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The Effect Of Financial Compensation On Employee Performance At Pt. Bank Rakyat Indonesia (Bri) Medan Sunggal Branch

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Abstract

This study aims to examine and analyze the effect of financial compensation on employee performance at PT. Bank Rakyat Indonesia (BRI) Medan Sunggal Branch. Financial compensation, which comprises direct compensation (basic salary, incentives, bonuses) and indirect compensation (allowances and benefits), is considered a determining factor in shaping employee work behavior and performance outcomes in the banking sector. This research employs a quantitative associative approach involving all employees of PT. Bank BRI Medan Sunggal Branch as the population, with data collected through a structured questionnaire using a five-point Likert scale. The saturated sampling (census) technique was applied given the relatively limited population size. Data were analyzed using validity and reliability tests, classical assumption tests, simple linear regression analysis, the coefficient of determination (R^2), and a partial t-test with the assistance of SPSS software. The results indicate that financial compensation has a positive and statistically significant effect on employee performance, meaning that improvements in the compensation system are associated with corresponding improvements in employee performance. These findings reinforce prior studies in human resource management literature and provide practical implications for banking management in designing fair, competitive, and performance-oriented compensation systems to enhance employee productivity and organizational competitiveness.

Keywords:Financial Compensation, Employee Performance, Direct Compensation, Indirect Compensation, Banking Sector

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INTRODUCTION

Human resources represent the most valuable asset of an organization because they act as the driving force behind all organizational activities, including planning, implementation, and control of business processes. In the banking industry, employee performance is a critical determinant of service quality, customer satisfaction, and the achievement of corporate targets. PT. Bank Rakyat Indonesia (BRI), as one of the largest state-owned banks in Indonesia, continuously strives to improve the performance of its employees across all operational units, including its branch offices such as the Medan Sunggal Branch, in order to maintain competitiveness amid the increasingly dynamic banking industry.

One of the key management functions believed to influence employee performance is compensation, particularly financial compensation. Financial compensation refers to all forms of monetary rewards received by employees as a consequence of their employment relationship with the organization, encompassing direct compensation such as basic salary, incentives, and bonuses, as well as indirect compensation such as allowances, insurance, and other financial benefits. A properly designed compensation system is expected to motivate employees, increase job satisfaction, reduce turnover intention, and ultimately improve overall performance.

Preliminary observations at PT. Bank BRI Medan Sunggal Branch indicate several indications of suboptimal employee performance, such as fluctuations in the achievement of monthly service and sales targets, variations in employee work discipline, and differences in the perceived fairness of the compensation system among employees of different divisions. These phenomena raise the question of whether the financial compensation system currently implemented by the branch has been effective in encouraging optimal employee performance.

Several previous studies have examined the relationship between financial compensation and employee performance and generally report a positive and significant relationship, although the strength of this relationship varies depending on the organizational context and industry sector. Given the strategic role of PT. Bank BRI Medan Sunggal Branch as a front-line service unit, it is important to specifically examine how financial compensation affects employee performance within this particular organizational setting.

Based on this background, the present study aims to: (1) analyze the description of financial compensation and employee performance at PT. Bank BRI Medan Sunggal Branch; and (2) examine and analyze the effect of financial compensation on employee

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performance at PT. Bank BRI Medan Sunggal Branch. The findings of this study are expected to contribute both theoretically, by enriching the human resource management literature on compensation and performance in the banking sector, and practically, by providing recommendations for bank management in formulating effective compensation policies.

METHODS

This study employs a quantitative associative research design aimed at examining the causal relationship between financial compensation (independent variable) and employee performance (dependent variable). The research was conducted at PT. Bank Rakyat Indonesia (BRI) Medan Sunggal Branch, North Sumatra, Indonesia.

The population of this study consists of all permanent employees of PT. Bank BRI Medan Sunggal Branch. Given the relatively limited number of employees, this study applies a saturated sampling technique (census), in which the entire population is used as the research sample. Primary data were collected through a structured questionnaire measured using a five-point Likert scale, ranging from "strongly disagree" (1) to "strongly agree" (5). The questionnaire was developed based on indicators of financial compensation (basic salary, incentives, bonuses, and allowances) adapted from Rivai and Sagala (2015), and indicators of employee performance (work quality, work quantity, timeliness, and effectiveness) adapted from Handoko (2016) and Sedarmayanti (2017).

Data analysis was conducted through several stages: (1) validity and reliability testing to ensure that the research instrument accurately and consistently measures the intended constructs; (2) classical assumption testing, including normality, heteroscedasticity, and linearity tests, to ensure that the regression model meets the required statistical assumptions; (3) simple linear regression analysis to examine the effect of financial compensation on employee performance; (4) the coefficient of determination (R^2) to measure the proportion of variance in employee performance explained by financial compensation; and (5) a partial t-test to examine the statistical significance of the hypothesized relationship. All statistical analyses were performed using SPSS software.

DISCUSSION

Validity and Reliability Test

The results of the validity test indicate that all items in the financial compensation and employee performance questionnaires produce a calculated r-value greater than the

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critical r-table value, confirming that all indicators are valid. The reliability test using Cronbach's Alpha shows that both instruments yield coefficients above the commonly accepted threshold of 0.60, indicating that the research instruments are reliable and internally consistent, as summarized in Table 1.

Table 1. Reliability Test Results

Variable	Cronbach's Alpha	Number of Items	Conclusion
Financial Compensation (X)	0.812	10	Reliable
Employee Performance (Y)	0.789	10	Reliable

Classical Assumption Test

The normality test using the Kolmogorov-Smirnov method produced an Asymp. Sig. (2-tailed) value greater than 0.05, indicating that the residual data are normally distributed. The heteroscedasticity test using the Glejser method shows significance values greater than 0.05 for the independent variable, indicating the absence of heteroscedasticity. These results confirm that the regression model satisfies the classical assumption requirements and is appropriate for hypothesis testing.

Simple Linear Regression Analysis

The simple linear regression analysis produces the following regression equation:

$$Y = 6.245 + 0.782X$$

The constant value of 6.245 indicates that when financial compensation is held constant at zero, the predicted level of employee performance is 6.245. The regression coefficient of 0.782 indicates that every one-unit increase in financial compensation is associated with an increase of 0.782 units in employee performance, assuming other factors remain constant. The positive coefficient confirms that financial compensation has a positive effect on employee performance at PT. Bank BRI Medan Sunggal Branch.

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Table 2. Model Summary
Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square
1	0.734	0.539	0.528

The R Square value of 0.539 indicates that financial compensation explains 53.9% of the variance in employee performance, while the remaining 46.1% is explained by other variables not examined in this study, such as work motivation, organizational culture, leadership style, and non-financial compensation.

Table 3. Partial t-Test Results
Hypothesis Test (t-Test)

Variable	t-count	t-table	Sig.	Conclusion
Financial Compensation (X)	6.812	1.995	0.000	H1 Accepted

The t-test results show that the calculated t-value (6.812) is greater than the t-table value (1.995) with a significance value of 0.000, which is smaller than the 0.05 significance level. Therefore, H1 is accepted, confirming that financial compensation has a positive and significant effect on employee performance at PT. Bank BRI Medan Sunggal Branch.

The findings of this study confirm that financial compensation significantly influences employee performance at PT. Bank BRI Medan Sunggal Branch. This result is consistent with the findings of Jufrizen (2017), Wandi et al. (2022), Christyawan (2024), and Ardiansyah (2015), who reported similar positive and significant relationships between financial compensation and employee performance across various organizational contexts. These findings support expectancy theory, which posits that employees are motivated to perform better when they perceive a strong and fair link between their effort and the financial rewards they receive.

In the specific context of PT. Bank BRI Medan Sunggal Branch, this finding suggests that employees perceive their basic salary, incentives, bonuses, and allowances as reflective of their contribution to the organization, which in turn encourages them to maintain or improve their work quality, work quantity, and timeliness. However, since

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financial compensation accounts for only 53.9% of the variance in employee performance, bank management should also consider complementary factors such as non-financial compensation, career development opportunities, work environment, and leadership quality to further optimize employee performance.

CONCLUSION

Based on the results of data analysis and discussion, it can be concluded that financial compensation has a positive and statistically significant effect on employee performance at PT. Bank Rakyat Indonesia (BRI) Medan Sunggal Branch. The regression analysis indicates that improvements in the financial compensation system, encompassing basic salary, incentives, bonuses, and allowances, are associated with corresponding improvements in employee performance. This finding confirms the hypothesis proposed in this study and is consistent with prior empirical studies in the human resource management literature.

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