

# The Role of Incentives Strategy on Employee Performance through Job Satisfaction as Between Variables

(Case Studies in Banks Muamalat Branch Medan)

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## ABSTRACT

Human resources (HR) have a vital role in company. Likewise with PT. Banks Muamalat Indonesia, wants human resources with superior capabilities and expertise. Various efforts were made to improve employee performance, including by providing incentives as a stimulus for employees who work extra. The purpose of providing incentives is to increase employee morale in carrying out their work, in addition to increasing work results in order to achieve the target set by Bank Muamalat Medan Branch. The performance of the employees of Bank Muamalat, Medan, has met the criteria for Standard Operational Procedure (SOP), but there are still some employees who are not satisfied with the results and do not want to put more effort into improving work results. This study uses a quantitative approach with a correlational analytic design. The research analysis method uses Partial Least Square - Structural Equation Modeling (PLS-SEM) using the SmartPLS application (v 2.3.8). The results of the research on the outer model showed that no trimming was found, where all construct variables had proper validity and reliability. While the inner model found that incentives have a positive effect on performance satisfaction with the t test value of (43.604); incentives have a positive effect on employee performance with a t test value of (2.947); Performance satisfaction has a positive effect on employee performance with a t test value of (4.703). The indirect effect of the incentive variable with job satisfaction as a variable between positively influencing employee performance with a t test value of

(28.718). Where the t value is above > the t table value.

**Keywords:** Human Resources, Satisfaction, Incentives, Performance

## INTRODUCTION

Human resources (HR) have a vital role in a company. Human resources role in managing and utilizing resources (resources) so that it becomes a product that is more useful, therefore, in order to improve performance in a company, HR must have the ability and superior craftsmanship. One of the company's Human resources who have the ability and expertise that is Banks Muamalat Indonesia Tbk, which is one of the companies engaged in the field of Islamic banking services. As the company Islamic finance, according to Hamsani (2020) there are 4 (four) competencies employees needed in order to advance the Islamic banking business, namely functional ability, behavior ability, core ability and role ability. Functional ability refers to the ability of Islamic banking itself, what are the rules (which differentiate from conventional banking), and other related knowledge about Islamic banking. Behavior the ability refers to the behavior that must be shown of employees of Islamic banking in providing services and contributions to the work. There are 2 (two) behavior, namely work ethic and personality that is friendly (hospitality). The next core ability refers to behavior that reflects the

“culture” as the history of banking which is based on religion. The last is a role ability refers to the role of employees in the organization. Talking about the role depends on the position and the position, but overall, each play a role in providing the best service to the customer.

A variety of efforts made by companies to improve employee performance, among others, by providing incentives as a stimulus for employees who work extra. Studies on the role of incentives on the performance of employees in Islamic banking, among others, performed by Riati (2015), where in his research he found the provision of incentives have a significant effect on employee performance at PT. Bank Mega Sharia Market Sukaramai, Pekanbaru. The results of the descriptive analysis show that the incentives made by the company in general is right and good, it can be shown from the level of employee loyalty is very high.

The purpose of the incentive is usually to increase the morale of employee in carrying out his job, in addition to improve the results of the work in order to achieve the target set by the company, especially in the company of Bank Muamalat Medan Branch.

Market, PT Bank Muamalat Indonesia Tbk (“Bank Muamalat Indonesia”) to start his business trip as the first Sharia Bank in Indonesia on 1 November 1991 or 24 Rabi’us Tsani 1412 H. The establishment of Bank Muamalat Indonesia was initiated by the Indonesian Ulema council (MUI), the Indonesian Muslim Scholar association (ICMI) and muslim businessmen who then received support from the Government of the Republic of Indonesia. Since the official operation on 1 May 1992 or 27 Syawal 1412 H, Bank Muamalat Indonesia continues to innovate and issuing Islamic financial products such as Islamic Insurance (Takaful Insurance), Pension Fund of Financial Institution Muamalat (DPLK Muamalat) and Islamic finance (Al-Ijarah Indonesia Finance) entirely be a breakthrough in

Indonesia. In addition products of the Bank namely, Shar-e, which was launched in the year 2004 is also an instant savings in Indonesia. Product Shar-e Gold Debit Visa which was launched in the year 2011 received an award from the Indonesian Record Museum (MURI) as the Debit Cards Sharia with the chip technology first in Indonesia as well as e-channel services like internet banking, mobile banking, ATM, and cash management. All of these products became a pioneer of sharia products in Indonesia and become the important milestone in the Islamic banking industry.

Based on the above description it is clear that so much of the business carried on by the Bank Muamalat Medan Branch, where the company requires employees who are professional in carrying out the work and his efforts in order to improve the performance and maximum work results. In addition, Bank Muamalat Medan Branch should also further confirms the supervision of the employees so that employees do not arbitrarily in carrying out the work and is able to provide good results for the company. But in reality all it is not in accordance with what is expected of companies because of not achieving the target of company that can give loss for Bank Muamalat Branch Medan.

Based on it can be seen achievement of the target Bank Muamalat Branch Medan in year 2016 achieve 800,202,212,640.95, in the year 2017 achieve 605,675,975,453.86 and in 2018 reached 620,901,701,211.02, of these achievements can be seen that in 2016 the achievement of the target is quite increased but in the year 2017 and 2018 decreased which causes the target not to be realized. For the company the achievement of this target is very disappointing as could be seen in 2017 on the achievement of the target is increased and in the year 2018 has decreased drastically so that it can not be tolerated again.

The performance of the employees in Bank Muamalat Cabang Medan, already meet the criteria of the Standard Operational Procedure (SOP) of the company, but still

there are some employees who are not satisfied with the results already achieved and don't want to try harder to reach a target that is able to improve the results of the work, because every company needs employees who are tenacious in work, and have the ability to innovative to achieve the results of the work and improve performance more effectively and efficiently. While, based on the data in Table 1.1 trend of revenue the company tends to decrease, it is of course the company needs employees are competent to improve the income of the company.

Based on the background above, the authors find a red thread between the provision of incentives to employees to improve performance through job satisfaction at Bank Muamalat Medan Branch. It is set out on the company's performance which shows the trend is not good can be attributed to the performance of employees as the driving force of the company also declined. One side the company is already providing incentives to employees to encourage employee achievement more, but the employee still remains there is a show of satisfaction in work and satisfied with the current conditions so that it does not encourage achievement more. This encourages researchers to conduct research on the effect of incentives on employee performance through job satisfaction at Bank Muamalat Medan Branch.

## LITERATURE REVIEW

### Incentives

The incentive is: "A means to motivate the form of the material, which is

given as a stimulant or driving simply by handing to the workers that in their arise a great spirit to increase the productivity of its work within the organization"(Gorda, 2012).

### Job Satisfaction

People work there to earn a living also seek comfort, peace, much less time is used in the work is greater than the time at home, so often people say that the workplace is a second home. On the subject of the theory of job satisfaction reveal how the perception of workers towards work, work space and so on, which can ultimately lead to satisfaction for himself. More workers satisfied in the course work can encourage positive performance.

### Performance

Performance or performance is a picture of the level of achievement of a program, activity or policy in realizing the goals, objectives, vision and mission of the organization which is poured through the strategic planning of an organization Moehriono (2012). The same thing was stated (Sinambela, 2012), "Suggests that the performance is defined as the implementation of a work and the refinement of such work in accordance with its responsibilities so that it can be achieved results in accordance with the dharapkan." Besides, According to (Wibowo, 2016) to mention the performance that comes from the word performance means the results of the job or work performance but also includes how the process works it lasts.

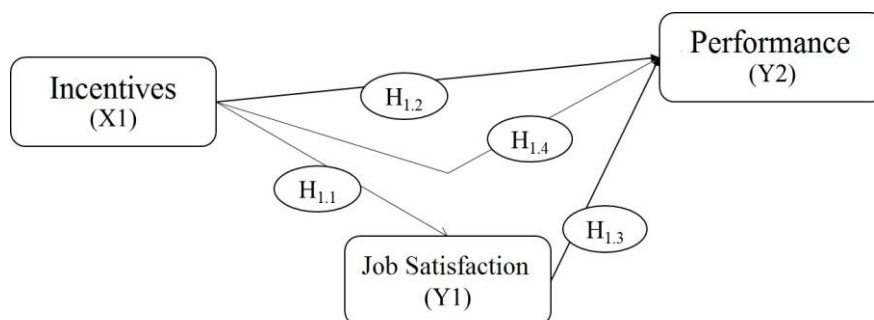


Figure 1. Conceptual Framework

## Hypothesis

Based on the background research and the relationship between variables, then the research hypothesis:

1. There is a positive and significant correlation between Incentives (X1) with Job Satisfaction (Y1) in Bank Muamalat Medan Branch.
2. There is a positive and significant correlation between Incentives (X1) to Employee Performance (Y2) in Bank Muamalat Medan Branch.
3. There is a positive and significant correlation between Job Satisfaction (Y1) Employee Performance (Y2) in Bank Muamalat Medan Branch.
4. There is a positive and significant correlation between Incentives (X1) through Job Satisfaction (Y1) Employee Performance (Y2) in Bank Muamalat Medan Branch.

## MATERIAL AND METHODS

This research is correlational analytic, namely the type of research conducted with the purpose of detecting the extent to which variations in one factor is associated (correlated) with one or more other factors based on correlation coefficient (Sinulingga, 2017). The selection and use of design is linked with the purpose of the research, namely to explain the influence and hypothesis testing by analyzing the various data in the field. In the context of this research is to obtain facts from incentives, job satisfaction and employee performance in bank Muamalat Medan Branch.

The population in this study are all permanent workers who are in Bank Muamalat Medan Branch with as many as 70 people. As for the respondents in this study were all employees who are listed in Bank Muamalat Medan Branch. The study population did not enter the contract employees (employees with the status of the Labor Agreements Specified Time or Production) and also employees of the outsourcing (outsourcing).

Method of data analysis used in this study is Partial Least Square – Structural Equation Modeling (PLS-SEM) by using the application SmartPLS (v 2.3.8). Steps PLS – SEM is to create a Path Analysis (path analysis) where the analysis of the actual is a development of regression analysis (Sugiyono, 2017). Model PLS – SEM consists of 2 (two) elements, namely the structural model or inner model, and measurement model or outer model (Widarjono, 2015). The Inner model shows the relationship between the latent variables independent, on the other hand, the outer model describing the relationship between latent variables and indicator variables. There are 2 (two) approaches in estimating SEM, namely the approach based on the covariance or the so-called Covariance Based (CB – SEM) and the approach based on a variant or so-called Partial Least Square (PLS – SEM). CB – SEM is primarily used for research that aims to prove the truth of the theory while PLS – SEM is primarily used to develop the theory in the research is exploratory so the main purpose of the use of PLS – SEM in structural equation is to make predictions and explanations of the latent variables (Widarjono, 2015). PLS – SEM is also devoted to the analysis of the data is not distributed normally and just permit the relationship is unidirectional (recursive). Different with CB – SEM in which the data should be normally distributed and allow the relationships are reciprocal (Sarwono, 2018)

Data collection is done through a set of questionnaire distributed to all respondents. The questionnaire is prepared based on the indicators contained in each variable.

## RESULTS AND DISCUSSION

### Analysis of the Results

The results of this study indicate that the variable Incentives directly influence Job Satisfaction; it is to answer the research assumptions and explain the phenomenon in Bank Muamalat Medan Branch, where it became strategic inputs to the management



of that intervention against the incentives able to enhance the job satisfaction of employees.

The results of the matching found in a study conducted by Sari and Irawanto (2016) where they are researching about the effect of incentives on job satisfaction of employees and determine the components of incentives both material and non material to the satisfaction of the employee. The results based on t test shows that the variable incentive material (X1) has no significant effect partially on employee job satisfaction (Y) and variable incentives non-material (X2) has significant influence partially on employee job satisfaction. While based on the F test results variable incentive material (X1) and incentive non-material (X2) has significant effect simultaneously on employee job satisfaction.

Another study conducted by Andini (2017) see the influence of incentives (X1) and work environment (X2) job satisfaction (Y) through multiple regression analysis and found that the partial test (t test) there is a relationship between the variable of incentives on job satisfaction. While simultaneously the results of their research found that the incentives and the working environment also affects the job satisfaction on the employees.

This study also shows that the incentive indirectly affect the performance of the employees which is also in line with the assumptions of the study. This results into strategic inputs to the management of Bank Muamalat Medan Branch where the intervention against the incentive to increase performance in employees. This is in line with the results of research conducted by Riati (2015) who also found that the incentive factor is able to improve the performance of the employees. So also with the research done by Malinda, The goddess and Gamayuni (2019) found that that the incentives and the Performance of non-financial significantly positive effect on managerial performance. The implication of this research is on variable incentives provide additional indicators not only

limited to bonuses and rewards but also in the form of allowance-allowance and honor.

Indirectly, it was found that the incentive effect on performance through job satisfaction. This becomes the input for the management of Bank Muamalat Medan Branch that intervention incentives are able to increase the satisfaction of employees, and employees who are satisfied in the end shows a good performance anyway. The results of this study are in line with what was done by Sari and Musadieg (2018), where the results of their research also found that the incentive indirectly affects job performance through job satisfaction.

The test results of determination show that the contribution of incentives in influencing the performance of employees by 0,855 or 85,5%. This contribution is relatively high, above the 0.7 (Sinulingga, 2017). Despite this, there is a contribution of other factors of 14.5%, which is not examined in this study. There are some other factors that also affect the performance of, among others, the working environment (Andini, 2017), motivation (H., 2014) education and training (Adisaksana, Astuti and Musadieg, 2015). It is becoming strategic inputs for the company for the managing management incentives with the good, there are other factors that also influence the performance of employees in Bank Muamalat Medan Branch. The results of determination also be the input for the next research to look at factors other than incentives that can affect employee performance.

### **Managerial Implications**

The results of the research accompanied by a research-other research suggests that incentives play a role in improving the performance of employees. The provision of incentives which competitive strategy is one of the human resources development managed by the company. Ulrich (2008) states that essentially the preparation of a Human resource development strategy is based on 3 (three) things:

1. Attractive, Human resource development strategy is intended to attract the interest of prospective employees to get into company, in this case is how the effort Bank Muamalat to apply a strategy different incentives so that it becomes an attraction for prospective employees are pleased to join the Bank Muamalat Medan Branch.
  2. Maintain, in the sense of strategy the provision of incentives to encourage employees to excel. There is something to be achieved is by the employee the monthly wages they receive. This strategy should be able to encourage employees to work extra. Incentives basically "just" given the work extra. The results of the work in accordance with the standards the company already obtained through the monthly wage. But to encourage employees pursue more achievements, then the company should develop a strategy of incentives to motivate the workers to grab it.
  3. Retain, the strategy of this incentive should be long-term, in the sense of not to employees that have been entered but felt the incentives were not a lot of change, stiff and lagging behind from other companies, it is certainly also encourage the employee does not feel comfortable and try to find a place job new. This strategy is called with the retain strategy, namely, how the pattern of incentives established by the Bank Muamalat Medan Branch is not less interesting with other companies, thereby maintaining the potential employee.
- other words, Hypothesis H1-1 is accepted.
2. Indirectly, there is a relationship between the incentives with the performance of the employees, this is indicated with the significance values (p values) of  $0.003 <$  to  $0.050$ , in other words, Hypothesis H1-2 is acceptable.
  3. Indirectly, there is a relationship between job satisfaction with employee performance, this is indicated with the significance values (p values) of  $0.000 <$  to  $0.050$ , in other words, Hypothesis H1-3 is acceptable.
  4. Directly, there is a relationship between incentives with employee performance through job satisfaction as a variable between, this is indicated with the significance values (p values) of  $0.000 <$  to  $0.050$ , in other words, the Hypothesis H1-4 is received. The results of this study can be useful for companies where if you want to increase purchase decisions of cosmetics Emina by consumers generation Y and Z then focus to build knowledge and enhance brand awareness, in particular through the internet as generation Y and generation Z have a lot more variety of information via the internet. For long-term educational halalbahwa products Enima produced on the location of production and with the machines, materials and production methods that have got the label Halalkepada consumer remain to be done, although in this study showed a relationship yangnegatif and not significant . So in the long term can provide positive impacts such as increasing brand awareness of the consumer that Emina is the cosmetics that pass test of halal products.
  5. The next researcher who will conduct research with the purpose of the same study is suggested to develop a research model such as adding the independent variable other is not researched in this study, for example life-style, viral marketing, and others. The next

## CONCLUSIONS AND RECOMMENDATIONS

### CONCLUSIONS

Based on the results of the research can be summed up as follows:

1. Indirectly, there is a relationship between incentives with job satisfaction, this is indicated with the significance values (p values) of  $0.000 <$  to  $0.050$ , in

researcher can also add a moderating variable or intervening in the research model in order to create research-better research again in the next research.

## RECOMMENDATIONS

The advice of researchers from the research that has been done is as follows:

1. For the Management of Bank Muamalat Medan Branch, as the results of the research show that incentives affect employee performance through satisfaction. The company needs to strategize a policy incentive to pay attention to the mechanism attractive, maintain and retain. The preparation of the strategy also needs to consider the strength of the source of funds of the company, so with the preparation of different strategies and of the union but still within the limits of budget preparation incentive, it is significant role in improving the performance of employees.
2. For further research, the results of this research, there are 14.5% for other factors that potentially affect the performance improvement in Bank Muamalat Medan Branch. Further research can focus on other factors such as work environment, motivation, education and training.

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