

## Compensation Analysis in Improving Employee Performance at Bank Muamalat, Baturaja City

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### **Abstract**

#### **Keywords:**

Employee Compensation, Employee Performance, Human Resource Management, Islamic Banking

*This study examines the employee compensation system at Bank Muamalat in Baturaja City using a descriptive qualitative approach, combining a socio-historical perspective and Islamic values in compensation practices in Islamic banking. The compensation analyzed includes direct compensation (salary and incentives) and indirect compensation (allowances, facilities, and Umrah pilgrimage). The results show that a fair, timely, and Islamically sound compensation system contributes significantly to improving employee motivation, well-being, and performance. Comprehensive and transparent performance assessments also support rational and accountable compensation. These findings reinforce the importance of integrating moral and religious values in Islamic banking human resource management to achieve high productivity and loyalty.*

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## INTRODUCTION

Research on employee compensation has become an important topic in human resource management studies, primarily because compensation plays a key role in attracting, retaining, and motivating employees. Compensation is defined as any form of reward, both material and non-material, provided by an organization to workers in exchange for their contributions to the production process (Rahman, 2005). In the scientific realm, a thorough understanding of compensation is crucial to support the realization of an effective and equitable management system.

Although numerous studies on compensation have been conducted, there is a research gap regarding the integration of socio-historical perspectives and Islamic values into compensation practices, particularly in the context of Islamic banking. The historical system of slavery demonstrates how humanitarian values and justice in employment were neglected, and Islam developed a gradual strategy to eradicate this practice through a humanistic social and economic approach (Rahman, 2005). However, empirical studies examining how Islamic values inform employee compensation policies in modern institutions are still very limited.

Furthermore, the concept of compensation is described as all forms of monetary or non-monetary rewards that employees directly or indirectly receive as appreciation for their services to the company (Malik, 2009; Dessler, 2007). Forms of financial compensation include salaries, allowances, bonuses, and commissions, while non-financial compensation includes training, authority, responsibility, and a conducive work environment (Husnan, 2002).

Employee performance is the positive outcome of task execution, measured by target achievement and contribution to organizational goals (Terry, 2000; Schermon, 2011). This

performance is influenced by various factors, including compensation and work motivation, so compensation evaluation is crucial for improving organizational productivity and efficiency (Prawirosentono, 1999).

The urgency of this topic lies not only in academic aspects but also in practical contexts. In the modern era, organizations are required to develop compensation systems that not only meet legal and economic standards but also accommodate moral and social values, including the principles of justice and welfare formulated in Islam (Hasibuan, 2002). Optimal compensation practices directly influence employee motivation, productivity, discipline, and performance, all of which contribute to the sustainability and competitiveness of the organization (Nawawi, 2001; Kurnianto, 2009).

Work motivation is a key factor influenced by the compensation mechanism implemented. Motivation is defined as the psychological drive that drives employee behavior and effort to achieve organizational goals (Arrizal, 1999; Hariandja, 2002). Work motivation theory asserts that adequate compensation can increase work effectiveness and efficiency, control discipline, and reduce social conflict between workers and management (Prawirosentono, 1999).

The main difference between this study and previous studies is the more specific research object, namely employees of Bank Muamalat Kota Baturaja, as well as the method approach that combines conceptual Islamic studies with empirical analysis using primary data, thus providing a more comprehensive and contextual picture.

Thus, this article aims to provide an in-depth understanding and practical application of how Islamic principles can be implemented in compensation systems to improve employee motivation and performance, while providing theoretical contributions to the development of sustainable moral value-based human resource management science in Islamic banking institutions.

## METHODS

This study uses a descriptive qualitative approach to gain an in-depth understanding of the characteristics, conditions, and phenomena that occur in certain individuals or groups, particularly related to employee performance compensation at Bank Muamalat Baturaja (Sugiyono, 2009). This approach was chosen because it is able to capture social reality in its entirety through description, recording, analysis, and interpretation of the objects studied, making it suitable for explaining complex and contextual phenomena (Mardalis, 2004).

The research took place at Bank Muamalat Baturaja, spanning approximately seven months. All stages included preparation (proposal development), implementation (data collection), processing (data analysis), and the preparation of the final research results.

The population of this study included all employees of Bank Muamalat Baturaja, with a primary focus on Subbranch Managers, Supervisors, and Customer Service as relevant sources for the research topic. Purposive sampling was used to determine key informants, adapting to data needs and the relevance of their positions within the organizational structure (Abdurrahman, 2003).

Data collection was conducted through several instruments, namely observation, in-depth interviews, documentation studies, and literature studies (Danim, 2002). Observation serves to identify social phenomena directly and systematically, while interviews are used to obtain in-depth information from key informants through open-ended questions structured according to research

indicators. Furthermore, documentation is intended to collect secondary data as a complement, whether in the form of reports, internal archives, or other relevant written sources. Data validity is strengthened through triangulation of techniques and data sources in accordance with qualitative research procedures.

Data analysis was conducted descriptively, with the main stages being data reduction, data presentation, and drawing conclusions. The entire analysis process drew on the results of interviews, observations, and collected documentation, allowing for comprehensive and systematic interpretation of the phenomena. No specialized software was used in this analysis, as qualitative data analysis emphasizes the clarity of interpretation and clarity of meaning from empirical data (Mardalis, 2004).

## RESULTS AND DISCUSSION

The data in this study were obtained from specific sources in the banking sector through in-depth interviews with Bank Muamalat Baturraljal Branch Office, to understand the employee performance compensation system at the bank. The main sources included Rinaldi (Substance Manager), Robi Syahputra (Supervisor), and Frista Adela (Customer Service) (Rinaldi, 2025; Robi Syahputra, 2025; Frista Adela, 2025). The data obtained were systematically analyzed to reveal how compensation contributes to employee performance and bank revenue.

### Types of Compensation at Bank Muamalat Baturraljal City Branch Office

Compensation provided to bank employees is divided into two main types: direct and indirect compensation.

#### 1. Direct Compensation

Direct compensation is divided into two: salary and incentives. Robi Syahputra explained that salaries are paid routinely every month through direct transfers to employee accounts managed by Bank Muamalat's head office in Jakarta. The salary amount is adjusted according to each employee's position and title and follows nationally established standards. This system guarantees certainty of income receipt as the primary form of direct compensation (Robi Syahputra, January 16, 2025). Meanwhile, indirect compensation, incentives in the form of bonuses, are given as a reward for achieving annual work targets. These incentives are managed by the head office and distributed to branches that successfully meet targets. This system is intended to spur employee work motivation to be more productive (Robi Syahputra, January 16, 2025).

#### 2. Indirect Compensation

Indirect compensation is divided into three categories: allowances, facilities, and the Umrah pilgrimage. According to Frista Adela, allowances are provided in the form of gasoline money for marketing, holiday allowances (THR), and BPJS health insurance to assist employees during illness. These benefits are designed to improve employee welfare and security beyond basic salaries (Frista Adela, January 16, 2025). Rinaldi stated that the available facilities include operational cars for branch managers and certain employees. Furthermore, official expenses are also covered by the company, allowing employees to carry out their duties comfortably without the burden of personal expenses (Rinaldi, January 16, 2025). Meanwhile, the Umrah pilgrimage is a form of non-financial appreciation and motivation. Bank Muamalat provides Umrah pilgrimage travel facilities to employees who consistently meet annual targets. Rinaldi stated that this facility is an important incentive that encourages

employee commitment to improving performance (Rinaldi, January 16, 2025).

### **Impact of Compensation on Employee Performance**

Compensation, both direct and indirect, significantly impacts attendance and work morale, ultimately leading to increased revenue and the achievement of Bank Muamalat's targets. Employee performance is defined as the willingness and ability of employees to perform their duties with optimal results in accordance with their responsibilities (Robi Syahputra, 2025). The performance appraisal system is conducted individually by direct supervisors and takes into account aspects of attendance, quantity, quality of work, behavior, and job knowledge.

Robi Syahputra emphasized that providing appropriate and fair compensation significantly impacts attendance and work productivity. The performance evaluation system is conducted by direct management, taking into account aspects of discipline, work results, and attendance. If a violation of duties occurs, sanctions are imposed in the form of warnings or administrative actions to support performance improvement (Robi Syahputra, January 16, 2025).

Frista Adela revealed that employee motivation increases with the continued provision of benefits and bonuses, especially welfare benefits that make employees feel appreciated and have their needs met (Frista Adela, January 17, 2025).

Rinaldi added that providing indirect compensation such as facilities supports work comfort so that employees can focus on achieving the set work targets (Rinaldi, January 16, 2025).

## **DISCUSSION**

### **The Role of Direct Compensation in Improving Employee Performance**

The research results indicate that direct compensation, such as salary and incentives, plays a significant role in improving employee performance at Bank Muamalat. This aligns with Human Resource Management theory, which states that compensation is a highly effective motivational tool for boosting work productivity (Dessler, 2017). A timely and fair pay system provides employees with a sense of job satisfaction and financial security, which increases loyalty and morale.

Furthermore, incentive bonuses as a reward for achieving annual targets also strengthen employee commitment to achieving organizational goals. Interview findings indicate that compensation mechanisms are aligned with achieving clear targets, making them a performance-boosting tool (Frista Adela, 2025). This supports Herzberg's motivational model, which identifies rewards and recognition as significant work motivation factors (Herzberg, 1966).

The purpose of providing direct compensation is not only to fulfill needs, but also as an effort to maintain formal work ties and encourage work discipline and stability (Rinaldi, 2025).

### **The Role of Indirect Compensation in Improving Employee Performance**

Indirect compensation serves as a complement to direct compensation. Health benefits, operational car allowances, and the opportunity to travel to the Umrah pilgrimage are examples of organizational concern for employee well-being. This aligns with Robbins and Judge's (2016) view that additional benefits can strengthen loyalty and reduce turnover.

Indirect compensation also builds a sense of fairness, which is considered important in increasing work motivation and productivity (Adams, 1965). This sense of fairness is crucial, especially if direct compensation is perceived as adequate.

This study also found the phenomenon of social jealousy among employees if

compensation is unfair, which can disrupt overall performance. Therefore, transparency and caution in the provision of indirect compensation are essential (Frista Adela, 2025).

### **Compensation in Islamic Perspective**

From an Islamic perspective, compensation or wages are the employer's obligation to employees which must be given fairly according to work results and agreements (QS. Al-Baqarah: 233). The principles of fairness, appropriateness and honesty in providing wages are the basis for the legitimacy of providing compensation in the context of sharia banks such as Bank Muamalat. In Al-Jallalain's interpretation, wages, including payment of remuneration for work and child feeding, are also explained as rights that must be fulfilled by employers (Al-Jallalain, 2025).

As a Sharia-compliant institution, Bank Muamalat has fulfilled these principles by providing fair and targeted compensation (Rinaldi, 2025). This Sharia-compliant compensation system strengthens work motivation, which is based not only on worldly factors but also on Islamic moral and religious values.

### **Performance Assessment and Compensation Indicators**

Performance appraisals at Bank Muamalat consider not only the quantity and quality of work but also behavior and job knowledge, providing a comprehensive picture of employee contributions. Attendance assessments are also an important indicator due to their impact on work productivity. This reinforces Campbell et al.'s (1993) theory that performance evaluations must be comprehensive and balanced.

With a performance-based assessment system, compensation becomes something that is rational and accountable, thereby increasing employee trust and commitment.

Research on compensation and employee performance is inextricably linked to the latest dynamics in human resource management (HRM). A study by Jotabá et al. (2022) emphasized that innovation in HRM practices plays a crucial role in linking compensation systems to productivity, where compensation is no longer viewed solely as a financial reward but also as an innovative instrument for driving organizational performance. This view complements classical theories that consider compensation a primary motivator, making it relevant for strengthening practices at Bank Muamalat.

Furthermore, research by Fatmawati, Nazmi, and Falah (2025) shows that a compensation-based performance management strategy can increase employee retention through job satisfaction. This aligns with the context of Islamic banking, where a fair and timely compensation system serves as a determinant of loyalty and reduces turnover rates. Thus, these findings confirm the importance of compensation in retaining quality human resources in the banking sector.

In the context of HRM digitalization, Zebua et al. (2024) emphasize the importance of HR analytics in improving organizational performance. By utilizing analytical data, companies can design more targeted, objective, and transparent compensation systems. This is relevant for Bank Muamalat, which is facing the challenge of increasing operational efficiency while maintaining fair compensation distribution.

Simarmata's (2023) research supports this perspective with empirical evidence from MSMEs in Indonesia, showing that good HRM practices, including compensation policies, have a significant impact on both individual and organizational performance. These findings suggest that, although implemented at the MSME scale, the same principles also apply to Islamic banking

institutions, which are focused on achieving targets and productivity.

On the other hand, Shaha (2023) through bibliometric analysis emphasized that the direction of global HRM research in the last two decades has shifted toward sustainability (sustainable HRM). Within this framework, compensation is viewed not only as an economic factor but also as an ethical and moral instrument aligned with ESG (Environmental, Social, and Governance) principles. Similarly, Wiyono et al. (2025) proposed ESG-based HR practices capable of transforming employee management toward sustainable organizational growth. This perspective aligns with the Islamic concept of justice and welfare, which emphasizes a balance between the interests of the company, employees, and society.

Finally, Rachmawati's (2025) study showed that changes in HRM policies in technology companies in Indonesia directly impact employee work experiences. This indicates that poorly managed compensation systems can trigger resistance, reduce motivation, and disrupt performance. Therefore, transparency and accountability in compensation are crucial for maintaining employee trust.

## CONCLUSION

Based on the results and discussion, it can be concluded that the employee compensation system at Bank Muamalat Kota Baturaja, which includes direct compensation (salary and incentives) and indirect compensation (allowances, facilities, and Umrah), significantly contributes to improving employee motivation, productivity, and performance. Timely and fair direct compensation provides a sense of satisfaction and financial security, while indirect compensation such as allowances and facilities creates comfort and well-being, strengthening loyalty and work commitment. Balanced performance assessments based on quantity, quality, behavior, and knowledge also support rational and fair compensation.

From an Islamic perspective, the principles of justice, fairness, and honesty in compensation are emphasized as an employer's obligation, conceptually and practically implemented by Bank Muamalat in accordance with the Sharia system. This ensures that, in addition to worldly aspects, employee work motivation is also driven by moral and religious values. This approach makes a significant contribution to the development of sustainable, moral-based human resource management within Islamic banking institutions.

Methodologically, this study employed a descriptive qualitative approach with purposive sampling and data triangulation through observation, interviews, and documentation to generate contextual and in-depth findings related to employee compensation and performance at the bank. In conclusion, fair, transparent, and Islamic-compliant compensation is key to successfully retaining and improving employee performance at Bank Muamalat Kota Baturaja.

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