

The Effect of Compensation and Loyalty on Work Discipline of Employee in One of Indonesian Commercial Bank

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Abstract:

Every business or organization needs human resources (HR) to function effectively. Companies must be able to maximize both their use of and management of their human resources. Employee performance expectations, which must be met in order for the organization to succeed, are inextricably linked to human resource management. Employees are a company's most valuable asset and play an important part in it as thinkers, planners, and controllers of business operations, thus it is important to take care of them. Employees with a high level of discipline are good employees. This study attempts to ascertain the simultaneous or partial effects of pay and loyalty on the work discipline of one of commercial banks in Indonesia. All employees served as the sample in this study, which used a purposive sampling technique. This study's technique of analysis involves multiple linear regression. The findings of the F test indicate that the pay and loyalty variables concurrently have a positive and substantial impact on employee work discipline, as indicated by the F value of $0.000 < 0.05$. The pay and loyalty variables both have a positive and substantial impact, as shown by the t test. R Square corrected to 0.559.

Keywords: Human Resource, Organization, Work Discipline, Loyalty, Compensation

Introduction

Every business or organization needs human resources (HR) to function effectively. Companies must be able to maximize both their use of and management of their human resources. Employee performance expectations, which must be met in order for the organization to succeed, are inextricably linked to human resource management. Employees are a company's most valuable asset and play an important part in it as thinkers, planners, and controllers of business operations, thus it is important to take care of them. Employees with a high level of discipline are good employees (Ayu, 2012).

The most crucial operational function of human resource management is discipline since it directly correlates with an employee's ability to perform at a higher level. Corporate companies struggle to produce the best results without strong staff discipline. Good discipline shows that a person takes his job seriously, which fosters

a passion for his profession, boosts morale, and helps him fulfill the company's objectives. As a result, every business strives to instill good discipline in its workers (Arta et al., 2022).

Workplace discipline may be viewed as having significant advantages for both the firm and its personnel. For businesses, the presence of work discipline will ensure the upkeep of order and the efficient completion of duties, resulting in the best possible results. Employees can do their tasks in the interim. Employees may then do their tasks with complete awareness and can maximize the development of their energies and minds for the accomplishment of corporate objectives. One of the means used to generate employee work discipline is wages or salaries. Wages are an essential and dominant factor that allows a person to work for the benefit of another person or company. Wages are an acceptance as remuneration or compensation from the employer to the recipient of a work or service that already exists and functions as a guarantee of survival and a decent life for humanity and a production activity. Insufficient wages or salaries are often the reason for employees to resign (Hasibuan, 2011).

Difficulties in establishing cooperation with superiors and colleagues, an uncomfortable office environment, workloads that are too heavy and not in accordance with their capacities are also often experienced by employees. At times like that, the desire to get out of an unpleasant environment is definitely there and look for a new job. Employees must be treated fairly and fairly in terms of remuneration, so that they feel at home in carrying out their duties and are loyal to the company. If in a company the rate of employee turnover is high, then the company will lose out both in terms of time, effort, costs, and slow down work activities. This can happen because the company will look for new employees to fill vacant positions by selecting, training, and developing these employees (Tannady et al., 2019).

Loyalty and work discipline are two important elements that are interrelated and contribute to individual and organizational success. The close relationship between the two forms a strong foundation in achieving common goals. Loyalty, as a loyal attitude and commitment to the organization, plays a central role in strengthening work discipline. When someone feels they have a strong emotional attachment and commitment to the organization, they tend to be more motivated to maintain discipline in carrying out their duties and responsibilities. High loyalty also creates a work climate of mutual trust, where employees feel valued and recognized for their contributions. This encourages the adoption of better work discipline, as they see the value in providing the best for the organization. On the other hand, consistent and strict work discipline also strengthens loyalty. When individuals show discipline in carrying out their duties with consistency and responsibility, they earn the trust of their superiors and co-workers. This builds a positive reputation and increases their loyalty to the organization. In addition, good work discipline also reflects an attitude of professionalism which is important in maintaining quality work and achieving optimal results. This study tries to examine how loyalty and wages both affect employee work discipline (Meisarah et al., 2023).

Literature Review

Wages are seen as just and reasonable compensation for the services provided by employees in attaining organizational objectives. Wages are direct financial compensation given to employees based on the quantity of products or services produced or the number of hours worked. There are also those who say wages are an acceptance as a reward from the employer to the recipient of the work including allowances, both for the worker himself and his family (Hermawan & Riana, 2014).

Wages are a form of compensation given to workers in exchange for services or contributions in a job. The concept of wages has an important role in economic theory and influences various aspects in the context of the labor market. Wages can be seen as the price set for the factors of work production, which is based on the meeting between the supply and demand for labor in the market. In economic analysis, the wage rate is influenced by various factors such as the level of education and skills of workers, the level of productivity, the demand for labor in the market, and the inflation rate. Fair and competitive wage rates can affect the efficiency of the allocation of resources in the economy, as well as affect the ability of individuals to meet their needs. From an economic perspective, wages can also be a policy instrument used to address income inequality and achieve social goals such as reducing poverty. Through market mechanisms, wages play a role in determining the level of remuneration received by workers and influencing individual decision making regarding participation in the labor market and their efforts to improve skills and productivity (Pratama et al., 2017).

Classification of wages based on time, output, and piece rate is an approach used in determining the payment system to workers based on the work method performed. This classification reflects various factors that

can affect the amount of wages received by individuals. First, the classification of wages based on time refers to the payment of wages based on the amount of time spent by workers in carrying out work. Time-based wage systems usually use specific time units such as hours, days, or months as the basis for calculating. In this case, workers are paid based on working hours or a certain predetermined period of time. This method is more commonly used in jobs that require consistent time, such as office work or project-based work with a clear schedule (Soedarmadi et al., 2017).

Second, the classification of wages based on results refers to the payment of wages based on the level of productivity or results achieved by workers. Workers are rewarded based on the amount of goods produced, services rendered, or tasks completed. This approach encourages workers to increase their efficiency and productivity, because the more output produced, the greater the wages received. This method is often used in the manufacturing sector or jobs that have clearly measurable outputs. Third, the classification of wages based on piecework refers to the payment of wages based on the completion of certain tasks or projects. Workers get wages based on the number of tasks or projects completed successfully. In this system, workers have the responsibility to complete tasks within a certain time limit with the expected quality. The use of this contract method is often found in the construction, plantation, or work sectors involving projects with a clear scope (Kamaroellah et al., 2023).

Loyalty according to the general Indonesian dictionary means obedient, obedient, and loyal. Hasibuan contends that loyalty or allegiance, which encompasses devotion to one's job, position, and organization, is one of the factors utilized in appraising workers. Employees' desire to defend the company against irresponsible individuals both within and outside of the workplace is a sign of their dedication to the company. According to Poerwopoespito, employees who dedicate their skills and knowledge, complete duties with responsibility, discipline, and honesty at work exhibit a commitment to their employer. Loyalty is the most crucial attitude for workers to have when working for the organization. This attitude is demonstrated, among other things, by a desire to work harder and longer hours as well as the development of a friendly and supportive work environment. Employee commitment to the organization, which may be produced by a number of elements coming from both the organization and the individual, is a sign of employee loyalty (Vanneca et al., 2013).

Employee loyalty can affect various aspects in the organizational context. Employee loyalty is closely related to employee retention. Loyal employees tend to have a higher desire to remain with the organization in the long term. They feel bound by the vision and mission of the organization and have strong bonds with colleagues and organizational culture. This reduces employee turnover rates and assists organizations in retaining an experienced and trained workforce. In addition, employee loyalty also has an impact on work quality and productivity. Loyal employees tend to be highly motivated and dedicated in carrying out their duties. They feel responsible for the success of the organization and actively seek to achieve common goals. This loyalty can encourage them to provide better performance, generate innovation, and maintain high quality work (Pratama et al., 2017).

Discipline refers to a person's attitude of readiness and willingness to obey and comply with the rules and regulations that are in effect around him. The company's goals will be achieved more quickly with good staff discipline than with falling discipline, which will act as a roadblock. Pre-researcher claims that discipline is a motivating factor for workers. It is important to make an effort to maintain solid discipline so that each task may be completed without issue. The idea that punishment is the only thing that can be used to enforce discipline is untrue, according to earlier researchers. Employees are forced to conform voluntarily to choices, regulations, and high standards of work and conduct by the force of discipline that grows inside the body of the individual. In a restricted definition, it is frequently connected to punishment. whereas the only aspect of a disciplinary matter that involves punishment is an employee. Rarely is this done, and only when attempts at a constructive strategy are unsuccessful (Soedarmadi et al., 2017).

Employee work discipline includes various aspects. Time discipline is an important component in work discipline. Employees who are time discipline will attend on time, follow a set work schedule, and respect the set work time. They recognize the importance of using time effectively and efficiently to complete their tasks, avoid unnecessary delays, and maintain consistent quality of work. In addition, work discipline also involves aspects of work quality. Employees who have high work discipline will try to provide good work results, pay attention to details, and meet established quality standards. They engage themselves responsibly and do their job conscientiously, without sacrificing quality in order to meet deadlines. Work discipline also includes aspects of adherence to organizational rules and policies. Employees who have good work discipline will follow the procedures and policies set by the organization. They understand the importance of maintaining integrity, avoiding unlawful acts, and

upholding work ethics. Adherence to these rules helps to create an orderly and orderly work environment, strengthening fairness and equality of treatment among employees (Hermawan & Riana, 2014).

Methodology

This study uses a quantitative approach to the type of associative research linkages between variables. This research was conducted at one of the branches of an commercial bank in Indonesia which is located in the capital city, this study made all employees as a population. This study has 62 samples taken by using purposive sampling. The data in this study were taken using a questionnaire that had previously been tested for validity and reliability with an alpha of more than 0.7.

Results

This study uses the P-P plot to test the normality of the data. The normality test results were determined to be normally distributed based on the test findings. The line that follows the diagonal line and describes the real data serves as proof of this. This implies that in order to satisfy the conditions for normalcy, the distribution of data is stated to be dispersed about the straight line (rather than scattered far off the straight line). Based on the multicollinearity test, it shows that the values of tolerance and VIF for wage and loyalty variables show the same value. From the multicollinearity testing criteria, it shows that all tolerance values are greater than the specified value of 0.10. Whereas the VIF value also shows below the number 10. Therefore, it can be said that all variables have satisfied the tolerance threshold criteria and the VIF value, negating the possibility of multicollinearity between the independent and dependent variables.

The points that spread randomly and spread above and below the number 0 on the Y axis, which is irregular and does not form any particular pattern, can be seen as evidence that there is no heteroscedasticity problem in the regression model used in this study. The Durbin Watson value is 2.194 (above dU and below 4-dL), which is known from the autocorrelation test and indicates that the regression model in this study is devoid of autocorrelation.

Multiple regression analysis is used to determine the pattern of changes in the value of a variable (dependent) caused by another variable (independent). Multiple regression analysis uses a mathematical model in the form of a straight line equation that is able to define the relationship between variables according to the research objectives, with employee work discipline as the dependent variable and wages and loyalty as independent variables, the multiple regression equation can be written as follows: $\hat{Y} = 1.641 + 0.539 X_1 + 0.192X_2$

When viewed from a constant value of 1.641, it can be assumed that if the value of the other independent variables is 0, then the value of the dependent variable, in this case employee discipline without being influenced by the independent variable, is still 1.641. The regression coefficient X1 is 0.539. It can be assumed that if the fixed loyalty and wage variables are increased by 1, the employee's work discipline increases by 0.539. X2 is 0.192 in the regression coefficient. The employee's work discipline will presumably improve by 0.192 if the fixed salary and loyalty variables are both adjusted by 1. The size of the regression coefficient value of 0.539, which is based on the multiple regression equation, indicates that the pay component is the one that has the greatest impact on employee work discipline.

Based on the results of the test for the coefficient of determination, it is known that the summary model for the adjusted R² is 0.356. This means that 35.6% of the value of the variable Profitability can be explained by variations of the five independent variables, namely Corporate Social Responsibility (CSR), institutional ownership, independent commissioners, funding decisions, and investment decisions. While the rest (100% -35.6% = 64.4%) is explained by other reasons outside the model. For example audit committees, dividend policies, managerial ownership, and others.

Based on the statistic result, it can be seen that the influence of the independent variables on the dependent variable is based on the Adjusted R Square value of 0.559 so it can be concluded that 55.9% of employee discipline is influenced by wages and loyalty while the remaining 44.1% is influenced by other variables that are not examined in this study.

Based on the results of the partial hypothesis testing, it can be concluded that H_a is accepted and H₀ is rejected, demonstrating that wages have an impact on employee work discipline. A significant value for the wage variable is 0.000 0.05 (alpha value), and this value has a significant impact on employee work discipline. Based on

the findings of the partial hypothesis test, it can be concluded that H_a is accepted and H_0 is rejected, indicating that there is an influence of a significant variable loyalty to employee work discipline. A significant value of t is 0.002 0.05 (alpha value), and this value has a significant influence on employee work discipline.

Based on the results of the simultaneous hypothesis test, it can be concluded that H_a is accepted and H_0 is rejected or, to put it another way, that the values for the wage and loyalty variables, when considered together, have a significant impact on employee work discipline. The significant value of F is 0.000 0.05. On the other hand, there is a significant influence between wage and loyalty variables simultaneously/together with the work discipline of employees.

Discussion

This study found that wages have an effect on employee work discipline. Wages have an important role in influencing employee work discipline. The link lies in the incentives provided by wages on the motivation and responsibility of employees towards their work. Fair and competitive wages can increase employee motivation to maintain work discipline. When employees feel that they are being rewarded commensurate with their efforts and contributions, they tend to feel more motivated to take their tasks seriously. Adequate pay reflects fair appreciation for the work done, and this can strengthen employees' commitment to the organization and increase their desire to maintain discipline in carrying out their duties and responsibilities. Pay incentive systems related to work discipline can encourage employees to comply with organizational rules and policies. For example, the use of a bonus system or a pay raise based on performance or adherence to work schedules and procedures can provide extra motivation for employees to maintain a high level of discipline. They will try to meet the standards and targets set to get these incentives.

Wages that are transparent and related to work results can stimulate employees to increase discipline in achieving better performance. When wages are linked to productivity or work results achieved, employees will feel compelled to increase the efficiency and quality of their work. They will realize that the more discipline they are in carrying out their duties, the greater the rewards they will receive. This can influence employees to be more focused and consistent in carrying out their duties with high discipline. In addition, wages that are given consistently and on time also play a role in maintaining employee work discipline. When employees feel confident that they will receive their wages according to the agreement and without delay, they tend to be more motivated to maintain work discipline. Regularity and reliability in the payment of wages can help create trust and stability among employees, which in turn influences their disciplinary attitude and behavior.

In the context of psychology, wages have a significant impact on employee work discipline. One of the relevant theories is reinforcement theory. This theory states that behavior tends to repeat if it is given adequate reinforcement. In this case, wages act as a form of reinforcement that can affect employee work discipline. Fair and adequate wages can be considered as a form of positive reinforcement. When employees feel that the wages they receive are proportional to the contribution and effort they provide, they will tend to feel satisfied and motivated to maintain a high level of work discipline. Fair pay provides positive reinforcement for disciplinary behavior, as employees experience satisfaction and financial well-being. In addition, wages can also act as negative reinforcement. For example, if an employee violates the rules or does not maintain work discipline, the consequences that may arise are deductions from wages or not getting a bonus. A cut in wages or loss of incentives can be viewed as negative reinforcement aimed at reducing or eliminating unwanted behavior. Employees will be more likely to maintain work discipline in order to avoid negative consequences and maintain the expected wages.

Wages can also affect employees' perceptions of fairness and balance in work relationships. If employees feel that the wages they receive are not commensurate with the effort they put in or compared to other employees in the organization, this can lead to dissatisfaction and undermine work discipline. Employees may be less motivated to maintain discipline or even more likely to break rules if they feel they are not being appreciated or treated unfairly in terms of pay. In addition to reinforcement factors, wages can also affect the intrinsic and extrinsic motivation of employees. Adequate wages can meet the economic needs of employees, so they can focus on work and improve work discipline. On the other hand, insufficient or unfair wages can create financial worries and distract employees from their main duties, which in turn can affect work discipline.

Loyalty is a factor that can have a positive impact on employee work discipline. When employees feel loyal to the organization where they work, they tend to be more motivated to maintain high work discipline. Loyalty creates a strong sense of responsibility. Employees who are loyal to the organization will feel highly committed to

the goals and values of the company. They will see their work as an integral part of the organization's success and feel a responsibility to carry out their duties with high discipline in order to achieve good results. Loyalty creates a sense of ownership of their work, which in turn motivates them to maintain consistent work discipline. Loyalty strengthens intrinsic motivation. Loyal employees will feel emotionally connected to the organization and have a sense of pride in their identity as part of a team or company. This intrinsic motivation encourages employees to do their best work and maintain work discipline because they feel satisfaction and pride in contributing to the success of the organization they love.

Loyalty creates strong interpersonal bonds. Loyal employees tend to form good working relationships with their co-workers and superiors. When they feel mutual trust and support, a positive work environment is created. In such an environment, employees feel more motivated to maintain work discipline in order to maintain team harmony and make maximum contributions. The sense of solidarity and support from fellow team members also influences employees to remain disciplined in carrying out their duties and responsibilities. In addition, loyalty is also related to long-term commitment to the organization. Loyal employees tend to see their job as part of an ongoing career and have an interest in growing within the company. In this view, maintaining consistent work discipline is an effort to maintain good relations with the organization and obtain opportunities for career growth. Strong loyalty motivates employees to comply with rules, maintain work ethics, and perform tasks with high discipline in order to build a successful career in the organization they love.

In psychology, loyalty has an important role in influencing employee work discipline. This concept can be viewed through the lens of motivation theory and cognitive theory. Loyalty can act as a factor of intrinsic motivation. Intrinsic motivation is an inner drive that drives individuals to perform tasks with joy and personal satisfaction. When employees have loyalty to the organization, they feel emotionally attached and have a strong relationship with the company. This loyalty generates a sense of pride and satisfaction that comes from their identity and attachment to the organization. In this context, loyal employees will tend to maintain high work discipline as an expression of their dedication and love for the company. Loyalty creates a desire to maintain a positive relationship with the organization. Loyalty is closely related to the theoretical concepts of social bonding and psychological affiliation. Loyal employees feel connected to the organization and have strong interpersonal bonds with co-workers, superiors, and the company culture. They tend to feel it is important to maintain good relationships and maintain a good reputation within the organization. In this case, work discipline is an important factor in maintaining positive relationships and maintaining existing social ties.

Loyalty affects employees' perceptions of fairness and commitment to the organization. When employees feel loyal to the organization, they tend to have attitudes and behaviors that are in line with the goals and values of the company. They have a strong commitment to comply with company rules and policies. In this view, work discipline is seen as a form of commitment and loyalty to the company they love. Loyalty creates a mindset that directs employees to maintain a high level of work discipline. In addition, loyalty can also affect employee perceptions of long-term benefits. Loyal employees tend to have a long-term view of their relationship with the organization. They see their job as part of an ongoing career journey and have a strong interest in growth and development at the company. In this view, maintaining work discipline is the key to obtaining long-term rewards, such as promotions, recognition, and better career opportunities. Loyalty creates a perception of long-term benefits that can motivate employees to consistently maintain work discipline.

Conclusion

Based on the results of the analysis that the author has done, the following conclusions can be drawn, compensation have a significant effect on employee work discipline. This can be shown by the t count value which is greater than t table with a significance level of $0.000 < 0.05$. Then H_a is accepted and H_0 is rejected. This can be proven by the average salary of employees. So that it has an impact on the discipline of employees, for example arriving on time, completing work according to the specified time. Loyalty has a significant effect on employee work discipline. This can be shown by the t-count value $> t$ -table with a significance level of $0.002 < 0.05$. Then H_a is accepted and H_0 is rejected. So it can be assumed that employees are loyal to the company or their work and it can directly mean that employees who are loyal to the company or their work will definitely be disciplined in carrying out their duties. Employee work discipline at has a substantial impact on both salary and loyalty simultaneously. A large F value of $0.000 > 0.05$ supports this, leading to the conclusion that H_a is accepted and H_0 is rejected.

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