The Mediating Role of Motivation and Job Satisfaction in the Relationship between Compensation and Organizational Commitment in Micro Finance Institutions

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ABSTRACT

This study aims to determine the effect of compensation, motivation, and job satisfaction on organizational commitment in Islamic microfinance services. This research has four variables: compensation as an independent variable, motivation, job satisfaction as intervening variables, and commitment as a dependent variable. The subjects in this study were active employees in one of the Islamic microfinance services. It is Baitul mal wa tamwil (BMT). This research uses quantitative methods. Data collection was carried out by distributing questionnaires using a 5-point Likert scale with 240 total valid responses. The data were analyzed using Structural equation modeling (SEM) using AMOS version 24. The results showed that compensation positively and significantly affected motivation, job satisfaction, and organizational commitment. Motivation and job satisfaction had a positive and significant effect on organizational commitment. Compensation had a positive and significant effect on organizational commitment through motivation and job satisfaction as intervening variables. This study is useful for planning compensation schemes and exploiting potential employees. This study also recommends that managers practice roles to motivate their employees. This study provides empirical evidence about compensation planning factors influencing motivation, job satisfaction, and organizational commitment.
1. INTRODUCTION

The discussion on Microfinance Institutions (MFIs) has attracted attention in the last two decades because MFIs have a significant role in reducing poverty and making a profit. This is evident when Indonesia experienced the economic crisis in 1998 when the monetary crisis hit many bank institutions that collapsed. However, not for MFIs, they continued to exist amid the 1998 monetary crisis. From this incident, the government began to pay attention to MFIs seriously.

Unfortunately, the development of MFIs in Indonesia is prolonged even though it has increased (Baskara, 2013). One of the factors that determine the development of an organization is human resources. Within organizations, human resources are an essential element, both informal and non-formal organizations. Humans have a very strategic role in managing the wheels of the organization to achieve organizational goals. Time, energy, and abilities can be used optimally for the company's benefit and the individual’s benefit. They have the stimulus and incentives to achieve the required goals (Dessler, 2015).

One of the manager's duties is to develop the qualities possessed by his employees so that what the employee gets is a reflection of his managerial in the organization. A manager must be able to motivate his employees sufficiently. The organization wants to optimize the ability of its human resources to remain competitive and survive. All of this can be realized if job satisfaction and organizational commitment are met. The motivation given by the manager includes regularly checking the condition of employees and encouraging employees in their work because only with better work results can an increase in welfare be realized.

Specifically, this study seeks to answer the following research questions: (1) Does compensation influence motivation and job satisfaction in microfinance services? (2) Do compensation, motivation, and job satisfaction influence organizational commitment in microfinance services? (3) Do motivation and job satisfaction mediate between compensation and organizational commitment in microfinance services?

In this study, researchers are interested in researching one of Indonesia's largest microfinance institutions, namely Baitul Mal Wa Tamwil. In particular, this study aims to investigate the antecedents of organizational commitment. Then test the role of motivation and job satisfaction as mediators in the relationship between compensation and organizational commitment. Many studies examine the mediating role of motivation and satisfaction with the relationship between compensation and organizational commitment. However, there are limitations to a better understanding. What if the two mediator variables are included in the conceptual framework together in the research model. Most importantly, this phenomenon is related to microfinance institutions.
2. LITERATURE REVIEW

Organizational commitment

Luthans (2012) states that organizational commitment is an attitude that reflects employee loyalty to the organization and a continuous process in which organizational members express their concern for the organization and its success and continuous progress. According to Konopaske et al. (2018), commitment to the organization involves three attitudes: (1) a sense of identification with organizational goals, (2) a feeling of involvement in organizational tasks, and (3) a feeling of loyalty to the organization. People who are not committed are more likely to quit and accept another job. Both experts agree that loyalty to work is a form of commitment to the organization, and ultimately employees will choose to be loyal to the organization.

Colquitt et al. (2015) define organizational commitment as employees' desire to remain members of the organization. Organizational commitment affects whether an employee remains a member of the organization (is retained) or leaves to pursue another job. Based on this understanding, it can be concluded that commitment can be used as strength of value to an organization, which shows that individuals care and prioritize their organization. Individuals feel proud and volunteer all their efforts to help the organization achieve its goals.

Colquitt et al. (2015) divide commitment into three dimensions: Affective commitment, defined as the desire to remain a member of an organization due to emotional attachment and involvement with the organization. This commitment reflects several cost-based reasons for staying put, including salary, benefits, and promotions. Continuance commitment is defined as the desire to remain a member of the organization because of awareness of the money earned and the possible costs paid when leaving the organization. This commitment reflects several reasons for the obligation to remain in the organization, including debt owed to a boss or colleague. Normative commitment is defined as the desire to remain a member of an organization because of feelings that have become one with the organization. These three types of organizational commitment aim to create a psychological attachment to the company.

Motivation

Mathis and Jackson (2011) explain that a person's desire that causes that person to act is called motivation. People usually act to achieve goals, which means that motivation is a goal-directed drive that rarely occurs in a vacuum. Robbins and Judge (2017) describe motivation as a process that considers the intensity, direction, and persistence of individual efforts to achieve goals. According to this opinion, it can be interpreted that motivation is a person's psychological condition as a driving force or trigger in arousing enthusiasm in working to achieve their targets.

Furthermore, Wukir (2013) defines motivation as a process that explains the intensity, direction, and persistence of a person is trying to achieve his goals. Based on the understanding of motivation from some of the expert opinions above, it can be concluded that motivation is the entire process of providing stimulation or encouragement or driving to a person or employee
with the aim that the employee is willing to work voluntarily and optimally without coercion to achieve goals effectively and efficiently.

According to Mangkunegara (2011), following the characteristics of the focus in this study, measuring employees' potential through the work environment effectively to realize high-quality organizational productivity and achieve the organization's primary goals. Motivation consists of three encouragement needs, namely, needs of achievement, measured using three indicators: the need to develop creativity and mobilize abilities—the need to work effectively and efficiently. Needs of affiliation are measured using three indicators: the need to be accepted, the need to establish good relations between employees, and the need to participate and cooperate. The needs of power are measured using three indicators: the need to provide influence and rules in the work environment, develop power and responsibility, and lead and compete.

After employee motivation has increased, it will have an impact on increasing organizational commitment. Therefore it is necessary to pay close attention to how to manage an appropriate and fair compensation scheme. This means that compensation is the most important factor to increase motivation and organizational commitment so that motivation can become a mediator in this relationship.

**Job satisfaction**

Robbins (2013) states that job satisfaction is a general attitude towards one's job as the difference between the amount of reward received by workers and the number of rewards that are believed to be received. Job satisfaction is an essential thing that individuals have at work. Richard et al. (2012) assert that job satisfaction is related to a person's feelings or attitudes about the job itself, salary, promotion or education opportunities, supervision, coworkers, workload, and others. They claim that job satisfaction is related to one's attitude about work, and several practical reasons make job satisfaction an essential concept for leaders.

Based on the above understanding that job satisfaction is very influential on the output, meaning that satisfied workers are more likely to stay working for the organization. Satisfied workers also tend to engage in organizational behavior beyond their job descriptions and roles and help reduce the organization's workload and stress levels. Dissatisfied workers tend to be resistant to leadership and engage in a variety of counterproductive behaviors.

According to Luthan (2012), job satisfaction is influenced by six specific work dimensions: salary, the job itself, promotion opportunities, supervision, and coworkers. According to Lepold et al. (2018), several job satisfaction dimensions can reveal essential characteristics regarding work, to which people can respond. The dimensions are Satisfaction with work itself, Satisfaction with pay, Promotion opportunity, Supervision, and Co-worker.
**Compensation**

According to Hasibuan (2011), compensation is everything that the company provides to employees as a form of appreciation for employees' services and contributions. The award is not only in the form of money but can be in the form of goods, either given directly or indirectly. Employee compensation is any form of payment or reward given to an employee and arises from the employee's hiring (Dessler, 2015). So compensation is a measurement of the work that someone has produced.

Compensation has several types. According to Marwansyah (2012), compensation consists of two types, namely direct compensation consisting of: (a) salary and basic wages, and; (b) intensive and profit-sharing and indirect compensation (in the form of welfare and service programs. Second types (a) are provided voluntarily by the employer; and (b) required by law/regulation. Compensation consists of direct compensation and indirect compensation according to the opinion.

**Research hypothesis development**

Previous research on the effect of compensation on motivation (Timsal & Malik, 2015; Yanuar, 2017) has been conducted by showing a positive and significant relationship between compensation and motivation. Research on the effect of compensation on job satisfaction (Martika et al., 2016; Priyankara, 2016) has been conducted, which reports their study's results that a fair compensation system will increase job satisfaction. Another research states the importance of motivation in organizational commitment to employees (Wardhani, 2015; Widarto & Anindita, 2018; Gheitani et al., 2019).

Then, related to research on the effect of compensation on organizational commitment carried out by Sudiarbdhita (2014) and Priyankara (2016), who investigated the role of compensation in organizational commitment. The results of these studies indicate that compensation significantly affects organizational commitment. Research on the relationship between job satisfaction and organizational commitment (Wardhani, 2015; Martika et al., 2016) shows that higher job satisfaction will increase organizational commitment.

Research on motivation variables' role as an intervening variable (mediation) was carried out (Rizal et al., 2014; Nawawi et al., 2018). The analysis results show that compensation positively and significantly affects organizational commitment through motivation as a mediating variable. Furthermore, according to the study of Putra et al. (2018) and Martika et al. (2016) stated that compensation has a positive and significant effect on organizational commitment through job satisfaction. Based on previous studies, researchers can develop research hypotheses described with the research framework in **Figure 1.**
Figure 1. Research Framework
Source: The Research Framework Developed (2020)

H1: There is a direct effect of compensation on motivation
H2: There is a direct effect of compensation on job satisfaction
H3: There is a direct influence of motivation on organizational commitment
H4: There is a direct effect of compensation on organizational commitment
H5: There is a direct effect of job satisfaction on organizational commitment
H6: There is an indirect effect of compensation on organizational commitment through motivation
H7: There is an indirect effect of compensation on organizational commitment through job satisfaction

3. RESEARCH METHODS
This research uses a quantitative approach carried out at BMT UGT Sidogiri, namely a financial institution that is a cooperative, under the guidance of the Ministry of Cooperatives and Small and Medium Enterprises. The sampling technique used was purposive sampling. The data collected comes from a questionnaire with the number of respondents who participated in this study as 240 of 432 employees. Covariance-based SEM (Structural equation modeling) analysis was used to test the hypothesis in this study, namely with the AMOS version 24.0 software application program accompanied by a model suitability test (Goodness of fit) structural equations.

The measurement of the variables comes from previous research, adapted to suit the research objectives. The measurement of organizational commitment consists of 10 items adapting the measurement developed by (Betanzos-Díaz et al., 2017; Weibo et al., 2010). Measurement of motivation consists of 10 items adapting the measurements developed by (Gagné et al., 2010,
The measurement of job satisfaction consists of 10 items adapting the measurements developed by (Lee et al., 2017; Lepold et al., 2018; Pepe et al., 2017). The compensation measurement consists of 8 items adapting the measurement developed by (Rubel & Kee, 2015; Demo et al., 2012; Rahman & Singh, 2019).

4. RESULTS

Respondent characteristics

Respondents are collector employees who work at BMT UGT Sidogiri, East Java. The respondents were 240 people with various backgrounds, including gender, age, education, and service years. The total respondents were male, totaling 240 people. This means that 100% of the collection positions at BMT UGT Sidogiri are male. The highest percentage of respondents from 240 people was 161 people aged 20-30 years, with 67.08%. The highest percentage of the latest education was respondents with the last education category, namely SMA, and 179 people with 74.58%. The highest percentage of working tenure was 110 people with a working period of 0-4 years, with 45.83%.

Measurement model

The model's validity and reliability were tested by the measurement model using the Confirmatory factor analysis (CFA) method. Convergent validity requirements can be seen from the loading factor value. The standardized loading estimate must be equal to 0.5 or more, and ideally, it should be 0.7 (Ghozali, 2017). Meanwhile, the measurement model's reliability uses two criteria: construct reliability (C.R.) and Average variance extracted (AVE). These two things have a cut-off value, which is at least 0.70 and 0.50, respectively. The following are the measurement model results for each indicator, which can be seen in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Loading Factor</th>
<th>AVE</th>
<th>CR</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational commitment</td>
<td>Komit1</td>
<td>0.6</td>
<td>0.556</td>
<td>0.881</td>
<td>valid and reliable</td>
</tr>
<tr>
<td></td>
<td>Komit3</td>
<td>0.802</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Komit5</td>
<td>0.745</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Komit6</td>
<td>0.826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Komit7</td>
<td>0.813</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Komit9</td>
<td>0.657</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>Motiv1</td>
<td>0.693</td>
<td>0.519</td>
<td>0.811</td>
<td>valid and reliable</td>
</tr>
<tr>
<td></td>
<td>Motiv3</td>
<td>0.736</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Motiv4</td>
<td>0.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Motiv5</td>
<td>0.777</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>Kep1</td>
<td>0.807</td>
<td>0.552</td>
<td>0.88</td>
<td>valid and reliable</td>
</tr>
<tr>
<td></td>
<td>Kep3</td>
<td>0.809</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kep4</td>
<td>0.736</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Compensation

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Kep5</th>
<th>Kep7</th>
<th>Kep8</th>
<th>Komp1</th>
<th>Komp3</th>
<th>Komp4</th>
<th>Komp5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.619</td>
<td>0.642</td>
<td>0.818</td>
<td>0.741</td>
<td>0.841</td>
<td>0.746</td>
<td>0.544</td>
</tr>
</tbody>
</table>

Valid and reliable

Based on Table 1, several indicators must be removed from the model because they do not meet the criteria for convergent validity. In contrast, the indicators that can be maintained have met the loading factor criteria, AVE. C.R. value, this means that the manifest variable (indicator) can be said to be valid and reliable. Furthermore, reflective indicators that form latent constructs in the study will also be tested for discriminant validity. One way to see discriminant validity is by comparing the correlation between variables with the square root of variance extracted (the value of the square root of AVE).

Table 2. Discriminant validity

<table>
<thead>
<tr>
<th></th>
<th>Comp</th>
<th>Motiv</th>
<th>Satis</th>
<th>Commit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>0.726</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>0.551</td>
<td>0.720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>0.720</td>
<td>0.578</td>
<td>0.743</td>
<td></td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>0.713</td>
<td>0.618</td>
<td>0.716</td>
<td>0.745</td>
</tr>
</tbody>
</table>

Notes: Comp = Compensation, Motiv = Motivation, Satis = Job satisfaction, Commit = Organizational commitment.

Source: Primary Data Processed (2020)

Table 2 shows that all correlation values between variables (latent constructs) are below the square root AVE (see the diagonal line in the table). It means that each latent construct has good discriminant validity.

Structural model

The structural model shows acceptance of the model fit (chi-square = 271.382, cmin/df = 3.193, df = 85, CFI = 0.901, IFI = 0.902, RMR = 0.02). Table 3 shows the path coefficient values based on structural model analysis, namely the value of direct effects. Hypothesis testing is done by comparing the value of C.R. (critical ratio) in the AMOS output table with a critical value or a minimum t-count of 1.96.
The results showed that compensation had a significant positive effect on motivation (p <0.001), job satisfaction (p <0.001), and organizational commitment (p = 0.022). supports the hypotheses H1, H2, and H4. Motivation has a positive and significant effect on organizational commitment (p = 0.035), and job satisfaction has a positive and significant effect on organizational commitment (p <0.001), thus confirming the hypotheses H3 and H5. **Figure 2** shows the output of the structural model analysis.

**Figure 2.** Structural model analysis  
Source: The Output of Structural Model Analysis Processed (2020)
Furthermore, to determine whether the indirect effect is significant or not, it is necessary to conduct a mediation test using the bootstrapping method according to Hair et al. (2019) recommendations. The number of bootstrap samples was 500 and used the Monte Carlo method (parametric bootstrap). Bootstrapping mediation analysis tested 2 (two) indirect effects in this study: the effect of motivation on the relationship between compensation and organizational commitment and job satisfaction on the relationship between compensation and organizational commitment. The results of the mediation analysis are summarized in Table 4.

Table 4. Estimation of mediation relationship test

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Path</th>
<th>P</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6</td>
<td>Compensation → Motivation → Organizational commitment</td>
<td>0.011</td>
<td>Significant</td>
</tr>
<tr>
<td>H7</td>
<td>Compensation → Job satisfaction → Organizational commitment</td>
<td>0.003</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: The Results of The Mediation Analysis (2020)

Based on Table 4, it can be concluded that there is a mediating effect of motivation variable on the relationship between compensation and organizational commitment (p = 0.011), which is called partial mediation because the direct and indirect effects are significant, this means that the submission of hypothesis H6 is accepted. Furthermore, the results of the above calculations show that there is a mediating effect of the job satisfaction variable on the relationship between compensation and organizational commitment (p = 0.003), which is called partial mediation because the direct and indirect effects are significant, this means that the submission of hypothesis H7 is accepted.

Based on the research results, it can be concluded that all the hypotheses that have been proposed show results that are by the theory and support previous empirical research. The study results indicate a significant positive effect of compensation on motivation, and this means that it is consistent with the results of previous studies (Yanuar, 2017; Timsal & Malik, 2015; Nawawi et al., 2018). Therefore, to increase motivation, an increase in employee compensation is needed, one of which is by adding allowances and rewards or bonuses to outstanding employees by the organization's results. Managers can provide information transparently on the results of collecting results and bonuses that are received periodically by taking into account company rules and policies. Managers must be able to create a compensation scheme that is transparent and fair, for example, determining bonuses based on individual and team
performance achievements. That way, employees will be motivated to do their tasks according to the targets of the organization.

The study results indicate a significant positive effect of compensation on job satisfaction, which means that it is consistent with the results of previous studies (Sudiarditha, 2014; Mzwenhlanhla & Dlamini, 2017; Martini et al., 2018). Thus, it is necessary to make breakthroughs to increase satisfaction. Employee work, one example is the addition of facilities that support employee work. The study results state that there is a significant positive effect of motivation on organizational commitment. This means that it is consistent with previous studies' results (Zeglat et al., 2017; Foroudi et al., 2018; Widarto & Anindita, 2018). Thus, management must have the courage to take strategic policies to prevent many employees from resigning. One example is to affirm the regulations regarding the terms of implementing work agreements.

The study results state that there is a significant positive effect of compensation on organizational commitment, which means confirming previous research results (Priyankara, 2016; Martini et al., 2018; Sudiarditha, 2014). Therefore, management must carry out a strategy of providing compensation to employees relatively. Following company rules, the better the compensation received by employees, the better the organizational commitment. The study results state that there is a significant positive effect of job satisfaction on organizational commitment. This means that it is consistent with previous studies' results (Gheitani et al., 2019; Sudiardhita, 2014; Priyankara, 2016). Thus, to increase job satisfaction, one of which is by providing appropriate career advancement for employees, so that employees feel appreciated and satisfied with the results that have been done so far.

The study results also support previous research regarding the indirect effect of compensation on organizational commitment through motivation (Rizal et al., 2014; Nawawi et al., 2018) and the indirect effect of compensation on organizational commitment through job satisfaction (Priyankara, 2016). The two mediating roles of motivation and job satisfaction are called partial mediation because the direct effect of compensation and organizational commitment also has a significant effect. Of the three factors that influence organizational commitment, job satisfaction is highest in increasing organizational commitment. At the same time, compensation is a significant factor in increasing an organization's motivation and job satisfaction.

With this finding, it can be said that compensation is something that deserves very much attention. Without fair compensation, there will be problems in employee motivation and satisfaction, reducing employee commitment to the organization. Good compensation schemes can be pursued through a performance-based appraisal system, which can be accepted and realized without employee’s complaints.
5. CONCLUSION AND SUGGESTION

The main objective of this study is to evaluate the effect of antecedents of organizational commitment. The researcher tested a conceptual model consisting of organizational commitment as the dependent variable, compensation as the independent variable, and motivation and job satisfaction as the mediating variables. The study results provide novelty in the study of organizational commitment to microfinance institutions, particularly in Indonesia. Based on the conclusions taken by this study, management should pay more attention to the level of employee needs, especially the need for rewards, with the addition of clear and transparent incentives and recognition of work results, as well as rewards for employees who excel to increase motivation and job satisfaction and are expected to increase organizational commitment.

Subsequent research can carry out a more in-depth study of several samples of other financial institutions. A clearer picture can be obtained of organizational policies in increasing organizational commitment, expanding research samples, and analyzing other factors that can affect organizational commitment to financial institutions. So that results are found that can be generalized to a broader population.

Future studies may consider the potential relationship of other mediating or moderating variables. Furthermore, consider predictors such as leadership and individual personality that can differentiate organizational commitment levels because many previous researchers have not carried out this analysis.

REFERENCES


