

The Influence of Organizational Culture, Educational Background and Compensation on Employee Performance at National Sharia Bank

Yoesoep Edhie Rachmad
Prodi Program Doktor, Universal Institute of Professional Management, USA
yoesoepedhie@gmail.com

Faisal Abubakar
Prodi Administrasi Publik, Universitas Yapis Papua, Indonesia
ichal.chelichal@gmail.com

Ilham Arief
Prodi Farmasi, STIKes Widya Dharma Husada, Indonesia
ilhamarief@wdh.ac.id

Sri Hartati
Prodi Akuntansi, Sekolah Tinggi Ilmu Ekonomi Satria Purwokerto, Indonesia
hartati_susilo@yahoo.com

Desi Kristanti
Prodi Manajemen, Universitas Kediri, Indonesia
desikristanti@unik-kediri.ac.id

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Abstract:

The purpose of this study is to experimentally examine how educational background and organizational culture affect compensation and how it affects the performance of employees of Islamic Banks. The study makes use of primary data in the form of surveys given to staff members of Islamic banks. The analytical approach in this quantitative study is Partial Least Square (PLS)-SEM, which uses the SmartPLS 3.0 data analysis tool. According to the study's findings, education has no bearing on characteristics related to pay and performance. Employee performance and compensation are positively and significantly impacted by organizational culture. Employee performance characteristics are significantly and favorably impacted by compensation. There is no compensation-related indirect impact of educational characteristics on employee performance. Organizational culture can have a favorable and considerable impact on employee performance as measured by compensation. The result of this study is the creation of references pertaining to elements that influence worker performance and reduce issues with human resource management in Islamic banking.

Keywords: compensation, educational background, organizational culture, performance.

INTRODUCTION

The flow of the Islamic banking cluster in the 2019–2024 Indonesian Sharia Economic Master Plan begins with a discussion of the conditions and developments of Islamic banking at the global and national levels. This is related to the direction of the National Islamic Banking Policy in the Blueprint for the Development of Islamic Banking in Indonesia, which states that one of the goals is to identify the problem of a lack of adequate human resources, both in quality and quantity. (Global Islamic Report, 2018) in Suriyatni, 2021. Since the beginning of 1992, the Islamic finance industry has grown very rapidly, and for three decades, Islamic finance has continued to progress. This was stated by the Minister of Finance, Sri Mulyani Indrawati. Even though developments continue to increase, there are still many problems that must be faced, one of which is the availability of human resources (HR) in the field (Girsang, 2019).

Every year, there are 40,000 students graduating from Islamic economics and finance, which is one of the big problems in Islamic finance in terms of human resources. Due to the dissimilarity between market needs and available human resources, this has caused many human resources to prefer interdisciplinary jobs. Currently, 90% of the human resources working in the Islamic finance sector do not come from economics or Islamic finance graduates (Ulya, 2021). As of December 31, 2021, the number of Bank Nagari employees was recorded at 1,855 people. This number has increased compared to the number of employees in 2020, which was 1,804 people. Bank Nagari's annual report for 2021 shows that almost all employees' educational levels have decreased, except for elementary and high school education levels. The undergraduate level of education decreased by 1.88%, or by 19 people, compared to 2020. Undergraduate level decreased by 7 people (-7.00%), and diploma level decreased by 4 people (-1.57%), while the elementary-high school level increased by 81 people (18.54%). The majority of Islamic Bank employees (53.48%) still hold bachelor's degrees.

Education is a crucial step in producing quality human resources and enhancing the quality of the labor force. A person will have far broader abilities and perspectives as a result of their education. Employee performance is positively and significantly impacted by educational background. Another study that was done revealed that education improves employee performance in an Indonesian private organization. However, it differs from earlier research that indicated that employee performance was unaffected by educational attainment because workers from a variety of educational backgrounds still performed their tasks to the best of their abilities (Hadjri & Perizade, 2019).

Organizational culture and remuneration offered by the company are just two of the variables that can influence employee performance. A system of meanings, values, and ideas that are shared inside an organization and serve to set one organization apart from another are referred to as organizational culture. Because it makes it easier for workers to complete their tasks, a strong culture is highly helpful for guiding behavior because it has an impact on the level of employee performance at the organization. According to prior studies, corporate culture significantly and favorably affects employee performance. These findings are consistent with earlier research by a different researcher, who discovered that organizational culture also had a favorable and significant impact on worker performance (Hakim, 2016).

In one of the Syariah Banks in the Tangerang region, there is an organizational culture that has a detrimental effect on personnel. Employees experience a decline in their performance due to a culture that is too competitive in results without considering the readiness and abilities of employees. Job satisfaction for employees is also not fulfilled because of the work itself, and interactions between co-workers are also not good, resulting in employees who do not have work motivation. The organizational culture that occurred underwent a slight change from before and during COVID-19. During the COVID pandemic, continue to operate as usual. Operational activities continue as usual but with several health protocols. During the COVID pandemic, provide a barrier between customers and employees so they can keep a safe distance. This causes communication to not work well, and the information conveyed cannot be clearly received by customers.

LITERATURE REVIEW

Performance

Performance is an end result. This means that the ultimate result produced by a person or individual in the

form of goods or services is described as employee performance. This viewpoint focuses on the results of a task that is someone in the organization's duty. Performance is the outcome of work that can be completed by an individual or group inside an organization in line with each group's rules and duties in an effort to accomplish the organization's goals formally and within the law (Hidayat, 2018, Tannady et al., 2019).

Education

Education is the most important part of life, which also distinguishes between humans and animals. Animals also learn, but their abilities are more determined by instinct. In contrast, learning is a process of maturation for humans in order to lead more fulfilling lives. A person's skills are developed through education in the form of applicable attitudes and behaviors in society. The social process by which an individual is influenced by his or her surroundings to develop social skills and a unique personality (Ketut, 2016).

Compensation

Pay as a just and appropriate compensation for employees in light of their contributions. Compensation is income received by employees in the form of cash or products, either directly or indirectly, as payment for labor performed for the company. Employees that work for the company are paid compensation as recompense that can be measured in dollars and is frequently given. Compensation that is given on a regular basis can foster a sense of trust for employees in the company because there is no change in the rights of employees that are given (Lasini et al., 2016; Rahayu et al., 2018).

Organizational Culture

A system of collective meaning that sets one organization apart from others is known as organizational culture. Our organization's core principles are encapsulated in this common meaning system. The values and norms of behavior that are accepted and understood by all members of the organization serve as the foundation for the rules of conduct that are in place inside it. This is another definition of organizational culture. As a framework that governs employees' actions, makes decisions for them, and sets their everyday behavior inside the organization (Rozzaid et al., 2015).

METHODOLOGY

This study is quantitative and falls under the category of associative research, which is research that seeks to establish a connection between two or more variables. The study was carried out between June and August of 2022. In this study, a straightforward random sample method was combined with probability sampling. Samples were gathered from all groups because there were 98 Islamic bank employees that made up the study's population. In this study, researchers conducted interviews and distributed questionnaires to the respondents in the form of a Google form. The questionnaire's questions were created using a Likert scale, which is an ordinal scale with five degrees of response options. Using the partial least square (PLS) method, data were analyzed.

RESULTS AND DISCUSSION

According to the findings of hypothesis testing performed using the bootstrapping approach, the education variable (X1) has a route coefficient value of 0.170, which indicates a positive influence of 17% on compensation (Z). The p-value is then 0.228, which is greater than 0.05. 1.207 is the t-statistic value, which is less than the t-table (1.985). The first hypothesis (Ha1) is disproved since there is no effect of the education construct (X1) on compensation (Z). Generally speaking, a worker's pay increases with his level of schooling. Wages are a component of the pay the business offers its employees. Education possessed by Islamic Bank employees does not affect compensation. Because if you look at the questionnaires filled out by the respondents, employees who have a salary of more than IDR 10,000,000 have worked for more than 10 years.

Using the bootstrapping method, the results of hypothesis testing reveal that organizational culture (X2) has a positive influence of 47.6% on compensation (Z), with a path coefficient value of 0.476. The p-value, which is 0.003, is hence less than 0.05. The t-statistic value is bigger than the t-table at 3.005 (1.985). So that it can be established that the

organizational culture construct (X2) has a significant impact on performance (Y). This demonstrates that organizational culture (X2) has a substantial impact on compensation (Z), supporting the second hypothesis (Ha2). According to Hasibuan (2016) in Tjahjadi & Uria (2021), there are several factors that affect employee compensation, one of which is the cost of living. The cost of living for employees can be seen from the state of the work environment at the company, such as the cost of living in the region. This demonstrates that the working environment of Islamic Bank employees has a big impact on how much money they get paid.

According to the findings of hypothesis testing performed using the bootstrapping approach, there is a positive influence of 18.3% between education (X1) and performance (Y), with a path coefficient value of 0.183. The p-value, which is 0.060, is higher than 0.05. The t-statistic value in this study is 1.887, which is lower than the t-table value (1.985). As a result, the third hypothesis (Ha3) is disproved because the education variable (X1) has no impact on employee performance at Islamic banks. This finding conflicts with those of several research using the same variable. One of them is the study done by Putu Santika et al. in 2021, which demonstrates that education has a favorable and significant impact on employee performance. The findings of study carried out by academics in Islamic banks differ from these. This study focuses more on employees' educational backgrounds than on general education. This demonstrates that an employee's level of performance is not influenced by their educational history. According to prior study, a variety of factors, including training, can have an impact on employee performance.

Using the bootstrapping method, the results of hypothesis testing reveal that organizational culture (X2) has a path coefficient value of 0.407 on performance, which indicates a positive influence of 40.7%. The p-value, which is 0.000, is less than 0.05. The t-statistic value, which is higher than the t-table, is 3.550. (1.985) this demonstrates that the organizational culture construct (X2) has a considerable impact on performance (Y). So, the fourth hypothesis (Ha4) is confirmed. The findings of the fourth hypothesis are consistent with those of the earlier researcher's study, which concluded that corporate culture has a major impact on employee performance. Previous researchers have also discussed the impact of organizational culture on performance, stating that it is a framework that regulates daily behavior, makes decisions for employees, and motivates individuals to strive toward business goals. Employees might utilize organizational culture as a point of reference in order to comprehend the values that the business upholds. The study's respondents, who are workers of Islamic banks, have a high regard for the organizational culture in these institutions. Employee performance can be enhanced through organizational culture to produce the greatest results. The division of tasks is fair and in accordance with the fields and talents of employees, as can be observed by the existence of effective communication between employees.

According to the findings of hypothesis testing performed using the bootstrapping approach, there is a positive influence of 38% on compensation (Z) on performance (Y) based on the route coefficient value of 0.380. The p-value, which is 0.000, is less than 0.05. The t-statistic value is then 4.492, which is higher than the t-table in this study (1.985). This demonstrates that the compensation construct (Z) has a considerable impact on performance (Y). In order to support the fifth hypothesis (Ha5). The findings of the fifth hypothesis are consistent with those of the earlier researcher's study, which determined that salary has a favorable and considerable impact on employee performance. This demonstrates that employees' performance will rise in direct proportion to the amount of pay they receive from Islamic banks. According to a previous researcher, who cites the findings of Mercer Consulting research at the Levi Straus Company in the United States of America that show wages and incentives in the form of money and non-money can improve employee performance, the results of this hypothesis are also consistent with the factors that influence compensation. The rate and performance of Islamic Bank personnel may be impacted by the remuneration package offered by the organization. This means that it can be used as a guideline by the company; if you want to have employees with good performance, the company provides facilities and pays employees according to their workload.

The education variable (X1) on performance (Y) through compensation (Z) has a path coefficient value of 0.065 with a p-value greater than 0.05, which is 0.201. This is according to the findings of hypothesis testing using the bootstrapping method on path coefficients (specific indirect effects), which were calculated. The t-statistic value in this study is 1.280, which is lower than the t-table value (1.985). This indicates that the educational component (X1) has no impact on performance (Y) through compensation (Z). In order to rule out the sixth hypothesis (Ha6). According to the study's findings, factors related to schooling do not significantly affect employee performance either directly or indirectly. But the result of indirect influence through compensation as an intervening variable has a higher

value. So as to improve performance more effectively through indirect paths, namely by increasing compensation for employees. If compensation can be maximized, it will certainly improve employee performance. So to increase compensation, Islamic banks can increase employee insight by holding training or workshops, providing more appropriate facilities, and providing wages according to employee working hours so that employee performance also increases and is better. This is in line with the hypothesis advanced by a prior researcher, according to which training is an activity that gives workers the chance to develop and hone work-related abilities. Also, according to this study, job training has a large indirect impact on workers' performance, with pay serving as an intermediary variable (Sulistiyo et al., 2022).

The variable Organizational Culture (X2) on Performance (Y) through Remuneration (Z) has a route coefficient value of 0.181 with a p-value less than 0,05, or 0.009, according to the findings of hypothesis testing on path coefficients (specific indirect effects) done using the bootstrapping method. The t-statistic value is 2.640, which is lower than the study's t-table value (1.985). This indicates that organizational culture (X2) has a considerable impact on performance (Y) via remuneration (Z). So that the sixth hypothesis (Ha6) is accepted. In research conducted at Islamic banks, these results indicate that organizational culture variables create comfort at work that can support employees in completing tasks to achieve company goals properly. Employee productivity can increase when they are inspired by a safe and healthy work environment and a positive working connection with their leaders. The direct impact of organizational culture on the performance of Islamic Bank workers, however, has a bigger impact than the indirect impact in this study (Wahdiniawati et al., 2023).

The variable that has the greatest impact on employee performance is remuneration, which has a t-test on path coefficients value of 4.492. This indicates that if management places more emphasis on employee compensation, staff performance at Islamic Bank will improve. This outcome is consistent with earlier study, which discovered that the factor most strongly influencing employee performance is salary. Businesses that pay attention to employee salary levels will impact employee performance levels in the future.

CONCLUSION

These inferences can be made in light of the study's findings: The organizational culture variable has a direct impact on the salary of Islamic Bank personnel, whereas the education variable has no direct impact. The performance of Islamic banks is not directly impacted by educational factors, however Islamic bank personnel are directly impacted by organizational culture and remuneration factors. In Islamic banks, there is no indirect relationship between educational factors and employee performance measured by pay as an intervening variable, but there is a relationship between organizational culture factors and employee performance measured by pay as an intervening factor. The factor most strongly influencing employee performance is remuneration.

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