

---

## **The Effect of Financial Compensation on Employee Performance Moderated by Religiosity**

**Efrita Norman<sup>1</sup>, Siti Norwahida Shukeri<sup>2</sup>, Enah Pahlawati<sup>3✉</sup>**

Universitas Islam Bunga Bangsa Cirebon, Universiti Brunei Darussalam, Stie Mulia Pratama Bekasi

Email : [norwahida.shukeri@ubd.edu.bn](mailto:norwahida.shukeri@ubd.edu.bn), [enahpahlawati@gmail.com](mailto:enahpahlawati@gmail.com)

---

Received: 2024-10-19; Accepted: 2024-10-22; Published: 2024-10-30

---

### **Abstract**

This study investigates the impact of financial compensation on employee performance, with religiosity acting as a moderating variable. Employee performance is critical to organizational success, and compensation is widely recognized as a key driver of motivation and productivity. However, the role of religiosity in moderating this relationship has been underexplored. This research aims to fill that gap by analyzing how religiosity influences employees' perceptions of financial rewards and their work outcomes. Using a quantitative survey method, data were collected from 99 employees at Alfani Retailer, with compensation, performance, and religiosity measured through a Likert-scale questionnaire. The study employs moderation regression analysis to examine whether religiosity strengthens the relationship between compensation and performance. The findings reveal that financial compensation positively impacts performance and that religiosity significantly moderates this effect. Employees with higher levels of religiosity view compensation not only as a material reward but also as a moral responsibility, leading to enhanced dedication and performance. This research contributes to human resource management literature by highlighting the importance of incorporating employees' spiritual values into compensation strategies to optimize performance in diverse organizational settings.

**Keyword:** *Financial Compensation, Employee Performance, Religiosity, Organizational Behavior, Human Resource Management*

---

## INTRODUCTION

Employee performance is a crucial element in determining the success of an organization. Because employees are the main resource responsible for achieving organizational goals. Optimal performance contributes to the productivity and long-term success of the organization (Daniel, 2019) and optimal employee performance is necessary to ensure the sustainability and growth of the organization (Kosmajadi, 2021). And the success of an organization is greatly influenced by how well the role of employees in achieving their work targets (Muhammad et al., 2022). Without optimal performance from the entire workforce, organizational goals are difficult to achieve, and may even hinder the company's growth and competitiveness.

This employee performance is influenced by a variety of factors, both from within the individual and from the external environment. Intrinsically motivated employees tend to be more satisfied with their jobs, which in turn improves their performance (Singh, 2021), job satisfaction affects employee performance significantly, and higher job satisfaction drives higher productivity in the organization (Farsole, 2023) and support from management plays an important role in determining how well employees are able to carry out their duties and responsibilities. Support from management can increase employee motivation and engagement, which ultimately improves their performance (Ida Apriani et al., 2023).

One of the most significant external factors is financial compensation. This study shows that financial compensation, such as salary and incentives, directly improves employee motivation and performance (Putra, 2021) financial compensation significantly increases employee productivity (Muhtazib & Niartiningsih, 2022) By providing fair and competitive compensation, companies can encourage employees to improve their performance (Rosyidah et al., 2023) Compensation in the form of salaries, bonuses, or other incentives not only rewards employees for their contributions but also provides a strong incentive to work harder. Incentive bonuses and salary increases increase employee motivation and productivity. (Kelechi Chidiebere Ihemereze et al., 2023) Financial compensation, such as bonuses and benefits, has a major influence on work motivation and performance at the Ferry Service company, Mombasa (Kuya & Kalei, 2022) emphasizing that employee bonuses play an important role in maintaining motivation and productivity in IT companies in Ukraine (Bykova et al., 2022). Many studies show that employees who feel rewarded through adequate compensation tend to be more motivated, more loyal to the company, and committed to achieving the goals that have been set. This is especially the case when the compensation is considered fair and competitive compared to the labor market.

In addition, financial compensation also plays an important role in reducing turnover rates. adequate compensation can increase employees' organizational commitment and significantly reduce their intention to change jobs (Alzahrani & Shaddady, 2021) satisfaction with compensation and benefits is negatively related to turnover intentions, thereby reducing the employee's desire to leave the company (Mustika et al., 2021). When employees feel that they are rewarded in accordance with their efforts and achievements, they tend to be more loyal and stay longer in the company. This indirectly helps organizations save costs associated with hiring and training new employees, while maintaining stable operational continuity.

Although the effect of financial compensation on employee performance has been extensively researched, there is one important aspect that has not been widely explored, namely how religiosity can moderate the relationship, religiosity is able to strengthen this relationship and improve employee performance (Noegroho & Wulansari, 2020). Most research tends to focus on the material and economic aspects of compensation, without considering the dimensions of the spiritual values embraced by employees. In fact, many studies show that in addition to financial compensation, spiritual values also contribute to increasing employee productivity (Astuti, 2021). Spiritual values play an important role in improving employee performance, both individually and in groups, through the implementation of a spiritual work culture (Lutfi, 2023).

The values of religiosity, such as integrity, hard work, and fairness, can influence how an employee interprets the financial compensation they receive. Religiosity reinforces the assessment of fairness in the work environment (Azouz et al., 2021). In other studies, it was also found that religiosity values affect compensation practices in organizations (Zhao et al., 2022). Employees who are deeply religious may see compensation not only as a reward for their efforts, but also as a form of trust that must be managed properly according to their beliefs.

employees who are highly religious may see compensation as a mandate from God that must be used wisely and responsibly (Eom & Ng, 2023). Employees with a high level of religiosity see financial compensation as a mandate that must be managed wisely, based on their religiosity values (Mardalis et al., 2019). For individuals who adhere to religious values, job satisfaction may not only come from the financial aspect, but also from the feeling that their work has a deeper meaning, namely as a form of devotion to God and society. Employees with strong religious views may see compensation as something that must be accounted for before God, apart from a materialistic perspective (Lysaught, 2020). Employees who are deeply religious have a different perspective on seeing compensation as part of their moral and social responsibility (Zhao et al., 2022).

However, research on how religiosity moderates the effect of financial compensation on employee performance is still very limited and still rarely conducted (Mardalis et al., 2019). However, studies related to the impact of religiosity on the relationship between compensation and performance are still limited (Yudiatmaja et al., 2021). This lack of in-depth studies of the interaction between financial compensation and religious values leaves a significant gap in understanding the factors that affect employee performance holistically. Many studies only focus on financial motivation, even though religiosity can affect the perception and response of employees to incentives provided by companies. In studies on compensation and CSR, employee religiosity was not shown to moderate managerial decisions related to social investment. Nonetheless, this points to the need for more research on how religiosity affects the relationship between compensation and performance (Dian et al., 2020).

The urgency of this research is the importance of understanding the role of religiosity in modern organizations that are increasingly diverse in terms of employee beliefs and personal values. Explaining the influence of religiosity in the relationship between financial compensation and performance will help organizations design compensation strategies that

are more in line with the moral and spiritual values of their employees. The study offers novelty by including the dimension of religiosity as a moderation variable, providing insight into how financial compensation can be adjusted to maximize the performance of employees with diverse religiosity backgrounds. The purpose of this study is to analyze whether and how religiosity moderates the influence of financial compensation on employee performance, as well as provide solutions for management in creating more effective and ethical policies in the context of religious organizations.

### Research methods

This study uses a quantitative approach with a survey method to measure the effect of financial compensation on employee performance moderated by religiosity. This study is causal, which aims to determine the causal relationship between independent variables (financial compensation) and dependent variables (employee performance), and moderation variables (religiosity). This approach was chosen because it can provide measurable and objective results based on numerical data obtained through questionnaires.

The population in this study is all employees in the Alfani Retailer company which totals 99 people. Because the study population is relatively small, a census technique is used, in which the entire population is sampled. Thus, the sample of this study amounted to 99 people. The use of censuses allows for more accurate and comprehensive results, as all employees are involved in the study.

The main instrument used in this study was a closed questionnaire with a Likert scale of 5 points (1 = strongly disagree, 5 = strongly agree). This questionnaire consists of three main parts:

**Financial Compensation:** Measures employees' perception of the salary, bonuses, benefits, and other incentives they receive. **Employee Performance:** Measures productivity, quality of work, punctuality, and contribution to company goals. **Religiosity:** Measuring the level of religiosity of employees, including religious beliefs, involvement in worship activities, and the application of religious values in daily life. Each item on the questionnaire has gone through a validity and reliability test process to ensure the quality of the instrument.

Data was collected through the distribution of questionnaires directly to all employees of the Alfani Retailer company. Employees are required to fill out questionnaires anonymously to avoid bias in answers and maintain the confidentiality of respondents. Data collection was carried out within one week.

The data obtained will be analyzed using moderation regression techniques with the help of SPSS statistical software. Moderation regression is used to find out whether religiosity moderates the effect of financial compensation on employee performance. The analysis steps carried out include: Normality test to ensure data distribution normal. Multicollinearity test to ensure the absence of strong relationships between independent variables. A simple regression test to see the direct effect of financial compensation on employee performance. Test the interaction between financial compensation and religiosity to determine the effect of religiosity moderation.

## RESEARCH METHODOLOGY

This study uses a quantitative study design with a survey approach to collect data from respondents. The population in this study is employees who work at PT Alfani which totals 83 people, because the population is less than 100 people, all populations are made into a sample which is called a saturated sample. Data were collected using questionnaires designed based on constructs related to the research variables:

The collected data will be analyzed using descriptive statistical analysis techniques to describe the characteristics of the sample and the variables of the study. Furthermore, multiple regression analysis will be carried out to test the research hypothesis, namely the effect of financial compensation on employee performance moderated by religiosity. Relevant moderation analysis will also be carried out to understand the mechanism of the relationship between variables. This research will be conducted by paying attention to the principles of research ethics, including the validity of the data, the confidentiality of the respondent's identity, and the consent of voluntary participation.

## RESULTS AND DISCUSSION

This study involved the entire employee population in the Alfani Retailer company



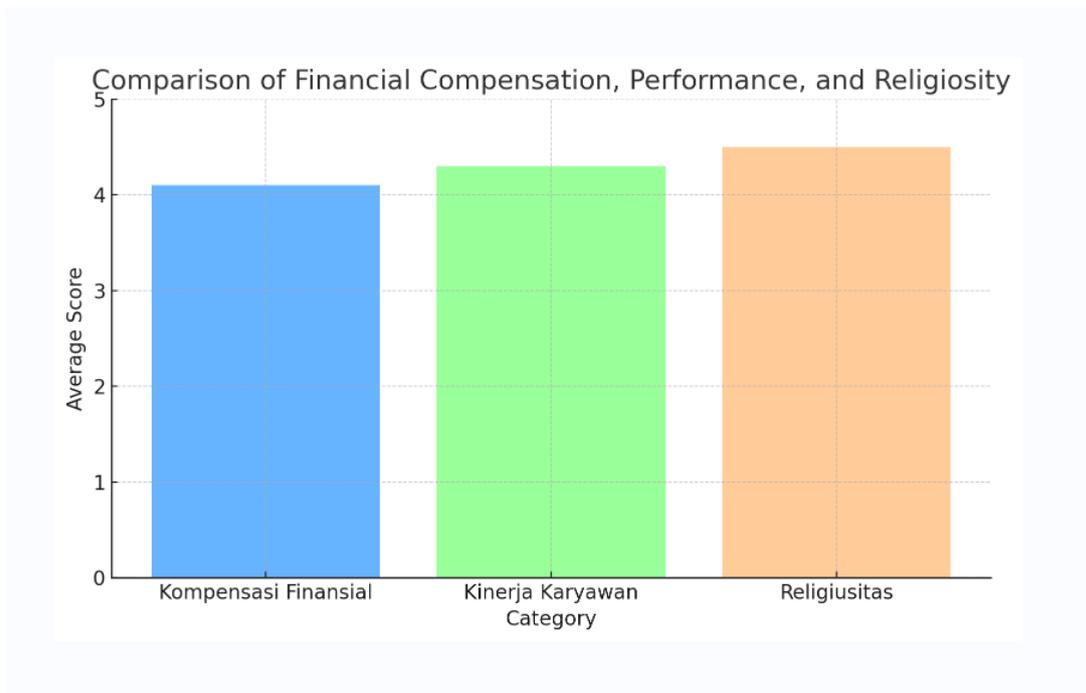
which amounted to 99 people. Data was collected through questionnaires that were shared directly with employees. The questionnaire return rate is 100%, meaning that all employees respond, and all data can be used for analysis. Of the 99 respondents, as many as 60% were men and 40% were women. The average age of employees ranges from 25-40 years old, with most employees having a minimum educational background of a diploma. Based on the length of employment, about 45% of employees have worked for more than 5 years, while the rest are under 5 years of service. For more clarity, you can see from the table below;

**Financial Compensation:** The average financial compensation score that employees receive is 4.1 (on a scale of 1 to 5), which indicates that the majority of employees feel quite satisfied with the compensation they receive. The items that have the highest value in terms of compensation are satisfaction with the basic salary and annual bonus. **Employee Performance:** Employee performance is assessed by several indicators, including productivity, quality of work output, punctuality, and contribution to company goals. The average performance score is 4.3, which means that employees as a whole are performing well. **Religiosity:** The variable

## 176 | The Effect of Financial Compensation on Employee Performance Moderated by Religiosity

of religiosity is measured through several indicators, such as the frequency of worship, involvement in religious activities, and the application of religious values in daily life and work. The average religiosity score is at 4.5, which indicates that most employees have a high level of religiosity. As illustrated in the graphic below:

### Statistical Assumption Test



Before conducting a regression test, a basic assumption test is carried out, namely a normality and multicollinearity test:

**Normality Test:** Using the Kolmogorov-Smirnov test, the data were normally distributed with a significance value of 0.123 ( $p > 0.05$ ), so that the assumption of normality was met.

**Multicollinearity Test:** The results of the VIF (Variance Inflation Factor) test show that there is no multicollinearity problem between the financial compensation variable and religiosity, with a VIF value below 10 (financial compensation = 1.287; religiosity = 1.302). This means that the two independent variables and moderation do not have a strong relationship that can affect the results of regression analysis.

### Simple Regression Test

A simple regression test was conducted to determine the effect of financial compensation on employee performance. The results show that financial compensation has a positive and significant effect on employee performance, with a regression coefficient of  $\beta = 0.625$  and a value of  $p = 0.000$  ( $p < 0.05$ ). This means that each increase in financial compensation by one unit will improve employee performance by 0.625 units.

These results support the hypothesis that financial compensation has a significant influence on employee performance in Alfani Retailer companies.

### Moderation Test (Moderation Regression)

Moderation tests were conducted to find out whether religiosity moderated the relationship between financial compensation and employee performance. In the moderation regression model, the interaction between financial compensation and religiosity was tested, and the results showed that religiosity had a significant role as a moderation variable.

The coefficient of interaction between financial compensation and religiosity was  $\beta = 0.347$  with a value of  $p = 0.005$  ( $p < 0.05$ ). These results show that religiosity significantly strengthens the relationship between financial compensation and employee performance. This means that employees with a higher level of religiosity will respond more to financial compensation than employees with a lower level of religiosity.

In detail, the results of the moderation regression analysis show that religiosity acts as a moderator that affects employees' perception of compensation. For employees with a high level of religiosity, compensation is not only seen as a material reward but also as a form of reward that has a moral dimension, thus encouraging them to work harder and more effectively.

#### Interpretation of Moderation Regression Results

Based on the results of the interaction between financial compensation and religiosity, it can be concluded that religiosity plays an important role in strengthening the relationship between compensation and performance. This means that the spiritual values that employees embrace, such as integrity, honesty, and responsibility, can increase the effectiveness of financial compensation in motivating their performance. For example, a more religious employee may see the compensation received as an additional mandate and motivation to perform better.

From the results of the regression test, both financial compensation and religiosity were proven to significantly affect employee performance. The coefficient of determination ( $R^2$ ) shows that 57% of the variation in employee performance can be explained by a combination of financial compensation and religiosity, while the rest is influenced by other factors not explained in this model. This shows that the variables studied have a strong influence in determining employee performance in the Alfani Retailer company.

#### Discussion

The results of this study support the hypothesis that financial compensation has a positive influence on employee performance. This finding is in line with various previous studies that show that financial compensation is one of the main factors that can motivate employees to work more productively, in line with Amanda's research that financial compensation has a significant positive influence on employee performance. (Amanda & Trinanda, 2021). Further, Meidian's research supports the results of this research under Fair and competitive compensation providing strong rewards to employees for their contributions, which ultimately has an impact on improving employee performance and loyalty in the logistics services sector in Indonesia (Meidian et al., 2023). This research is also in line with research conducted by Putra that Financial compensation significantly affects employee motivation and performance, and plays a role in increasing their loyalty and commitment to the organization, (Putra, 2021). This research is also supported by research conducted by

Rosyidah under financial compensation directly affects employee performance through work motivation as a mediating variable. This study highlights the importance of providing competitive compensation to maintain employee loyalty (Rosyidah et al., 2023). Fair and competitive compensation rewards employees for their contributions, ultimately increasing their loyalty and commitment to the company. For companies like Alfani Retailer, providing appropriate financial compensation can be an effective strategy to improve employee performance.

In addition, the results of the study also show that employee religiosity plays an important role in strengthening the relationship between financial compensation and performance. This result is in line with research conducted by (Noegroho & Wulansari, 2020) that employees who have strong religious values see compensation not only as material rewards but as trust. This makes them work harder and show higher dedication. For employees who have strong religious values, compensation is not only seen as a material reward, but also as a form of trust that must be managed properly. This encourages them to work harder and show higher dedication. Companies that have employees with a high level of religiosity can use financial compensation as a tool to improve performance more effectively. The results of this study are also strengthened by (Yudiatmaja et al., 2021) showing that religiosity can increase public service motivation, which ultimately contributes to improving employee performance. The study highlights that religiosity can play a key role in moderating the effect of compensation on performance, especially in work environments with strong religious values.

This research provides valuable insights for company management, especially in designing compensation strategies that not only take into account material aspects but also align with the spiritual values of employees. By integrating religious values in compensation policies, companies can create a work environment that is more harmonious, productive, and in accordance with the moral principles that their employees believe in.

## Conclusion

These findings show that fair and competitive financial compensation is able to directly increase employee motivation and productivity. Employees who feel rewarded for their contributions through appropriate compensation will work harder to achieve the company's targets. When companies compensate employees in accordance with their responsibilities and contributions, they feel valued professionally and personally. This sense of appreciation triggers an intrinsic drive in employees to work harder and be more productive.

In addition to providing fair and competitive compensation, the study shows that employee religiosity provides an additional dimension that strengthens the relationship between financial compensation and performance. Employees who have a high level of religiosity tend to see financial compensation not only as a form of material reward for their efforts, but also as a trust that has moral and spiritual values. They consider compensation as a form of appreciation that is not only calculated from an economic point of view, but as a form of responsibility given to them by the company and, in their view, by God.

This research makes a new contribution to the human resource management literature by showing the role of religiosity moderation in the relationship between financial compensation and employee performance. These findings can help companies design compensation policies that not only focus on the financial aspect, but also consider the moral and spiritual values of employees. This is especially relevant for organizations that have a religiously diverse work environment.

While this study provides important insights, there are some limitations that need to be noted. The study was conducted in only one company with a limited population (99 employees), so the results may not be generalized to other companies or industries. In addition, this study does not delve deeper into other variables that may also affect employee performance, such as organizational culture and leadership style. Further research is needed to explore the role of these variables.

## References

- Alzahrani, A., & Shaddady, A. (2021). Influences of Financial and Non-Financial Compensation on Employees' Turnover Intention in the Energy Sector: The Case of Aramco IPO. *International Business Research*, 14(6), 108. <https://doi.org/10.5539/ibr.v14n6p108>
- Amanda & Trinanda. (2021). *Human Resource Manajemen Studies*. 1(2), 96–106. <https://doi.org/10.24036/jkmb.xxxxxxxx>
- Astuti, K. S. (2021). Organizational Culture Compensation And Spiritual Intelligence on Work Productivity. *Eduvest - Journal of Universal Studies*, 1(4), 150–157. <https://doi.org/10.59188/eduvest.v1i4.35>
- Azouz, A., Antheaume, N., & Charles-Pauvers, B. (2021). An Ethnography of Fairness Perceptions among Non-Family Employees: Does Religion Matter? *Journal of Family Business Strategy*, 12(3), 100375. <https://doi.org/10.1016/j.jfbs.2020.100375>
- Bykova, A., Lobza, A., Gavrysh, J., Soroka, I., & Karpenko, Y. (2022). The Effectiveness of Bonus Payment as a Financial Incentive for Top Management. *WSEAS Transactions on Business and Economics*, 19, 1476–1492. <https://doi.org/10.37394/23207.2022.19.133>
- Daniel, C. O. (2019). Effect of Organizational Change on Employee Job Performance. *Asian Journal of Business and Management*, 7(1), 22–27. <https://doi.org/10.24203/ajbm.v7i1.5700>
- Dian, P., Kusuma, I., Adawiyah, W. R., Pramuka, B. A., & Sholikhah, Z. (2020). The effect of compensation and religiosity on managers' CSR decision. *Article history* : 24(3), 267–281.
- Eom, K., & Ng, S. T. (2023). The Potential of Religion for Promoting Sustainability: The Role of Stewardship. *Topics in Cognitive Science*, 15(3), 480–499. <https://doi.org/10.1111/tops.12641>
- Farsole, D. A. (2023). The Relationship Between Job Satisfaction and Employee Performance. *Interantional Journal of Scientific Research in Engineering and Management*, 07(08). <https://doi.org/10.55041/ijrsrem25487>
- Ida Apriani, Nefi Darmayanti, & Patisina. (2023). The Influence of Perceived Organizational

Support and Generation on Employee Engagement. *Jurnal Multidisiplin Madani*, 3(5), 1125–1138. <https://doi.org/10.55927/mudima.v3i5.2910>

Kelechi Chidiebere Ihemereze, Nsiong Louis Eyo-Udo, Blessed Afeyokalo Egbokhaebho, Chibuike Daraojimba, Uneku Ikwue, & Ekene Ezinwa Nwankwo. (2023). Impact of Monetary Incentives on Employee Performance in the Nigerian Automotive Sector: a Case Study. *International Journal of Advanced Economics*, 5(7), 162–186. <https://doi.org/10.51594/ijae.v5i7.548>

Kosmajadi, E. (2021). The Impact of Human Resources Development and Organizational Culture on Employee Performance. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2227–2233. <https://doi.org/10.33258/birci.v4i2.1915>

Kuya, J. A., & Kalei, A. (2022). Influence of Financial Incentives on Employee Performance in Ferry Service, Mombasa County. *East African Journal of Business and Economics*, 5(2), 38–52. <https://doi.org/10.37284/eajbe.5.2.1024>

Lutfi, A. M. (2023). The Influence of Workplace Spirituality and Organizational Culture on Employee Performance with the Mediating Variable Individual Spirituality at PT. Tirtakencana Tatawarna Garut Regency, West Java. *International Journal of Science and Society*, 5(5), 343–359. <https://doi.org/10.54783/ijssoc.v5i5.892>

Lysaught, M. T. (2020). Beyond stewardship: Reordering the economic imagination of catholic health care. *Christian Bioethics*, 26(1), 31–55. <https://doi.org/10.1093/cb/cbaa002>

Mardalis, A., Sari, P. N. I., & Minhayati, S. (2019). Religiosity and Its Effect on Employee's Performance. *339(Aicosh)*, 66–70. <https://doi.org/10.2991/aicosh-19.2019.14>

Meidian, A., Rostiati, N., & Purnamasari, E. D. (2023). The Influence of Financial Compensation and Work Discipline on Employee Performance PT . *Indah Logistik Internasional*. 04(04), 160–167.

Muhammad, M., Wibisono, C., Afrizal, A., Asep, D., Indrayani, I., & Husen, A. (2022). The Effect of Leadership and Organizational Culture on Employee Performance. *Frontiers in Business and Economics*, 1(2), 86–93. <https://doi.org/10.56225/finbe.v1i2.89>

Muhtazib, M., & Niartiningsih, A. (2022). The Effect of Financial and Non-Financial Compensation on Employee Performance Kentucky Fried Chicken (KFC) Pettarani Makassar. *Journal of Asian Multicultural Research for Economy and Management Study*, 3(1), 66–70. <https://doi.org/10.47616/jamrems.v3i1.248>

Mustika, M., Prihanto, Y. J. N., & Winarno, P. M. (2021). The Effects of Compensation and Benefit Satisfaction on Turnover Intention. *Conference Series*, 3(2), 249–265. <https://doi.org/10.34306/conferenceseries.v3i2.594>

Noegroho, A. D., & Wulansari, N. A. (2020). Religiosity as a Moderation of the Effect of Intellectual and Spiritual Quotient on Employee Performance. *Management Analysis Journal*, 9(2), 113–121. <https://doi.org/10.15294/maj.v9i2.35635>

Putra, E. P. (2021). the Effect of Financial Compensation on Employee Performance At Pt. Bank Btpn Cabang Sungguminasa Kabupaten Gowa. *Jurnal Ekonomi*, 10(02), 34–41. <https://doi.org/10.54209/ekonomi.v10i02.143>

Rosyidah, I., Perizade, B., & Zunaidah, Z. (2023). Influence of Financial Compensation and

Job Satisfaction on Employee Performance With Work Motivation As a Variable Intervening. *International Journal of Business, Economics & Management*, 6(4), 276–288. <https://doi.org/10.21744/ijbem.v6n4.2204>

Yudiatmaja, W. E., Edison, E., Sulistiowati, R., & Samnuzulsari, T. (2021). Linking Religiosity and Employee Performance in the Public Sector : Does Public Service Motivation Matter ? 11(October), 125–140.

Zhao, G., Liang, S., Zhang, J., & Huang, H. H. (2022). Religious Tradition and Employee Compensation. *Journal of International Accounting Research*, 21(3), 169–185. <https://doi.org/10.2308/JIAR-2021-042>