



## The Mediating Function of Job Satisfaction in the Interaction Between Financial and Non-Financial Compensation and Employee Performance

Unsul Abrar<sup>1\*</sup>, Moh. Kurdi<sup>2</sup>, Syaiful Anwar<sup>3</sup>

<sup>1,2,3</sup>Department of Management, Faculty of Economics, Universitas Wiraraja, Sumenep, Indonesia

### Abstract

This study investigates how financial and non-financial compensation influence employee performance at PT Urchindize Madura, Indonesia, with job satisfaction as a mediating factor. Using a quantitative explanatory design, data were collected from all 46 employees and analyzed through partial least squares structural equation modeling (PLS-SEM). Results indicate that financial compensation significantly enhances job satisfaction, which in turn improves employee performance. Job satisfaction partially mediates the link between financial compensation and performance, while non-financial compensation shows no significant effect. These findings suggest that organizations should focus on competitive financial reward systems and re-evaluate non-financial benefits to better meet employee expectations. By strengthening compensation strategies grounded in employee satisfaction, companies can foster greater motivation, satisfaction, and productivity.

**Keywords:** *Employee performance, Financial compensation, job satisfaction, non-financial compensation*

### OPEN ACCESS

ISSN 2528-4649 (online)

ISSN 2338-4409 (print)

\*Correspondence:

Unsul Abrar

[unsulabrar@wiraraja.ac.id](mailto:unsulabrar@wiraraja.ac.id)

Citation:

Received: **January, 09, 2026**

Accepted: **February, 27, 2026**

Published: **April, 25, 2026**

JBMP: *Jurnal Bisnis, Manajemen dan Perbankan.*

Vol: 12 No. 01

doi: 10.21070/jbmp.v12i1.2267

## 1. INTRODUCTION

The development of an organization is inseparable from its ability to adapt to technological advancements and develop its human resources. Over time, companies are required to consistently provide consumers with high-quality, optimal service. Therefore, companies must consider the competency of each employee. Competency involves more than providing development or training; it also requires company management to consistently motivate and support employee performance improvement. This creates a strong performance relationship within the company. Organizational competitiveness, particularly in manufacturing industries, depends heavily on employee performance and productivity. Companies must maintain workforce effectiveness amid technological change, market competition, and evolving employee expectations. Under these conditions, human resource management practices are essential to ensuring sustainable organizational outcomes.

One of the most important managerial tools for shaping employee behavior is compensation. It represents an economic reward and a signal of organizational appreciation and fairness. Compensation systems should motivate employees to perform optimally and enhance workplace satisfaction. However, in practice, compensation does not always directly improve performance. It is also related to the fairness of compensation within a company and efforts to improve performance. This aligns with Basyari, Rizqi, and Nandalia (2024), who state that financial and non-financial compensation greatly influence employee performance. Financial and non-financial compensation both have a significant influence on employee performance (Situmorang, Rangkuti, Sinaga, Nahor, & Sitorus, 2022). However, several other studies conclude differently. For example, Komar, Brahmasari, and Nugroho (2021) state that compensation has little to no impact on performance through quality of life. Other research (Hidayati & Zulher, 2022) concludes that compensation significantly impacts employee performance. Job satisfaction is a crucial element in fostering effective performance because it is a process that management must facilitate to enable employees to contribute positively to organizational development. One of the most determining factors of job satisfaction, as evidenced by the research of Issa Gazi, Islam, Sobhani, and Dhar (2022), is salary, recognition for good work, involvement in the decision-making process, promotions, and good relationships with coworkers. Issa et al. (2024) showed that job satisfaction is a critical work behavior that can significantly influence performance. One example of a provision greatly affected by performance, while maintaining job stability, is compensation initiatives. Kurnia, Azizah, and Suhendra (2020) declared that financial compensation for employees includes fixed salaries, additional quotas for work-from-home support, and meal allowances for work-from-office activities. The provision of compensation must be carried out with appropriate and comprehensive considerations, including fairness and equity in its distribution.

Ohorella (2019) claims that paying employees well is one strategy to increase job satisfaction. The process of determining remuneration must consider feasibility and justice to increase employee satisfaction. Employees may receive financial and non-financial rewards, yet their satisfaction levels and performance outcomes are inconsistent. This variation suggests that compensation effectiveness may depend on psychological mechanisms, particularly job satisfaction. Employees who perceive compensation as fair and meaningful are more likely to be satisfied, encouraging stronger engagement and higher performance. Job satisfaction is widely recognized as a central factor linking organizational rewards to employee outcomes.

Satisfied employees tend to demonstrate stronger commitment, improved productivity, and better workplace behavior. Therefore, job satisfaction may serve as a mediating variable, explaining how compensation influences employee performance. Both financial and non-financial compensation must refer to more specific types, as expressed by Alzahrani and Shaddady (2021). Financial compensation comes in the form of regular and periodic salaries or wages, while non-financial compensation comes in the form of job opportunities, security, and long-term benefits, such as life, health, and disability insurance programs and profit-sharing systems. The compensation system is also important to study because it is rarely followed up on in the development of HRM. All of this aligns with the statement by Gupta and Shaw (2014) that the compensation and incentive system is one of the least researched areas in HRM. Jiménez, Posthuma, and Campion (2013) state that compensation programs,

in this case, incentives, can build mutually beneficial relationships between companies and sales forces because incentives align with the goals of both organizations and sales forces. Ferrara and Giua (2022) state that increasing high compensation can provide an estimate of increased work productivity. Compensation is also a critical consideration in a company and can help create an effective organization. Thapa (2020) states, "Salary is often a major consideration in managing employees within an organization." "Salary is often a major consideration in managing employees within an organization."

Despite extensive research on compensation and performance, few empirical studies have examined the combined effects of financial and non-financial compensation on job satisfaction in manufacturing settings. This study addresses this gap by investigating whether job satisfaction mediates the relationship between compensation and employee performance at PT Urchindize Madura.

## **2. LITERATURE REVIEW**

### **2.1 Compensation**

Yousaf, Latif, Aslam, and Saddiqui (2014) declare that financial rewards include bonuses, allowances, insurance, incentives, promotions, and job stability. In contrast, non-monetary rewards, such as recognition and new challenges, inspire employees. Cascio (2003) states that the goal of the compensation program design is separated into two categories: direct and indirect types of compensation. Sudaryo, Aribowo, and Sofiati (2018) also state that financial compensation consists of individual wages, salaries, commissions, and bonus payments. Priyatono (2019) says that non-financial remuneration occurs when employees feel comfortable or happy while doing their jobs. Hasibuan (2007) states that financial compensation consists of salary, bonuses, allowances, and incentives, while non-financial compensation consists of social security, holidays, insurance (including health insurance), and other benefits.

McNamara (2008) defines benefits as retirement, health, life, and disability insurance plans, as well as paid time off, employee stock ownership programs, and similar programs. Compensation includes wage and/or salary programs and structures resulting from job descriptions, as well as bonus-, commission-, and other similar programs.

### **2.2 Job satisfaction**

(Permana et al., 2021) A single definition is insufficient to capture the full scope of job satisfaction. Job satisfaction refers to favorable feelings arising from an individual's evaluation of their work and work experience. According to Tay, Othman, Siong, and Lim (2013), job satisfaction is a combination of environmental and psychological elements that allow a person to express satisfaction with their work. According to the job descriptive index, job satisfaction stems from working in the right place, receiving the right salary, having good organization and management, placing the right people in the right jobs, and having the right people supervise the right jobs (Rivai & Sagala, 2018). Indicators of job satisfaction include salary, the work itself, colleagues, supervisors, promotions, and the work environment (Widodo, 2015).

Job satisfaction predicts organizational-level outcomes such as productivity, customer satisfaction, service quality, absenteeism, turnover rates, and financial performance (Holland, Pyman, Cooper, & Teicher, 2011).

### **2.3 Employee Performance**

Controlled behavior when setting boundaries for irrelevant activities is part of employee performance (Dewettinck & Van Ameijde, 2011). As stated by (Utin & Yosepha, 2019). Performance is defined as the quantity and quality of work an employee completes while carrying out their responsibilities and designated duties. According to Mankunegara and Prabu (2013), performance indicators such as work quality, work quantity, responsibility, cooperation, and initiative influence performance. Other factors that influence performance include leadership, motivation, work environment, and work discipline (Flippo, 2018).

A person or group's performance may be described as the degree of accomplishment in carrying out activities within a certain time frame in relation to work standards, goals, or mutually agreed-upon criteria (Al Mehrzi & Singh, 2016). (Bin & Shmailan, 2015) The actions that employees take while performing their duties for the organization are referred to as employee performance.

### 3. RESEARCH METHOD

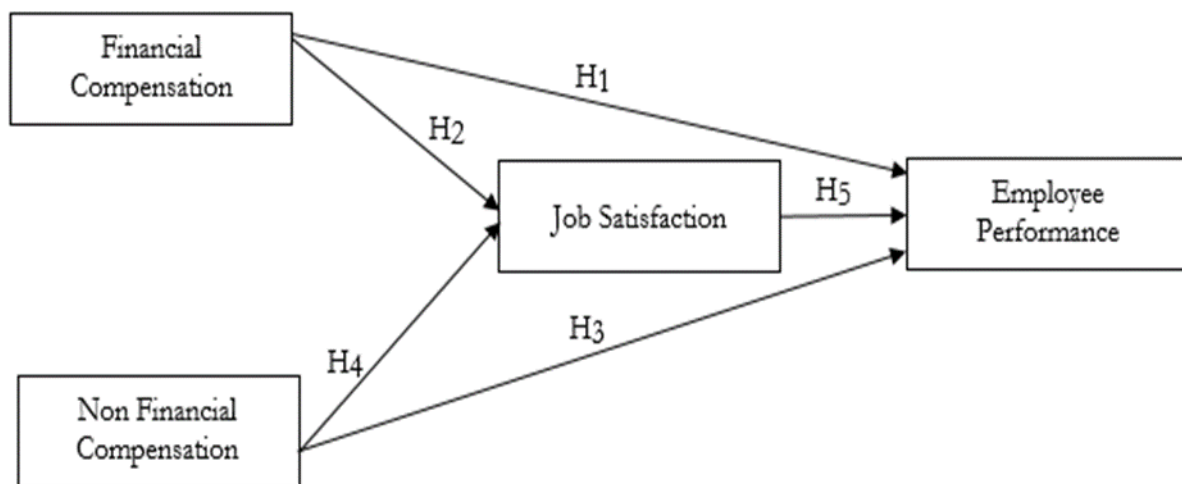
This research uses a quantitative approach and is conducted at the manufacturing company PT Urchindize Madura. Urchindize Madura. The population consists of all staff members, who represent a generalization unit composed of individuals with the specific characteristics analyzed in this study. The study was conducted at PT Urchindize Madura, a manufacturing company in Indonesia. The population consists of all 46 employees working at the company. Since the total number of employees does not exceed 100, saturation sampling was applied, meaning the entire population was included as respondents. Data in many forms, including primary and secondary sources, physical information, and documentation about specific subjects, will be used to complete the research. Field information gathering will use the following instruments: observation, documentation, interviews, and questionnaires. Data analysis will use partial least squares structural equation modeling with mediating variables on job satisfaction variables. The variables, parameters, and operational definitions used in this study will align with the research framework.

**TABLE 1** | Variables and Parameters

Research Variables	Parameters
Financial Compensation	Salary, Bonus, Allowance, Incentive
Non-financial compensation	Social Security, Vacation (Family Gathering), Insurance, Health Insurance
Job Satisfaction	Salary, The Job Itself, Colleagues/Management, Promotion, Work Environment
Employee Performance	Work Quality, Work Quantity, Responsibility, Cooperation, Initiative

Source: Data Processed (2025)

Given the conclusions of the theoretical foundations and the background material supplied above, the conceptual framework in Figure 1 may be defined as follows.



**Figure 1.** Conceptual Framework

Based on the conceptual framework above, this study formulates several research hypotheses, which are summarized as follows:

H1: Financial compensation has a significant effect on employee performance.

H2: Financial compensation has a significant effect on job satisfaction.

- H3: Non-financial compensation has a significant effect on employee performance.
- H4: Non-financial compensation has a significant effect on job satisfaction.
- H5: Job satisfaction has a significant effect on employee performance.

## 4. RESULTS AND DISCUSSION

### 4.1 RESULTS

#### 4.1.1. Evaluation of the Measurement Model (Outer Model)

One of the research tests is to determine the validity and reliability of the parameter items. The values used to evaluate validity and reliability were obtained through the outer model by employing convergent and discriminant validity tests. Reliability was measured using Alpha, rho<sub>A</sub>, and CR.

#### 4.1.2. Validity Test Results

##### Convergent Validity

**TABLE 2 |** Outer Loadings

	Job Satisfaction	Employee Performance	Financial Compensation	Non-financial compensation
X1.1			0.845	
X1.2			0.867	
X1.3			0.844	
X1.4			0.764	
X2.1				0.701
X2.2				0.870
X2.3				0.874
X2.4				0.749
Y1.1		0.820		
Y1.2		0.811		
Y1.3		0.795		
Y1.4		0.773		
Y1.5		0.769		
Z1.1	0.735			
Z1.2	0.716			
Z1.3	0.733			
Z1.4	0.880			
Z1.5	0.804			

Source: Data Processed (2025)

Given the outcomes of the outer loadings analysis, all parameters in each construct have loading values surpassing 0.7. This indicates that each parameter meets the criteria for convergent validity. As a result, each parameter is deemed valid for measuring the respective construct: employee performance, job satisfaction, and monetary and non-monetary compensation.

**TABLE 3 |** Average Variance Extracted (AVE)

Construct Reliability and Validity	
	Average Variance Extracted (AVE)
Job Satisfaction	0.602
Employee Performance	0.630
Financial Compensation	0.691
Non-financial compensation	0.643

Source: Data Processed (2025)

The analysis results show that each factor—monetary pay, non-monetary compensation, worker performance, and job satisfaction has a value greater than 0.5. Specifically, the average value is 0.602 for job satisfaction, 0.630 for employee

performance, 0.691 for financial compensation, and 0.643 for non-financial compensation. Since each parameter accounts for over 50% of its construct's variation, all constructs in this study satisfy the requirements for convergent validity.

**4.1.3. Discriminant Validity**

**TABLE 4 | Fornell-Larcker Criterion (Matrix)**

Fornell-Larcker Criterion				
	Job satisfaction	Employee Performance	Financial Compensation	Non-financial compensation
Job satisfaction	0.776			
Employee Performance	0.562	0.794		
Financial Compensation	0.716	0.183	0.831	
Non-financial compensation	0.355	-0.171	0.334	0.802

Source: Data Processed (2025)

Using the Fornell-Larcker criterion to test for discriminant validity, it was found that all constructs in this study meet the criteria.

The square root of the average variance extracted (AVE) for each construct is greater than the correlations among the various constructs. AVE root values are 0.776 for job satisfaction, 0.794 for employee performance, 0.831 for financial compensation, and 0.802 for non-financial compensation. Each construct in the research model shows good discrimination, meaning it can differentiate itself legitimately from other constructs because its values are higher than the association values between constructs.

**TABLE 5 | Cross Loadings**

Cross Loadings				
	Job Satisfaction	Employee Performance	Financial Compensation	Non-financial compensation
X1.1	0.538	0.022	0.845	0.380
X1.2	0.666	0.262	0.867	0.234
X1.3	0.667	0.241	0.844	0.241
X1.4	0.451	-0.007	0.764	0.292
X2.1	0.246	-0.171	0.271	0.701
X2.2	0.341	-0.132	0.309	0.870
X2.3	0.279	-0.162	0.271	0.874
X2.4	0.264	-0.081	0.208	0.749
Y1.1	0.453	0.820	0.171	-0.060
Y1.2	0.484	0.811	0.112	-0.200
Y1.3	0.525	0.795	0.166	-0.039
Y1.4	0.404	0.773	0.187	-0.090
Y1.5	0.339	0.769	0.102	-0.284
Z1.1	0.735	0.431	0.606	0.306
Z1.2	0.716	0.244	0.631	0.382
Z1.3	0.733	0.562	0.366	0.146
Z1.4	0.880	0.577	0.573	0.147
Z1.6	0.804	0.351	0.584	0.408

Source: Data Processed (2025)

Discriminant validity is assessed through a cross-loading analysis to determine if a parameter shows stronger loadings on a specific construct than on other constructs. The analysis outcomes show that each parameter has the highest loading on its own construct. For instance, parameters X1.1, X1.2, X1.3, and X1.4 exhibit higher loadings on the financial compensation construct (X1) than on other constructs. Similarly, parameters X2.1, X2.2, X2.3, and X2.4 show the highest loading on the non-financial compensation construct (X2). Similarly, parameters Y1.1 to Y1.5 show the highest loadings on the Employee Performance construct (Y), and parameters Z1.1 to Z1.6 show the highest loadings on the job satisfaction construct (Z). Thus, one can deduce that all parameters in this research model have met the discriminant validity criteria, as determined by the cross-loadings test.

**TABLE 6 |** Heterotrait - Monotrait Ratio (HTMT)

Heterotrait-Monotrait Ratio (HTMT)				
	Job satisfaction	Employee performance	Financial compensation	Non-financial compensation
Job satisfaction				
Employee performance	0.657			
Financial compensation	0.824	0.225		
Non-financial compensation	0.434	0.218	0.410	

Source: Data Processed (2025)

As stated by the findings of the discriminant validity test, all of the HTMT values between the model's constructs fall below the 0.85 threshold. The values between job satisfaction and employee performance (0.657), job satisfaction and financial compensation (0.824), and other constructs indicate that there are no issues with discriminant validity in this research model. Therefore, it can be deduced that each construct in this study is distinct and valid.

**4.1.4. Reliability Test Results**

**TABLE 7 |** Cronbach's Alpha, rho\_A, and Composite Reliability (CR)

Variable	α	rho_A	CR
Job satisfaction	0.832	0.839	0.883
Employee performance	0.854	0.862	0.895
Financial compensation	0.853	0.879	0.899
Non-financial compensation	0.812	0.826	0.877

Source: Data Processed (2025)

The outcomes of the construct reliability test revealed that the Cronbach's Alpha, rho\_A, and CR values for the research variables Job Satisfaction (Z), Employee Performance (Y), Financial Compensation (X1), and Non-Financial Compensation (X2) are all above the threshold of 0.7. Specifically, the Cronbach's alpha values range from 0.812 to 0.854, the rho\_A values range from 0.826 to 0.879, and the composite reliability values range from 0.877 to 0.899. These results suggest that each construct in this study exhibits a high degree of internal consistency and reliability.

**4.1.5. Evaluation of the Structural Model (Inner Model)**

**TABLE 8 |** Hypothesis Test Result (Direct Effect)

Variable	Original Sample	Sample Mean (M)	STDEV	T Statistics	P Values
Job Satisfaction	0.976	1.002	0.143	6.817	0.000

-> Employee Performance					
Financial Compensation -> Job Satisfaction	0.672	0.672	0.132	5.090	0.000
Financial Compensation -> Employee Performance	-0.386	-0.388	0.161	2.398	0.017
Non-financial compensation -> Job Satisfaction	0.131	0.119	0.128	1.020	0.308
Non-financial compensation -> Employee Performance	-0.389	-0.397	0.115	3.391	0.001

Source: Data Processed (2025)

Given the T-statistic value and the P-score, the direct and indirect effects indicate whether the variable under study has a significant impact. According to Hair et al. (2019), the outcomes are considered significant if the T-statistic value surpasses 1.96 or the P-score does not surpass 0.05.

**TABLE 9 | Hypothesis Test Result (Indirect Effect)**

Variable	O	M	STDEV	T Statistics	P Values
Financial Compensation -> Job Satisfaction -> Employee Performance	0.656	0.678	0.168	3.897	0.000
Non-financial compensation -> Job Satisfaction -> Employee Performance	0.128	0.128	0.135	0.949	0.343

Source: Data Processed (2025)

**TABLE 10 | Coefficient of Determination Results**

Variable	R Square	R Square Adjusted
Job Satisfaction	0.528	0.506
Employee Performance	0.544	0.511

Source: Data Processed (2025)

The job satisfaction variable has an R-square of 0.528. This indicates that 52.8% of the variation in job satisfaction can be explained by the independent variables in the model. The remaining 47.2% is explained by other variables outside the model. The employee performance variable has an R-square of 0.544. This indicates that the variables in the model explain 54.4% of the variation in employee performance. Factors outside the model account for the remaining 45.6%. Thus, an R-square value between 0.5 and 0.75 is considered moderate, or fairly strong.

**TABLE 11 | Effect Size (F-Square Results)**

Variable	Job Satisfaction	Employee Performance	Financial Compensation	Non-financial compensation
Financial compensation	0.849	0.157		
Non-financial compensation	0.032	0.286		
Job Satisfaction		0.986		
Employee Performance				

Source: Data Processed (2025)

Based on the results of the F-square test, the magnitude of each construct's influence on other constructs can be determined as follows: Financial compensation on job satisfaction has an  $f^2$  of 0.849, indicating a large effect. Financial compensation on employee performance has an  $f^2$  of 0.157, indicating a medium effect. Non-financial compensation on job satisfaction has an  $f^2$  of 0.032, indicating a small effect. Non-financial compensation on employee performance has an  $f^2$  of 0.286, indicating a medium effect. Job satisfaction (Z) on employee performance (Y) has an F-squared value of 0.986, indicating a large effect.

**TABLE 12 | Model Fit Test Results (Goodness of Fit)**

	Saturated Model	Estimated Model
SRMR	0.113	0.113
d ULS	2.196	2.196
d G	1.519	1.519
Chi-Square	303.319	303.319
NFI	0.541	0.541

Source: Data Processed (2025)

Given the above table: SRMR = 0.113. Values of SRMR below 0.10 usually indicate a good model fit. SRMR = 0.113 is slightly above 0.10, which is considered reasonable. The NFI (Normed Fit Index) = 0.541. Ideally, the NFI approaches 1. The minimum threshold for a good fit is 0.90. NFI = 0.541 indicates that the model has a moderate fit with the data.

## 4.2 DISCUSSION

### 4.2.1 Financial Compensation for Employee Performance

Financial compensation has a significantly negative impact on employee performance, with a coefficient of -0.386 and a p-value of 0.017 (<0.05). This is because of the financial compensation at PT. Urchindize Madura is implemented in accordance with management policies and applicable regulations. Employees respond positively to improvements in performance and always strive to contribute well in exchange for fair compensation from management. These results are primarily based on compensation, particularly salary, which is a key component of financial compensation. The dominance of salary as a reward generates strong enthusiasm and high work motivation among PT Urchindize Madura employees. The company’s management practices demonstrate strong discipline and commitment in managing compensation as part of a broader strategy to achieve sustainable organizational goals, which supports the effectiveness of the salary system implemented to date.

As a result, the company will experience performance improvements, including increased profits. Kim and Jang (2020) found that compensation influences performance improvement, ultimately affecting company profit expansion. Mahsouni, Touijer, and Makhroute (2022) also state that higher financial compensation implies an increase in employee contributions to the company.

### 4.2.2 Financial Compensation on Job Satisfaction

The coefficient value of 0.672 and p-value of 0.000 (less than 0.05) for the effect of financial compensation on job satisfaction

indicate a positive and significant effect. Financial compensation also affects job satisfaction. In this case, salary, bonuses, coworkers, and work environment contribute positively and significantly to improving job satisfaction in the workplace. These findings are based on the effectiveness of the salary system, which provides employees with a sense of satisfaction and enhances their overall job satisfaction. Additionally, attractive financial rewards, such as bonuses and incentives, enhance employee performance at PT Urchindize Madura.

The provision of compensation greatly affects employee satisfaction. This is also supported by other factors, such as welfare management and a positive work environment, which impact the continuity of task development and workload. Consequently, job satisfaction has increased over time at PT Urchindize Madura. Urchindize Madura. This research aligns with Tarmidi, Simbolon, Putra, Sulaeman, and Farhan (2021), who state that financial compensation influences job satisfaction. William and Riyanto (2021) also state that compensation significantly affects job satisfaction. Additionally, it was found that there is a statistically significant positive relationship between compensation levels and job satisfaction (Watkins & Fusch, 2022).

This aligns with research by Aktar (2024) that suggests job satisfaction increases with continuously improving compensation. Several empirical studies (Kadzielski, Bot, & Ring, 2012) have found compensation to be much more important than job satisfaction. However, this study expects to find an association between compensation and job satisfaction. As Suryadi, Utomo, and Setiorini (2022) also stated, compensation dominantly influences job satisfaction. The positive relationship between compensation and job satisfaction aligns with research (Park & Ok, 2021).

#### 4.2.3 Non-Financial Compensation and Job Satisfaction

Coefficient = 0.131, p-value = 0.308 (>0.05). The influence of non-financial compensation on job satisfaction is not statistically significant, but the aforementioned data demonstrate that non-financial compensation affects employee performance. Several workplace factors strongly support the outcomes of this research, such as a good work environment, insurance, and health guarantees provided by management in accordance with company policies. These factors also impact the expansion of financial compensation to improve performance at PT. Urchindize Madura. These results support field observations indicating that non-financial compensation does not significantly affect job satisfaction.

This may be because employees tend to place greater emphasis on direct, tangible forms of compensation, such as financial rewards like salary, bonuses, and other monetary incentives.

This is supported by research (Jaleta, Kero, & Kumera, 2019) concluding that non-financial compensation influences employee performance. Similarly, Haider, Aamir, Hamid, and Hashim (2015) state that the importance of non-financial compensation implies improvement in employee performance within an organization. However, non-financial compensation has little to no implication on job satisfaction. This result is caused by several factors. In this case, non-financial compensation is provided periodically, and employees are sufficiently satisfied but do not experience significant improvement. Employees at PT. Urchindize Madura expect more improvement in financial compensation factors. This research is consistent with that of Iriani et al. (2023), who also found no relationship between pay and job satisfaction.

#### 4.2.4 Job Satisfaction on Employee Performance

The strong positive correlation (coefficient of 0.976, p-value of 0.000) between job happiness and employee performance indicates that job happiness has a favorable and significant effect on performance. Job satisfaction influences employee performance, a result supported by several factors at PT Urchindize Madura, such as satisfaction with salary, supervisors, and coworkers. In this case, Urchindize Madura cites satisfaction with salary, supervisors, and coworkers as factors that influence job satisfaction. These elements demonstrate that job satisfaction enhances performance at work. The organization's management offers effective retention strategies to boost job satisfaction and consistently improve employee performance. This finding is supported by key factors such as salary and job satisfaction, which are important indicators of job satisfaction. Company management uses these factors as reference points when managing employee welfare. These two factors represent the primary expectations of most employees and are closely interrelated, contributing positively to improved work outcomes and enhanced

performance.

This result is supported by Gazi, Yusof, Islam, Amin, and bin S. Senathirajah (2024), who assert that highly satisfied workers will have an impact on performance. Mira, Choong, and Thim (2019) stated that job satisfaction is greatly affected by employee performance. Eliyana and Ma'arif (2019) declare that satisfaction is greatly affected by employee performance. Tafese Keltu (2024) also states that job satisfaction has a significant impact on employee performance.

Job satisfaction is one measure of workforce performance and contribution to a company or organization. According to Keltu (2024), job satisfaction also has a significant impact on employee performance. Employee performance is influenced by various factors, including job satisfaction (Xiao, Xie, & Liu, 2024).

#### **4.2.5 Financial and Non-Financial Compensation Variables on Performance Through Job Satisfaction**

This research also examines the indirect effects of monetary and non-monetary compensation factors on performance through job satisfaction. The findings suggest that job satisfaction mediates the effect of monetary compensation on performance. Improved satisfaction resulting from financial compensation in the form of salary, bonuses, allowances, or incentives for work contributions undoubtedly causes this performance enhancement. Additionally, expanding compensation aligns with expanding performance contributions, so job satisfaction positively impacts employees' performance at work. These outcomes align with research by Dwiyantri et al. (2021), who found that compensation affects performance through job satisfaction. The research findings indicate that job satisfaction serves as a mediating variable, particularly in strengthening the effect of financial compensation, such as salaries, allowances, and other monetary benefits, on employee performance. This, in turn, supports the sustainability of overall organizational performance.

However, the non-financial remuneration component has no discernible effect on performance through work satisfaction because health insurance, insurance, and sporadic family get-togethers don't have a significant enough effect on performance (Ohunakin & Olugbade, 2022). Ohunakin and Olugbade (2022) state that compensation impacts performance through effective communication, one aspect of satisfaction. Iriani et al. (2023) conclude that compensation through job satisfaction has little to no impact on performance. These results are consistent with findings that management practices at PT Urchindize Madura do not emphasize indirect, non-financial compensation, such as social security benefits or leave arrangements. These benefits have not demonstrated a direct impact on employee performance. Consequently, this condition is reflected in the study's overall outcomes.

Mediation analysis confirms that job satisfaction partially mediates the relationship between financial compensation and employee performance. This suggests that monetary rewards primarily improve performance through increased satisfaction rather than a direct pathway. In contrast, non-financial compensation does not significantly influence job satisfaction and shows no meaningful indirect effect through the mediating mechanism. This may be because employees in manufacturing settings often prioritize direct financial stability over indirect benefits, such as insurance or welfare programs. Consequently, non-financial rewards may not be perceived as sufficient to raise satisfaction or motivate stronger performance outcomes. Overall, the findings underscore the pivotal role of job satisfaction in the psychological pathways through which compensation strategies contribute to workforce effectiveness.

## **5. CONCLUSION**

This study concludes that financial compensation significantly enhances job satisfaction, which improves employee performance. Job satisfaction partially mediates the relationship between compensation and performance, highlighting its central role in translating monetary rewards into workplace productivity. In contrast, non-financial compensation (X2) does not significantly impact job satisfaction or demonstrate a mediating impact on employee performance. These findings suggest that manufacturing organizations should prioritize fair and motivating financial reward systems and strengthen non-financial benefit programs to better align with employee expectations.

## 6. LIMITATION AND IMPLICATION

Despite its contributions, this study has limitations. First, the research was conducted within a single manufacturing company with a relatively small population, which limits its generalizability. Future research should include broader samples, different industrial settings, and additional explanatory variables, such as leadership, organizational culture, and employee engagement, to improve the fit of the model and the scope of the theory. The impact of compensation on job satisfaction and performance is a critical topic for the advancement of HRM science because the outcomes of this research greatly influence the development of today's world of work and industry, which is competing with technological advances. Therefore, HRM science must provide broader, more comprehensive improvements to workforce development.

## 7. ACKNOWLEDGEMENT

First, the authors would like to thank their higher education institution, Universitas Wiraraja, for providing research funding for our study. Second, we would like to thank the research site, PT. Urchindize Madura, for giving us the opportunity to conduct a broader study on HRM development, particularly regarding compensation, satisfaction, and employee performance.

## REFERENCES

- Aktar, S. (2024). Impact of components of compensation on labours job satisfaction in the garments industry of Bangladesh. *Labour & Industry*, 34(3). <https://doi.org/10.1080/10301763.2024.2420299>
- Al Mehrzi, N., & Singh, S. K. (2016). Competing through employee engagement: a proposed framework. *International Journal of Productivity and Performance Management*, 65(6), 831–843. <https://doi.org/10.1108/IJPPM-02-2016-0037>
- Alzahrani, A., & Shaddady, A. (2021). Influences of financial and non-financial compensation on employees' turnover intention in the energy sector: the case of Aramco IPO. *International Business Research*, 14(6). <https://doi.org/10.5539/ibr.v14n6p108>
- Basyari, A., Rizqi, M., & Nandalia, D. (2024). *The Influence On Employee Performance In Organization: The Study Of Organizational Culture, Work Environment, Financial Compensation And Non Financial Compensation*. <https://doi.org/10.4108/eai.2-8-2023.2348359>
- Bin, A. S., & Shmailan, A. (2015). The relationship between job satisfaction, job performance and employee engagement: An explorative study. *Issues in Business Management and Economics*, 4(1), 1–8.
- Cascio, W. F. (2003). *Managing human resources. Colorado: Mc Graw-Hill*.
- Dewettinck, K., & Van Ameijde, M. (2011). Linking leadership empowerment behaviour to employee attitudes and behavioural intentions: Testing the mediating role of psychological empowerment. *Personnel Review*, 40(3), 284–305. <https://doi.org/10.1108/00483481111118621>
- Dwiyanti, I., Nawawi, N., Farida, U., Sakkir, G., Suryarini, D. Y., & Kusumaningrum, N. K. V. (2021). The Influence of Work Environment and Compensation on Employee Performance through Job Satisfaction in the Office of the Regional Financial Management Agency Bantaeng Regency. *Proceedings of the International Conference on Industrial Engineering and Operations Management*, 2597–2598. <https://doi.org/10.46254/au01.20220224>
- Eliyana, A., & Ma'arif, S. (2019). Job satisfaction and organizational commitment effect in the transformational leadership towards employee performance. *European Research on Management and Business Economics*, 25(3), 144–150. <https://doi.org/10.1016/j.iedeen.2019.05.001>
- Ferrara, A. R., & Giua, L. (2022). Indirect cost compensation under the EU ETS: A firm-level analysis. *Energy Policy*, 165, 112989. <https://doi.org/10.1016/j.enpol.2022.112989>
- Flippo, E. B. (2018). *Manajemen Personalialia (Alih Bahasa oleh Mohamad Masud)*. Jakarta: Erlangga.
- Gazi, M. A. I., Yusof, M. F., Islam, M. A., Amin, M. Bin, & bin S Senathirajah, A. R. (2024). Analyzing the impact of employee job satisfaction on their job behavior in the industrial setting: An analysis from the perspective of job performance. *Journal of Open Innovation: Technology, Market, and Complexity*, 10(4), 100427. <https://doi.org/10.1016/j.joitmc.2024.100427>
- Gupta, N., & Shaw, J. D. (2014). Employee compensation: The neglected area of HRM research. *Human Resource Management Review*, 24(1), 1–4. <https://doi.org/10.1016/j.hrmr.2013.08.007>
- Haider, M., Aamir, A., Hamid, A. A., & Hashim, M. (2015). A literature analysis on the importance of non-financial rewards for employees' job satisfaction. *Abasyn Journal of Social Sciences*, 8(2), 341–354.
- Hasibuan, M. S. P. (2007). *Manajemen Sumber Daya*. PT. Bumi Aksara, Jakarta.
- Hidayati, L., & Zulher, Z. (2022). The Effect of Leadership and Compensation on Employee Performance with Motivation as Moderating Variables at the Pangeran Hotel Pekanbaru. *IJEED (International Journal of Entrepreneurship and Business Development)*, 5(1), 82–91. <https://doi.org/10.29138/ijeed.v5i1.1601>
- Holland, P., Pyman, A., Cooper, B. K., & Teicher, J. (2011). Employee voice and job satisfaction in Australia: The centrality of direct voice. *Human Resource Management*, 50(1), 95–111. <https://doi.org/https://doi.org/10.1002/hrm.20406>
- Iriani, N. I., Suyitno, S., Sasongko, T., Rifai, M., Indrihastuti, P., & Yanti, D. A. W. (2023). Leadership style, compensation and

- competence influence on employee performance through job satisfaction. *Journal of Business and Management Studies*, 5(1), 38–49. <https://doi.org/10.32996/jbms>
- Issa, A., Faizal, M., Islam, A., Bin, M., Rahman, A., & Senathirajah, S. (2024). Journal of Open Innovation : Technology , Market , and Complexity Analyzing the impact of employee job satisfaction on their job behavior in the industrial setting : An analysis from the perspective of job performance. *Journal of Open Innovation: Technology, Market, and Complexity*, 10(4), 100427. <https://doi.org/10.1016/j.joitmc.2024.100427>
- Issa Gazi, M. A., Islam, M. A., Sobhani, F. A., & Dhar, B. K. (2022). Does job satisfaction differ at different levels of employees? Measurement of job satisfaction among the levels of sugar industrial employees. *Sustainability*, 14(6), 3564. <https://doi.org/10.3390/su14063564>
- Jaleta, K. M., Kero, C. A., & Kumera, L. (2019). Effect of non-financial compensation on the employees' job performance: a case of jimma geneti worda health centers in horro guduru, Ethiopia. *International Journal of Commerce and Finance*, 5(2), 31–44.
- Jiménez, F. R., Posthuma, R. A., & Campion, M. A. (2013). Effective incentive compensation for sales employees during tough economic times. *Organizational Dynamics*, 42(4), 267–273. <https://doi.org/10.1016/j.orgdyn.2013.07.004>
- Kadzielski, J. J., Bot, A. G. J., & Ring, D. (2012). The influence of job satisfaction, burnout, pain, and worker's compensation status on disability after finger injuries. *The Journal of Hand Surgery*, 37(9), 1812–1819. <https://doi.org/10.1016/j.jhssa.2012.05.023>
- Keltu, T. T. (2024). The effect of human resource development practice on employee performance with the mediating role of job satisfaction among Mizan Tepi University's academic staff in Southwestern Ethiopia. *Heliyon*, 10(8).
- Kim, H. S., & Jang, S. S. (2020). The effect of increasing employee compensation on firm performance: Evidence from the restaurant industry. *International Journal of Hospitality Management*, 88, 102513. <https://doi.org/10.1016/j.ijhm.2020.102513>
- Komar, I., Brahmasari, I. A., & Nugroho, R. (2021). Effect of Compensation, Quality of Work Life on Performance. *Journal of Asian Multicultural Research for Economy and Management Study*, 2(2), 25–34. <https://doi.org/10.47616/jamrems.v2i2.107>
- Kurnia, D., Azizah, S., & Suhendra, A. (2020). The Effect of Financial and Non-Financial Compensation on Employee Performance During Covid-19. *Almana: Jurnal Manajemen Dan Bisnis*, 4(3), 398–404. <https://doi.org/10.36555/almana.v4i3.1474>
- Mahssouni, R., Touijer, M. N., & Makhroute, M. (2022). Employee compensation, training and financial performance during the COVID-19 pandemic. *Journal of Risk and Financial Management*, 15(12), 559. <https://doi.org/10.3390/jrfm15120559>
- Mankunegara, A. P., & Prabu, A. (2013). Manajemen sumber daya manusia perusahaan. *Bandung: PT Remaja Rosdakarya*.
- Martoyo, S. (2007). Manajemen sumber daya manusia, edisi 5, cetakan pertama. *Yogyakarta: Bpfe*.
- McNamara, C. (2008). Employee benefits and compensation: Basics about employee motivation: Nuts-and-bolts guide to leadership and supervision in business. In *Authenticity Consulting LLC*. Minneapolis, Minnesota.
- Mira, M., Choong, Y., & Thim, C. (2019). The effect of HRM practices and employees' job satisfaction on employee performance. *Management Science Letters*, 9(6), 771–786. <https://doi.org/10.5267/j.msl.2019.3.011>
- Ohorella, H. (2019). The effect of financial and non financial compensation on employee job satisfaction of pt bank Perkreditan Rakyat (bpr) Modern Express of Ambon Branch. *Russian Journal of Agricultural and Socio-Economic Sciences*, 94(10), 34–40.
- Ohunakin, F., & Olugbade, O. A. (2022). Do employees' perceived compensation system influence turnover intentions and job performance? The role of communication satisfaction as a moderator. *Tourism Management Perspectives*, 42. <https://doi.org/10.1016/j.tmp.2022.100970>
- Park, J., & Ok, C. (2021). Do Performance-based pay and pay competitiveness moderate the relation between Lower-Level employees total compensation and job satisfaction? Evidence from South Korea. *Humanities and Social Sciences Letters*, 9(4), 378–388. <https://doi.org/10.18488/journal.73.2021.94.378.388>
- Permana, A., Aima, M. H., Ariyanto, E., Nurmahdi, A., Sutawidjaya, A. H., & Endri, E. (2021). The effect of compensation and career development on lecturer job satisfaction. *Accounting*, 7(6), 1287–1292. <https://doi.org/10.5267/j.ac.2021.4.011>
- Priyatono, M. (2019). Pengaruh Kompensasi Finansial dan Non Finansial terhadap Kinerja Karyawan Mesastila Hotels dan Resorts. *Media Wisata*, 17(1). <https://doi.org/10.36276/mws.v17i1.150>
- Rivai, V., & Sagala, E. J. (2018). Manajemen sumber daya manusia untuk perusahaan (Kedua). *Rajawali Pers*.
- Situmorang, D. V., Rangkuti, D. A., Sinaga, I. H. V., Nahor, V. U. B., & Sitorus, J. M. (2022). Influence Giving Compensation Financial, Non-Financial Compensation, And Motivation Work To Spirit Work Employee Perum Damri Medan. *International Journal of Economic, Technology and Social Sciences (Injects)*, 3(1), 64–73. <https://doi.org/10.53695/injects.v3i1.649>
- Sudaryo, Y., Aribowo, A., & Sofianti, N. A. (2018). Human Resource Management, Indirect Compensation and Physical Work Environment. *Yogyakarta: Andi Offset*.
- Suryadi, G., Utomo, F., & Setiorini, A. (2022). The Role of Compensation and Work Environment on Employee Job Satisfaction (A Case Study at Container Terminal). *International Journal of Research and Innovation in Social Science*, 6(12), 674. <https://doi.org/10.47772/ijriss.2022.61240>
- Tarmidi, D., Simbolon, R., Putra, W. A., Sulaeman, A. R., & Farhan, M. (2021). The Effect of Financial Compensation and Work Stress on the Job Satisfaction of Go-Jek (Go-Ride) Driver Partners in Bandung Area in the Covid-19 Pandemic. *Turkish Journal of Computer and Mathematics Education*, 12(4), 740–746.
- Thapa, R. (2020). The effect of financial and non-financial compensation towards employee job satisfaction. *Kathford Journal of Engineering and Management*, 2(01), 99–105. <https://doi.org/10.3126/kjem.v2i01.61871>

- Tnay, E., Othman, A. E. A., Siong, H. C., & Lim, S. L. O. (2013). The influences of job satisfaction and organizational commitment on turnover intention. *Procedia-Social and Behavioral Sciences*, 97, 201–208. <https://doi.org/10.1016/j.sbspro.2013.10.223>
- Utin, N. H., & Yosepha, S. Y. (2019). The model of employee performance. *International Review of Management and Marketing*, 9(3), 69. <https://doi.org/10.32479/irmm.8025>
- Watkins, R., & Fusch, P. (2022). *Employee monetary compensation and employee job satisfaction*.
- Widodo, S. E. (2015). *Manajemen pengembangan sumber daya manusia*.
- William, C., & Riyanto, S. (2021). Influence of Organizational Culture, Transformational Leadership, Compensation and Career Development on Job Satisfaction and Their Implications on Employees Turnover Intention of Pt Kalbe Farma TBK. *Global Journal of Human Resource Management*, 10(1), 1–16. <https://doi.org/10.37745/gjhrm.2013>
- Xiao, H., Xie, W., & Liu, B. (2024). An empirical study on the influence of new generation employees' job satisfaction on contextual performance in the energy industry. *Heliyon*, 10(9). <https://doi.org/10.1016/j.heliyon.2024.e30073>
- Yousaf, S., Latif, M., Aslam, S., & Saddiqui, A. (2014). Impact of financial and non-financial rewards on employee motivation. *Middle-East Journal of Scientific Research*, 21(10), 1776–1786. <https://doi.org/10.5829/idosi.mejsr.2014.21.10.21756>

**Conflict of Interest Statement:** The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright © 2026 **Unsul Abrar\***, **Moh. Kurdi**, **Syaiful Anwar**. This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY). The use, distribution or reproduction in other forums is permitted, provided the original author(s) and the copyright owner(s) are credited and that the original publication in this journal is cited, in accordance with accepted academic practice. No use, distribution or reproduction is permitted which does not comply with these terms.