it relates to the point of exchange. Labor trade and employee loyalty for financial and non-financial compensation (salary, benefits, service, recognition, etc. Employees' point of view, salary is a necessity of life. This is one of the reasons leaders do reasoning or study of the reasons people seek work (Ivancevich & Konopaske, 2013). Wibowo (2011) explains that compensation is a counter-performance to the use of labor or services that have been provided by the workforce. Wibowo also said that compensation is the number of packages offered by the organization to workers in return for using their workforce. Furthermore, Kadarisman (2012) stated that compensation is what an employee/worker receives in return for the work he/she provides.

Some of the compensation provided by the organization is in the form of money, but some is not in the form of money. Some of the compensation provided by the organization is in the form of money, but some is not in the form of money.

Hasibuan (2008) compensation is all income in the form of money, goods directly or indirectly received by employees as compensation for services provided to the company. According to Mathis & Jackson (2016) compensation consists of: Direct compensation and Indirect financial compensation. It was further explained by (Ivancevich & Konopaske, 2013) that non-financial rewards such as praise, self-esteem, and recognition, although not discussed in this text, according to Ivancevich, this affects employee motivation, productivity, and job satisfaction (Ivancevich & Konopaske, 2013).

Job Satisfaction

Job satisfaction is a feeling of fulfillment and pride felt by an employee in enjoying hi/his job and doing it well (Berghe, 2011, & Kumar, 2008). Job saticfaction, a person's evaluation of his or her job and work context (McShane & Glinow, 2008). Sedangkan Mathis & Jackson (2016) job satisfaction is a positive emotional state that is the result of evaluating one's job. These definitions basically see job satisfaction as an individual's cognitive & behavioral attitude towards his work at work. Behavior and cognitive are part of a person's attitude (Robbins & Judge, 2013). In other words, job satisfaction is a psychological expression of an individual related to a given task (Gibson et al., 2006)

Job satisfaction is an individual's positive or negative attitude toward their job" (Ghazzawi, 2008). Locke comprehensively defines job satisfaction which includes cognitive, affective, and evaluative reactions or attitudes and states that: "a pleasurable or positive emotional state resulting from appraisal of one job experience" (Luthans (2008). In addition, according Luthans (2008) that, "Job Satisfaction is a result of employees, perception of how well their job provides those thing that are viewed as important". Job satisfaction is a positive attitude towards one's job (Daft, 2010). Job satisfaction is influenced by: the job itself, salary, promotions, supervision, and co-workers (Luthans, 2008; dan Robbins & Judge, 2013). In addition, the dimensions of job satisfaction according to other experts consist of: personality, value, work situation, and social influence (George & Jones, 2008); dan Wexley & Yukl, 2010).

Employee Performance

In the results perspective, employee performance is the result of work that is related to personal characteristics (for example: dependability, integrity, perseverance, knowledge, attitude, and loyalty) even though these factors are not actual performance measurements, but also determine overall performance (Viswesvaran & Ones (2000); and Bernardin (2010). Supporting this statement stated by Brumbach in Brumbach dalam Armstrong (2010): "In principle, performance is not only seen from the perspective of results, but also the behavior of individuals within the organization to carry out various activities." This is in line with the opinion of Mangkunegara (2005) that, employee performance (work

achievement) is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

Performance evaluation or performance appraisal is a strategic and integrated approach to provide organizational success in improving the performance capabilities of individuals and teams that are specifically identified (Armstrong & Baron, dalam Chien et al., 2020). Furthermore, it is also explained, "evaluation or assessment of employee performance that is carried out properly allows a leader to identify, evaluate, plan, and develop individual performance. This is a tool to encourage employees to maintain performance levels high and to motivate employees improvement performance that is still poor (Scott, 2001 dalam Chien et al., 2020).

The Effect of Nonfinancial Compensation on Job Satisfaction and Employee Performance, and Job Satisfaction on Employee Performance.

Nonfinancial compensation is a form of reward given by the organization to employees with the aim of increasing their performance. In addition, this type of compensation is also directly able to have a constructive impact on job satisfaction. For example, employees will perceive the relationship with their leaders while in the workplace, "does the work that has been carried out have an impact on organizational goals"? The answer is likely when the employee gets a response from management to the results of his work.

The above description shows that nonfinancial compensation can make a significant contribution to maintaining employee job satisfaction. Every leader in the organizational unit needs to know the extent of the overall level job satisfaction, especially with regard to employee satisfaction with nonfinancial compensation, for example: satisfaction with recognition, performance feedback, and organizational support. This is important to do continuously, because there is a lot of evidence from previous research conducted by: Riasat, Aslam, & Nisar (2016); Mardiyanti (2018); Pushpasiri & Ratnayaka (2018); & Sakaya (2019) show that nonfinancial compensation affects job satisfaction.

Nonfinancial compensation will have a direct impact on employee performance. Effective non-monetary or non-financial benefits can change employee attitudes in the workplace which automatically impacts positive environmental changes and also improves employee performance. Compensation provided by the organization to employees or employees as a reward to employees is not only in the form of cash or non-cash. This is because non-financial compensation has an influence on motivation, productivity, and satisfaction. This indicates that non-financial compensation (for example: job design, work environment, career development, training, and recognition) affects employee performance. In addition, there are previous research studies from: Rizal & Handayani (2021; Purba, Rafiani, & Ali, (2018); and show that nonfinancial compensation has a positive and significant effect on employee performance. In addition, research conducted by (Ramli, 2019); Rinny et al., (2020) dan (Jufrizen & Kandhita, 2021) shows that job satisfaction consisting of salary, promotion, job security, working

conditions, work autonomy, relationships between employees, and relationships between employees and supervisors, has a positive and significant effect on employee performance.

Hypothesis 1 (H_1) **:** Nonfinancial compensation has a significant effect on job satisfaction

Hypothesis 2 (H_2) **:** Nonfinancial compensation has a significant effect on employee performance

Hypothesis 3 (H_3) **:** Job Satisfaction has a positive and significant effect on Employee Performance

Hypothesis 4 (H_4) **:** Job Satisfaction mediates the effect of Nonfinancial Compensation on Employee Performance

RESEARCH METHODS

Measurement

The variable of this research is nonfinancial compensation, job satisfaction (exogenous variable) and employee performance (endogenous variable). **Nonfinancial compensation (NC)**: is compensation received by employees as compensation for services from the company like praise, respect, and recognition, affects employees' motivation, productivity, and satisfaction (Ivancevich & Konopaske, 2013). The indicators used to measure this variable are: Job (3 question items), and work environment (2 question items) (Stone, 2017) dan (Pushpasiri & Ratnayaka, 2018).

Job Satisfaction (JS): Job Satisfaction is a result of employees, perception of how well their job provides those thing that are viewed as important (Luthans, 2008, and Robbins & Judge, 2013). The dimensions used are Personality (3 question items); Value (1 question item); and Work Situations (2 question items); and Social influences (2 question items) (George & Jones., 2008).

Employee Performance (EP): Documentation of results and work behavior of employees in accordance with the duties and responsibilities assigned by the organization (Armstrong, 2010, and Mangkunegara, 2005). The indicators include: Quality (2 question items); Quantity (2 question items); and Timelines (3 question items) (Bernardin, 2010).

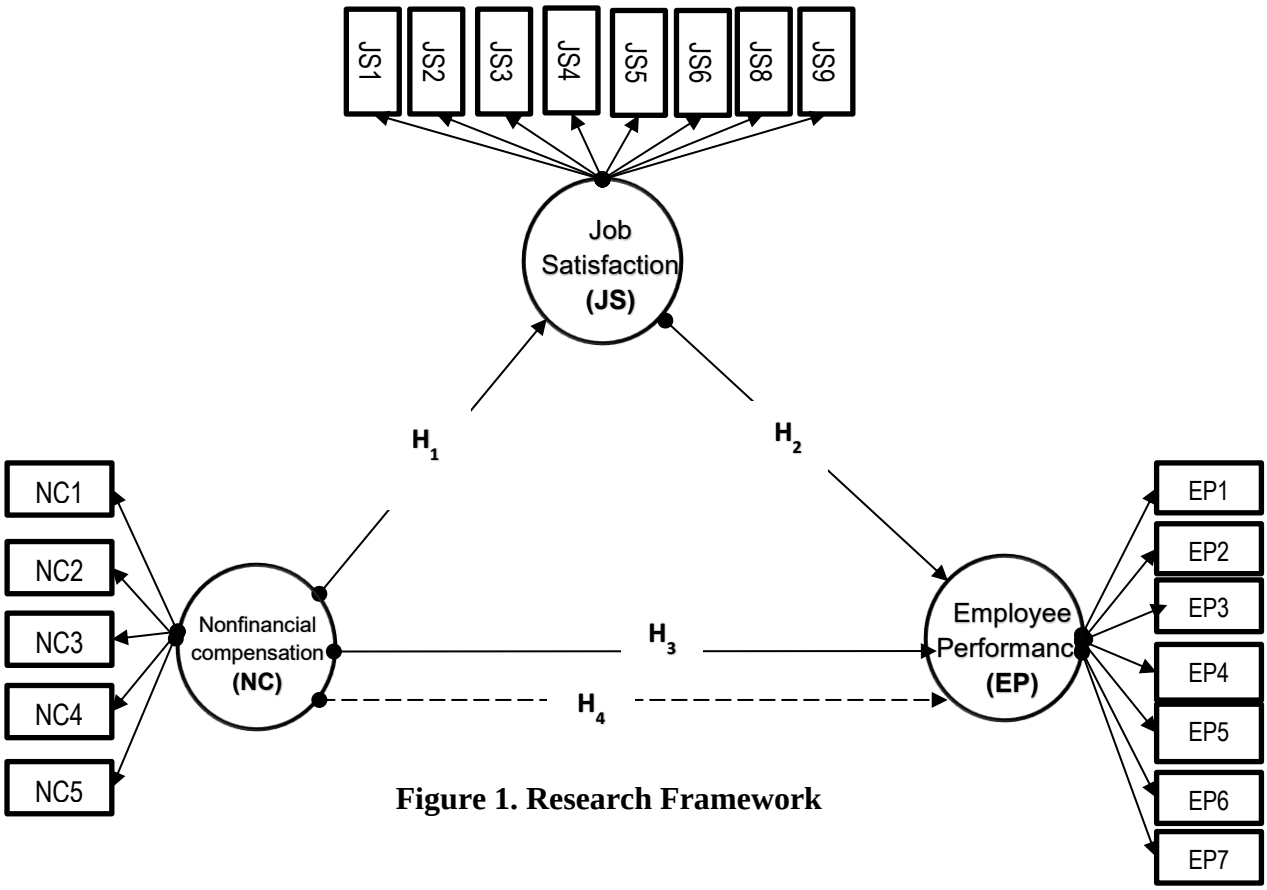

Figure 1. Research Framework

The score on each question item for the variables NC, JS, and EP uses a weighting approach 1 to 5. The weighted number has the meaning: 1 (strongly disagree); 2 (disagree); 3 (disagree); 4 (agreed); and 5 (strongly agree). Regarding the minimum sample size in SEM analysis, according to Hair et al., (2014) states that if there are 5 (five) constructs or less in the analyzed model where each construct is measured by at least 3 (three) indicators, a minimum sample size of between 100 – 300 observations is required. The size of the sample in this study is based on opinion Hair et al., (2014) that the research sample was obtained from the number of exogenous variable research indicators (the highest number) multiplied by 10 (10 x 8 = 80), so the minimum sample for this study was 80 employees of the South Sulawesi Bank Indonesia Representative Office in Makassar City.

Data Analysis

This type of research uses survey research methods with a quantitative research approach. The purpose of survey research is to explain causal relationships and test hypotheses. Partial Last Squares (PLS) is a multivariate statistical technique that performs comparisons between independent (exogenous) and dependent (endogenous) variables. Hair et al., (2014**)** explained that, the nature and role of PLS-SEM in social science research, "in his opinion: researchers need to be aware that the PLS-SEM analysis tools will allow researchers to pursue "research opportunities in new ways and different" (opportunities in new and different ways)". Therefore, according to Jugiyanto (2011) that, parametric techniques to test the significance of parameters are not needed and the evaluation model for predictions is non-

patamteric. In addition, PLS-SEM was carried out to evaluate the outer and inner models (evaluation of measurement models and structural models).

Evaluation of the measurement model (outer model) reflective model consists of: Convergent Validity (AVE), Discriminant Validity (Fornell-Larcker criterion and Heterotrait-Monotrait Ratio), *and Composite Reliability. Evaluation of the structural model (inner model) consists of: Collinearity (VIF), R2value, Q2value, and PLSpredict* (Hair et al., 2019).

RESULTS AND DISCUSSION

Results

Assessment of Measurement Model

Based on the results of the first test, namely the convergent validity test with reflective indicators as a whole using SmartPLS 4 version software. 4.0.9.3 shows that there are indicators that have a loading factor smaller than the rule of thumbs (0.50 to 0.708), namely nonfinancial compensation (NC) indicator NC1, job satisfaction (JS) = JS2, JS5, JS6, and JS7, and employee performance (EP) indicator EP5. This is as according to Hair et al., (2014) the convergent validity test criteria are indicators loading ≥ 0.708, and according to Chin (1998) greater than 0.50 - 0.60 is considered sufficient. This means that the indicators of exogenous variables and endogenous variables need to be retested by eliminating (dropping out) indicators that are not valid. The results of the second test can be seen in the illustration of table 1 and figure 2.

Table 1. *Outer Loading* Variable Nonfinancial Compensation (NS), Job Satisfaction (JS) and Employee Performance (EP)

Indicator	EP	JS	NC	Criteria (>0,50-0,708)
EP1	0,804			Valid
EP2	0,733			Valid
EP3	0,832			Valid
EP4	0,809			Valid
EP6	0,837			Valid
EP7	0,865			Valid
JS1		0,680		Valid
JS3		0,870		Valid
JS4		0,809		Valid
JS8		0,677		Valid
NC2			0,823	Valid
NC3			0,798	Valid
NC4			0,850	Valid
NC5			0,636	Valid

Source: Output SmartPLS 4 Version 4.0.9.2, 2023

Based on the results of the outer loading test in table 1 above, it shows that the convergent validity test with reflective indicators as a whole is significant, because the loading factor of some research variable indicators is more than 0.50 - 0.70. However, based on Figure 2, it shows that not all valid research indicators participate in the SEM-Smart PLS 4 estimation. In other words, there are several (partially) valid indicators that also drop out based on the Variance Infaltion Factor (VIF) value which is greater than 3-5, including the NC6 and EP5 variables. The detailed VIF value will be explained in the structural model evaluation section.

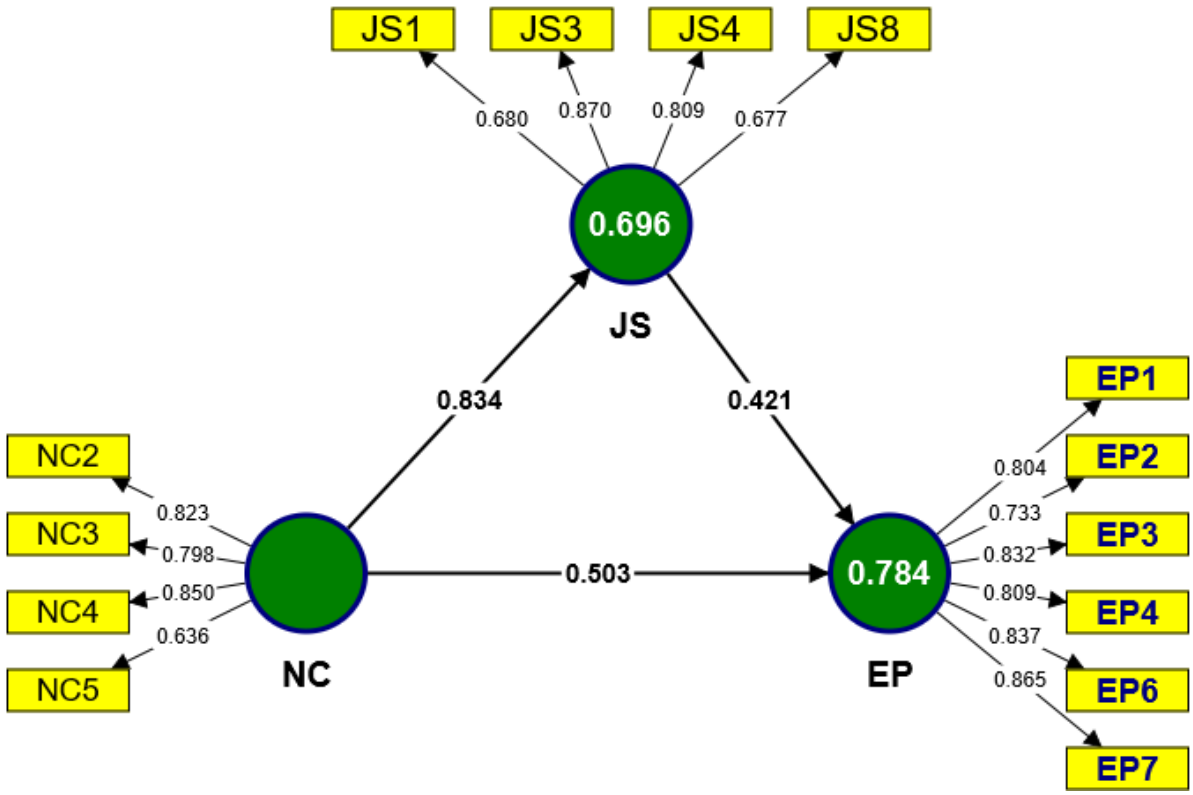

Figure 2. Output SmartPLS ***Algorithm***
Source: Output SmartPLS 4 Version 4.0.9.3, 2023

In addition to the validity test above, convergent validity can also be seen based on Average variance extracted (AVE) as shown in table 2 as follows:

Table 2. Average Variance Extracted (AVE)

Variable	**AVE**	**Criteria >0,50 (Hair et al., (2019)**
EP (Employee Performance)	0,655	Valid
JS (Job Satisfaction)	0,512	Valid
NC (Nonfinancial Compensation)	0,601	Valid

Source: Output SmartPLS 4 Version 4.0.9.3, 2023

Based on table 2 above, it shows that the AVE value of the EP (Employee Performance), JS (Job Satisfaction), and NC (Nonfinancial Compensation) variables is greater than the loading factor value (rule of thumb) of 0.50 (AVE> 0.50). This also means that all indicators of exogenous and endogenous variables are suitable for use in this study.

Furthermore, the discriminant validity evaluation is carried out to prove whether the indicators on a construct will have the largest loading factor on the construct it forms than the loading factor with other constructs. In addition, it can also be based on the Fornell-Larcker criterion test, namely the square root of the AVE of each construct must be higher than the correlation of the construct with other constructs in the model (this idea is identical to comparing AVE with the squared correlation between constructs (Hair et al., 2014). The following table is the result of the Fornell-Larcker criteria test using the SmartPLS 4 Version 4.0.9.3-algorithm:

Table 3. ***Fornell-Larcker Criterion***

INDIKATOR	**NC**	**JS**	**EP**
NC (Nonfinancial Compensation)	0,861		
JS (Job Satisfaction)	0,841	0,764	
EP (Employee Performance)	0,754	0,634	0,781

Source: Output SmartPLS 4 Version 4.0.9.3, 2023

Based on the Fornell-Larcker value in table 3 above, it shows that the average variance extracted (AVE) of the average variance is higher than the correlation involving latent variables (indicators). This is based on the results in the table above showing that: 1) NC reflective construction has a value of 0.861 higher than the correlation value in the NC column; 2) JS reflective construction has a value of 0.764 higher than the correlation value in the JS column; 3) EP reflective construction has a value of 0.781 higher than the correlation value in the EP column. Thus, all items on this research instrument are valid or can be used in research.

However, according to Henseler et al., 2015 dalam Hair et al., (2019) that the FornellLarcker criterion does not work well, especially when the indicator loads on the constructs only differ slightly (e.g. all indicator loads are between 0.65 and 0.85). Instead, Henseler et al., (2015) proposed the heterotrait-monotrait ratio (HTMT) of correlations (Voorhees et al., 2016 dalam Hair et al., 2019) HTMT is as the mean value of item correlations across constructs relative to the (geometric) mean of correlations for items measuring the same construct. The next procedure can be done to test discriminant validity using the Heterotrait-Monotrait Ratio (HTMT) method as discussed by Henseler et al., (2015) which uses the standard measurement value of 0.85 as the highest limit of the ratio, and states that the distribution of ratio values below 0.85 is declared discriminant valid. The following table 4 presents the results of the Heterotrait-Monotrait Ratio (HTMT) Test :

Table 4. *Heterotrait-monotrait Ratio* (HTMT)-Algorithm

Variable	NC	JS	EP
NC (Nonfinancial Compensation)	-		
JS (Job Satisfaction)	0,805		
EP (Employee Performance)	0,655	0,733	-

Source: Output SmartPLS 4 Version 4.0.9.3, 2023

The entire distribution of values shows that it is still below 0.85, so it is stated that the overall construct is discriminant valid (Henseler et al., 2015). Although there is still an HTMT value greater than 0.85, a significance test can be used on the outer-loading construct, presented in table 4. Based on the table presentation, it shows that all constructs have P-Values smaller than 0.05, so it can be concluded that all research constructs are valid and convince researchers to be able to proceed to the inner-model analysis stage.

Composite Reliability

The construct is declared reliable if it has a composite reliability or internal consistency reliability value above 0.70 and Cronbach's alpha above 0.60, or 0.70 to 0.90 (Hair et al., 2019). The following are the results of testing composite reliability and Cronbach's alpha from Smart PLS:

Table 5. *Composite Reliability-Algorithm*

Variable	Cronbach's alpha	Composite reliability
NC (Nonfinancial Compensation)	0,912	0,915
JS (Job Satisfaction)	0,790	0,842
EP (Employee Performance)	0,832	0,855

Source: Output SmartPLS 4 Version 4.0.9.3, 2023

Based on the SmartPLS output results above, all constructs have a composite reliability value above 0.60 to 0.70 and Cronbach's alpha above 0.60. So it can be stated that the construct has good reliability as according to Hair et al., (2014) that, “the rule of thumbs alpha or composite reliability value must be greater than 0.7 although the value of 0.6 is still acceptable”.

Evaluation Inner Model

Uji Collinearity (VIF)

Variance Infaltion Factor (VIF) is often used to evaluate the collinearity of formative indicators. A VIF value of 5 or more indicates a critical collinearity problem among the formatively measured construct indicators. However, collinearity problems can also occur at VIF values lower than 3 (Mason and Perreault, 1991; Becker et al., 2015 in Hair et al., (2019). VIF uses the criteria: there is a critical collinearity problem if VIF ≥ 5, a possible collinearity problem if VIF ≥ 3-5, and ideally if VIF < 3, it

means that the model does not have a collonearity problem. A summary of the results of the collinearity (VIF) calculation is presented in the table below:

Table 6. Variance Inflation Factor (VIF)
Indicators of Exogenous and Endogenous Variables

Indicators	VIF	Description
EP1	2,286	Model Fit
EP2	1,782	Model Fit
EP3	4,415	Model Fit
EP4	2,292	Model Fit
EP6	4,993	Model Fit
EP7	2,993	Model Fit
JS1	1,732	Model Fit
JS3	2,343	Model Fit
JS4	1,580	Model Fit
JS8	1,387	Model Fit
NC2	1,956	Model Fit
NC3	1,792	Model Fit
NC4	2,706	Model Fit
NC5	2,008	Model Fit

Source: Output SmartPLS 4 Version 4.0.9.2, 2023

Based on the results of the VIF calculation in the table, the data explains that the model in this study does not have a collonearity problem because it has a VIF value smaller than 3, although there are indicators that have VIF> 3.0 which is still acceptable as Hair et al., (2019) argues that the ideal research model does not experience collinearity if the VIF value is < 3, ≥ 3-5 the possibility of multicollinearity. This means that this research model does not experience collinearity problems between predictor constructs.

R^2 (Coefficient of Determination)

The R^2 value is the coefficient of determination where the value represents the effect of combination exogenous latent variables on endogenous latent variables in structural model. In addition, the R^2 value is the result of a linear regression test, namely the amount of endogenous variability that can be explained by exogenous variables. The model is said to be strong if an R-Squares value of 0.67, the moderate model requires an R-Square value of 0.75 and R-Squares value of 0.19 indicates a weakly predicted model (Ghozali & Latan, 2015). The R-square value can be seen in table 8 below:

R2 is a structural model evaluation used to measure the variance, which is explained in each of the endogenous constructs and is therefore a measure of the explanatory power of the model (Hair et al., 2019). Furthermore, according to Hair et al., guideline structural models based on R2 values of 0.75, 0.50 and 0.25 can be considered substantial, moderate and weak, respectively.

Table 7. Coefficients of Determination

Matrix	**R^2**	**Description**
Job Satisfaction (JS)	0,696	Moderate
Employee Performance (EP)	0,784	Powerful

Source: Output Algorithm SmartPLS 4 Version 4.0.9.3, 2023

Based on table 7 above, shows that: (1) the contribution value of the nonfinancial compensation (NC) variable to job satisfaction (JS) is 0.696. This means that the exogenous variable is able to predict the endogenous variable (job satisfaction) by 69.60% which the moderate category; then (2) contribution value of the nonfinancial compensation (NC) and job satisfaction (JS) variables to employee performance (EP) is 0.784 which the powerful (substantial) category. This means that exogenous variables are able to predict the endogenous variable, namely Turnover Intention, by 78.40% which is in the substantial (powerful) category.

Test of f^2 and Predictive Relevance (Q^2)

Testing the effect size (f^2) of endogenous construct evaluation is to see the amount of exogenous substantive influence (f^2 effect sizes) and total effect. The f^2 value will see the substantive effect of exogenous on endogenous constructs. Changes in the value of f^2 effect sizes when certain exogenous constructs are removed from the model can be used to evaluate whether the removed constructs have a substantive impact on endogenous constructs (Hair et al., 2014). The f^2 values of the variables NC→JS, JS→EP, and NC→EP of 0,249; 0,355; and 2,293 respectively, have f^2 effect size medium and large categories. These criteria are in accordance with the opinion of Cohen 1988 cited by Hair et al., (2014): "Guidelines for assessing f^2 are that values of 0,02, 0,15, and 0,35, respectively, represent small, medium, and large effects of the exogenous latent variable".

Next is the evaluation of Predictive relevance (Q^2) often called predictive sample reuse endogenous construct model (Goodness of Fit Model). Q^2 test results based on Latent variable Summary SEM-Smart PLS 4 as in the table below:

Table 8. Latent variable Summary

Endogenous Variable	**Q^2predict**
Job Satisfaction (JS)	0,710
Employee Performance (EP)	0,742

Sumber: Output SmartPLS 4 Version 4.0.9.3, 2023, PlsPredict

Based on table 8 above, it shows that the Q^2 predictive relevance value on endogenous variables, namely Job Satisfaction (JS) and Employee Performance (EP) is 0.710 and 0.742, respectively. This means that the Q^2 value has a prediction of exogenous variables on endogenous variables is in the large category

(Q^2> 50). This explanation is in line with the opinion of Hair et al., (2019) that the guidelines for the Q^2 value are based on values higher than 0.025 and 0.50 which describe the small, medium and large prediction accuracy of the PLS path model.

Hypothesis Test

Direct Effect

To assess the significance of the prediction model in structural model testing, it can be seen from the p-value and t-statistic between exogenous and endogenous variables as summarized in Table 11 and Figure 3 Bootstrapping output of SmartPLS 4 Version 4.0.9.3.

Table 9. Total Effects (Mean, STDEV, T-Values)

Variable	**B (*Path Coefficient)***	**T - statistics**	**P-values**
Nonfinancial Compensation (NC)→ Job Satisfaction (JS)	0,834	12,049	0,000
Job Satisfaction (JS)→ Employee Performance (EP)	0,421	3,828	0,000
Nonfinancial Compensation (NC)→ Employee Performance (EP)	0,503	4,760	0,000

Source: Output SmartPLS 4 Version 4.0.9.3, 2023

Based on the smartPLS 4 bootstrapping output, the statistical hypothesis test results can be described as follows:

a) The t-statistical test results of the effect of Nonfinancial Compensation (NC) on Job Satisfaction (JS) show that the t-count is 12.049> t-table = 1.99, and the significance value of the P-value is 0.000, and the path coefficient value (β) = 0.834. Because the t-count is greater than the t-table, and the significance value is smaller than the α value of 0.05 (p < 5%), the hypothesis stating that Nonfinancial Compensation (NC) has a significant effect on Job Satisfaction (JS) is accepted.

b) The results of the t-statistical test of the effect of Job Satisfaction (JS) on Employee Performance (EP) show that the t-count is 3.828> table = 1.99, and the significance value of the P-value is 0.000, and the path coefficient (β) = 0.421. Because the t-count is smaller than the t-table, and the significance value is greater than the value of 0.05 (p P-value of 0.000 <5%), the hypothesis stating that Job Satisfaction (JS) has a significant effect on Employee Performance (EP) is accepted.

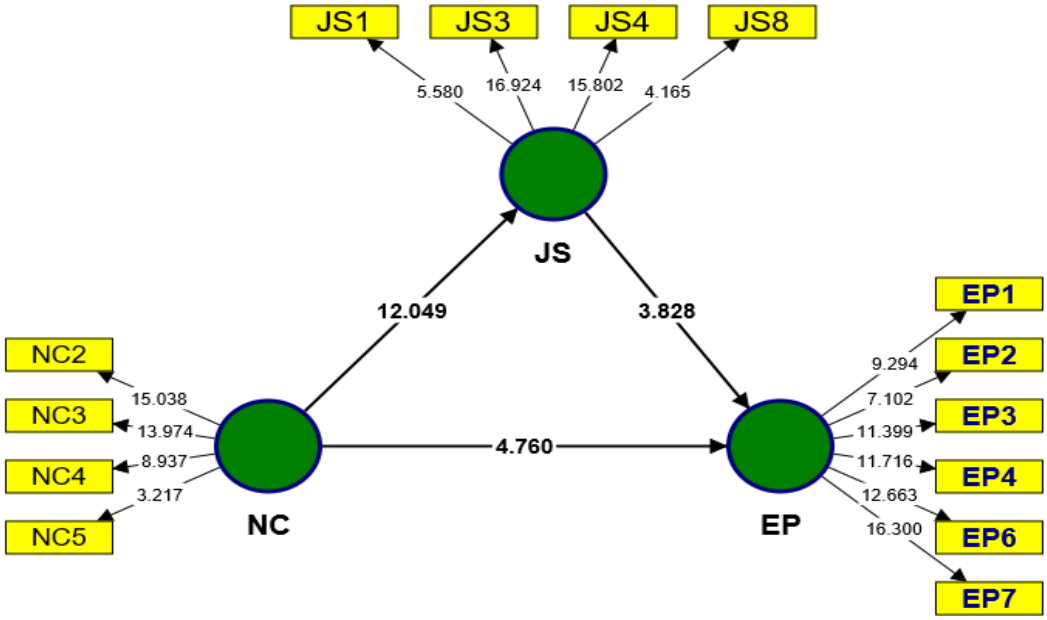

Figure 3. Output Bootsrap

Source: Output SmartPLS 4 Version 4.0.9.2, 2023

c) The t-statistic test results of the effect between Nonfinancial Compensation (NC) on Employee Performance (EP) show that the t-count is 4.760> t-table = 1.99, and the significance value of the P-value is 0.000, and the path coefficient value (β) = 0.503. Because the t-count is smaller than the t-table, and the significance value is greater than the value of 0.05 (p P-value of 0.000 <5%), the hypothesis stating that Nonfinancial Compensation (NC) has a significant effect on Employee Performance (EP) is accepted.

Mediation Hypothesis Test

Testing the mediation effect, the output of significant test parameters is seen based on the total effect table not in the coefficient table, because the mediation effect is not only carried out directly on the independent variable to the dependent variable, but also tests the indirect effect between the independent variable and the dependent variable through the mediating variable. The indirect effect in this study can be seen in the following total effect table:

Table 10. Specific Indirect Effect

Variable	β	T statistics	P-values
Nonfinancial Compensation (NC)→ Job Satisfaction (JS)→Employee Performance (EP)	0,351	3,359	0,001

Output SmartPLS 4 Version 4.0.9.3, 2023

Based on the two tables 12 above, it shows that the indirect effect of nonfinancial compensation significantly on employee performance through job satisfaction (JS) has a T-statistic value (3.359)> t table (1.99) and a P-value of 0.001 smaller than 0.05, so the hypothesis stating that job satisfaction is able to mediate the effect between nonfinancial compensation significantly on employee performance

is accepted. The mediation ability is partial mediation based on Assess the variance accounted for (VAF) greater than 20% and less than 80% (20%≤VAF X_3 = 52.30% & X_1 = 70.39% ≤ 80%), or the direct and indirect effects are positive and significant.

Discussion

The results of this study are relevant to the opinion expressed by (Mangkunegara, 2005) that employee performance is influenced by various organizational compensations. Employee performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. This means that the compensation provided by the organization is able to encourage employees to carry out tasks for the benefit of the organization, especially nonfinancial compensation. This type of compensation has an influence on work productivity or employee performance (Ivancevich & Konopaske, 2013). Based on the factors loading, nonfinancial compensation (NC) dominantly has good validity and reliability, and has moderate and substantial predictive power. Nevertheless, there are several things that need to be considered by South Sulawesi Bank Indonesia Representative Office in Makassar City, including: 1) formal recognition; 2) human relationships at all levels of the organization; and 3) job design and performance feedback. Based on the descriptions above, it can be concluded that non-financial compensation partially has a positive and significant effect on employee performance can be proven in this study. In addition, the results of this study are relevant to previously conducted studies including Mardiyanti (2018); Pushpasiri & Ratnayaka (2018); & Sakaya (2019) show that nonfinancial compensation affects job satisfaction.

Job Satisfaction is not only an exogenous variable but also a variable that has an influence on employee performance. This means that employees who feel job satisfaction will be able to encourage them to carry out routine tasks in accordance with the job description given by the organization. The results of this study indicate a significant effect of job satisfaction on employee performance significantly. However, Bank Indonesia management needs to provide opportunities for employees to discuss the individual performance appraisal system in the future. This is important to do, because empirically this research is still relevant to previous research including: (Ramli, 2019); Rinny et al., (2020) dan (Jufrizen & Kandhita, 2021) indicate that job satisfaction positive effect and significant on employee performance.

Nonfinancial compensation also has a significant effect on employee performance. The results showed that, organizational efforts in improving employee performance, also need to regulate the nonfinancial compensation system. In addition, 5 factor loading nonfinancial variables have good validity and reliability, and only one item is invalid. Therefore, South Sulawesi Bank Indonesia Representative Office in Makassar City in the future needs to pay attention and develop a normative nonfinancial compensation management system, especially for employees with less than 5 years of service. The

results of this study are also relevant to research conducted by (Purba, Rafiani, & Ali, (2018); and Supraja, 2020). This explanation, it can be interpreted that South Sulawesi Representative Office of Bank Indonesia needs to provide recognition not only in the form of non-formal, but formal recognition (for example, written remarks on employee success, or certificates) which are certainly work achievement oriented.

CONCLUSIONS

The results of this study indicate that nonfinancial compensation is no less important than financial compensation, and one source of job satisfaction is nonfinancial compensation. This study proves that nonfinancial compensation has a positive and significant effect on job satisfaction and employee performance. In addition, job satisfaction also has a significant effect on employee performance, and mediates the relationship between nonfinancial compensation and employee performance.

In the future, South Sulawesi Bank Indonesia Representative Office in Makassar City needs to create human relationships among employees, and between employees and superiors, and design formal performance feedback. In addition, it is also necessary to provide recognition not only in the form of non-formal, but formal recognition that can be done through discussions between superiors and employees on a regular basis (a certain period of time).

This study uses variables that have been carried out by many previous researchers, but nonfinancial compensation is less of a concern. Therefore, future research needs to add work motivation variables in relation to nonfinancial compensation.

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