



Compensation and Work Spirit: Does Work Motivation Mediate the Impact?

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ABSTRACT

Village credit union (*Lembaga Perkreditan Desa/LPD*) is a kind of financial institutions in Bali Province-Indonesia which is established by the community. In carrying out work, employees will indeed always be in the spirit of work in endeavor to provide maximum results to the company. High morale needs to be maintained by employees working together to achieve company goals. Of course, this is an advantage for the company because it has quality resources to achieve its goals. This study aimed to analyze the effect of compensation on work spirit with work motivation as a mediator for employees at an LPD located in Kesiman Municipality. The sample of this study was 61 employees using saturated sampling. Data was collected by conducting interviews and distributing questionnaires. Hypothesis was tested by implementing Path Analysis. The findings show that compensation has a positive and significant effect on work spirit, compensation has a positive and significant effect on work motivation, work motivation has a positive and significant effect on work spirit, and work motivation mediates the effect of compensation on work spirit. Implication of this study is the management of LPD is advised to increase the work spirit of its employees by paying attention to compensation and work motivation of its employee

INTRODUCTION

Human resources largely determine the success of an organization; hence, there is a need for quality resources to become an effective and efficient organization. The quality of human resources needs to be managed and improved because of each employee's important role in their work quickly and with good results. Employees who carry out work will indeed never be separated from the spirit of work in order to be able to provide maximum results to the company.

Work spirit is important enough to get attention because it can determine the goals the company. Employee work spirit can be seen in attendance, discipline, timeliness in completing work and responsibility (Sugara et al., 2020). Work spirit is an individual thing. The work spirit indicators used in this study refer to research done by Merta et al., (2021), namely: 1) behaviour, 2) individual, 3) adjustment, and 4) ego.

Everything that employees get in supporting their work provided by the company is called compensation (Pribadi et al., 2020). Feriyana (2020) states that compensation is essential for employees because the amount of compensation reflects the size of the value of their work among the employees themselves, their families and society. Compensation is also one of the most effective ways for companies to improve performance and motivation and increase work productivity (Kim & Jang, 2020). The compensation indicators used in this study refer to research (Hendro, 2018), namely 1) direct compensation and 2) indirect compensation.

Appropriate compensation provided by the company can increase employee's work motivation. Work motivation determines the behaviour of employees in doing their work (Anggreni & Dewi, 2023). The indicators of work motivation indicators used in this study refer to research of Lusri & Siagian (2017), namely: 1) direction of behaviour, 2) level of effort, 3) level of persistence

Financial institutions at this time are very diverse in terms of what is needed by the community, especially on the island of Bali. Village Credit Union or *Lembaga Perkreditan Desa*, called LPD in Bali is community-based financial institutions which is established by community member. Such an institution has a very strategic task to help small and medium enterprises (SMEs) and rural community as the members. Through the provision of credit and savings deposits, LPD aims to encourage the economic growth of rural communities. This research was conducted at LPD *Desa Adat Kesiman* in Denpasar City, Bali Province-Indonesia. Based on the results of a pre-survey conducted on six employees at LPD in the region, there is a problem that employees feel that the company pays less attention to their satisfaction regarding the timeliness of providing salaries that should be received and lack of benefits provided.

Social Exchange Theory is referred in this study, which describes the various transactions that occur throughout a person's social life and are characterized by strong emotional connections. Social Exchange Theory postulates that in reaction to an initial positive action, the target will reciprocate similarly by engaging in more positive than negative feedback (Cropanzano et al., 2017). This research used this theory is the basis for assessing work motivation

and compensation on work spirit based on the factors put forward by this theory that encourage employees to be motivated and feel enthusiasm in doing work.

LITERATURE REVIEW

Research conducted by Ganandy et al. (2019) states that compensation positively and significantly affects employee work spirit. This statement aligns with research conducted by Widani (2018), which found that compensation significantly affects employee work spirit. Ambarita et al. (2021) research suggests that compensation has a positive and significant influence on work spirit, which means that employees feel excited when going to work if they get compensation that suits their life needs.

H₁: Compensation has a positive and significant effect on work spirit.

Research conducted by Muchzen et al. (2019) states that compensation positively and significantly affects employee motivation. This study's results are from the research conducted by Harahap and Khair (2019), which state that compensation significantly affects employee motivation. Dewi and Ardana (2022) state that compensation positively and significantly affects work motivation. This means that employee motivation will increase with the provision of reasonable compensation, which can be indicated by the seriousness of employees in completing their work.

H₂: Compensation has a positive and significant effect on work motivation.

Previous research conducted by Sari (2020) on Palembang Financial Training Centre Office employees explained that work motivation contributes positively to employee work spirit. Research with similar results was also stated by Pratiwi and Firgiyani (2021), who found that work motivation variables significantly affected employee work spirit. This is in line with research conducted by Octaviani and Suana (2019), which shows that work motivation has a positive and significant effect on work spirit.

H₃: Work motivation has a positive and significant effect on work spirit.

Sumampouw et al. (2016) research states that the higher the compensation and motivation, the higher the employee work spirit is generated. The same results were obtained by Iswara and Subudi's research (2017), which showed that compensation has a positive and significant indirect effect on work spirit through employee motivation as a mediating variable. Parisuda and Mujiati (2019), in their research, prove that compensation positively and significantly affects work spirit through work motivation.

H₄: Work motivation mediates the effect of compensation on work spirit.

Figure 1 shows conceptual framework which depicts the association among the three variables under consideration. This framework will be the basis for testing the hypothesis of this study.

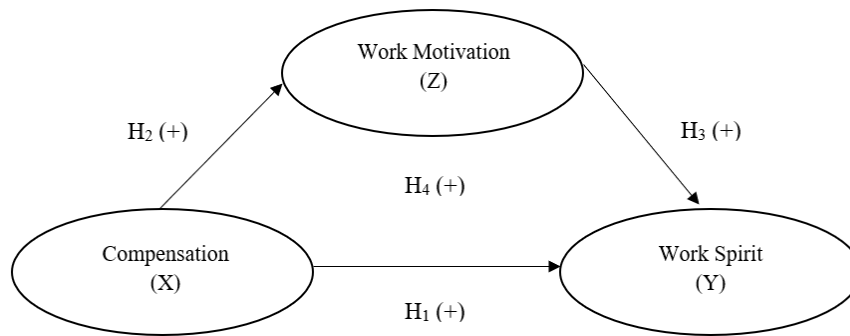


Figure 1. Conceptual Framework

METHODOLOGY

This research uses a quantitative approach with a causality associative method. This research was conducted at *LPD Desa Adat Kesiman-Bali Province-Indonesia*. The variables of this research are compensation (X) as exogeneous variable), work spirit (Y) as endogenous variable, and work motivation (Z) as mediating variable. The population in this study were all employees of the *LPD*. The sample determined in this study was 61 people, and the method of determining the sample was the saturated sampling method. The technique of data analysis used were descriptive analysis for describe the characteristics of respondent and score of indicators of each variables and inferential analysis namely Path Analysis for testing the hypothesis.

RESULT

Table 1 Shows the Characteristics of Respondent Which Consists of Gender, Age, Level of Education and Tenure

Table 1. Respondent Characteristics

No	Variables	Classification	Number of respondent	Percentage
1	Gender	Male	36	59.0
		Female	25	41.0
		Total	61	100
2	Age	21-30 years old	38	62.3
		31-40 years old	18	29.5
		>40 years old	5	8.2
		Total	61	100
3	Educational level	High School	22	36.1
		Diploma	12	19.7
		Bachelor	27	44.3
		Total	61	100
4	Tenure	1-5 Years	27	44.3
		6-10 Years	29	47.5
		>10 Years	5	8.2
		Total	61	100

Table 1 shows that the respondents is dominates by male (59.0 %), 21-30 years old (more than 60%), graduates of bachelor degree (close to 45%). Additionally, most of the employee (47.5%) have been working at the institution for 6-10 years. When viewed from the length of service, employees of LPD Desa Adat Kesiman who have worked for 6-10 years dominate, with a percentage of 47.5 percent.

The Pearson correlation value of each indicators of the instrument are above 0.30. Therefore, all indicators used in this study are valid. The reliability test results for each variable, namely work spirit, compensation, and work motivation, have a value of above 0.60, as shown in Cronbach's Alpha coefficient, so it can be said that all of them are reliable.

Based on the descriptive analysis results, respondents' perceptions of the work spirit have an average score of 3.55, which is in the high category. The lowest average score of respondents' answers was shown in the statement, "I always look for better ways to work", with an average score of 3.33. Based on the research results, it is known that respondents' perceptions of the compensation variable have an average score of 3.42, which is in the high category. The lowest average score of respondents' answers was shown in "I received my salary on time", with an average score of 3.30. Based on the research results, it is known that respondents' perceptions of work motivation variables have an average score of 3.53, which is in the high category. The average score of the lowest respondent's answer is shown in the statement, "I am willing to develop my abilities to advance the company", with an average score of 3.15. Table 4 shows the result of Normality Test.

Table 2. Normality Test (One-Sample Kolmogorov-Smirnov)

Equation	Asymp. Sig. (2-tailed) Kolmogorov-Smirnov Z
Sub-structural 1	0.089
Sub-structural 2	0.200

Table 2 shows that the Asymp. Sig. (2-tailed) Kolmogorov-Smirnov value is more than 0.05. Therefore, it indicates that the data used in this study are typically distributed, so the model has fulfilled the normality assumption.

Table 5 shows the result of Multicollinearity test.

Table 3. Multicollinearity Test (Tolerance and Variance Inflation Factor)

Equation	Type	Collinearity Statistics	
		Tolerance	VIF
Sub-structural 2	Compensation	0.722	1.385
	Work motivation	0.722	1.385

Table 3 shows that none of the independent variables have a tolerance value of less than 0.10 and Variance Inflation Factor (VIF) value of more than 10. Therefore, the regression model is free from multicollinearity symptoms.

Table 4. Heteroscedasticity Test (Glacier Test)

Equation	Type	T	Sig.
Sub-structural 1	Compensation	-0.062	0.951
Sub-structural 2	Compensation	-0.474	0.637
	Work motivation	0.150	0.881

Table 4 shows that each model has a significant value greater than 5% (0.05). This shows that the independent variables used in this study do not significantly affect the dependent variable, namely the absolute error, so this study is free from symptoms of heteroscedasticity.

Table 5. Results of Path Analysis of Sub-structural 1

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	1.574	0.428		
Compensation	0.571	0.120	0.527	4.768	0.000
R² : 0.278					

Table 5 shows the results of path analysis of sub-structure one so that the sub-structural equation formed is formulated as follows:

$$Z = \beta_2 X + e_1$$

$$Z = 0.527 X$$

The compensation variable has a coefficient of 0.527, meaning that compensation positively influences work motivation. This result is interpreted as a result of the fact that if compensation increases, work motivation will increase.

Table 6. Results of Path Analysis on Sub-structural 2

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	0.609	0.354		
Compensation	0.308	0.105	0.297	2.933	0.005
Work motivation	0.534	0.097	0.556	5.496	0.000
R² : 0.571					

Table 6 shows the results of path analysis in sub-structure two so that the sub-structural equation formed is formulated as follows:

$$Y = \beta_1 X + \beta_3 M + e_2$$

$$Y = 0.297X + 0.556Z$$

The Compensation variable has a coefficient of 0.297, meaning that compensation positively influences work spirit; this means that if compensation increases, work spirit will increase. The Work Motivation variable has a coefficient of 0.556, meaning that Work Motivation positively influences work spirit; this means that if Work Motivation increases, work spirit will increase.

The calculation of the results of the Sobel test obtained the results of $Z = 3.435 > 1.96$; it can be said that H_0 is rejected and H_a is accepted, which means that the work motivation variable is a significant mediating variable between compensation and work spirit in LPD employees of Kesiman Traditional Village so that the fourth hypothesis in this study is proven correct.

Based on the VAF test, the calculation value is 49.66%, which is between 20%-80% so that it can be categorized as partial mediation (Sholihin & Ratmono, 2013); it can be concluded that work motivation partially mediates compensation on work spirit in employees of LPD *Desa Adat Kesiman*.

DISCUSSION

The findings in this study indicate that compensation has a positive and significant effect on work spirit; in other words, the more compensation increases, the work spirit of employees of LPD *Desa Adat Kesiman* will increase. If the company can provide appropriate compensation, it is expected to increase employee initiative at work to provide maximum results. In addition, providing compensation can create a practical spirit of competition so that employees are more enthusiastic about working. This research is in line with research by Ganandy et al. (2019), Widani (2018), Ambarita et al. (2021), and Astrawan et al. (2023), which state that compensation has a positive and significant effect on work spirit.

The findings in this study indicate that compensation has a positive and significant effect on work motivation; in other words, increasing compensation will increase work motivation in employees of LPD *Desa Adat Kesiman*. Providing excellent and appropriate compensation will be able to increase employee motivation in carrying out all their work; this means that every employee has the opportunity to be rewarded for the contributions they make so that this compensation program can increase employee motivation to be more active, achieve, and make maximum contributions to the company. This is also in line with research conducted by Muchzen et al. (2019), Harahap & Khair (2019), Sultan (2021), Fauzan (2022), Dewi & Ardana (2022), which states that compensation has a positive and significant effect on work motivation.

The findings in this study indicate that work motivation has a positive and significant effect on work spirit; in other words, if work motivation increases, work spirit in employees of LPD *Desa Adat Kesiman* will increase. Work motivation influences employee work spirit; this means that there is encouragement or work support that directs a person's personality to carry out their work properly, which will affect the enthusiasm and quality of the employee's work so that they can achieve excellent and maximum performance for the company. This is also in line with research conducted by Sari (2020), Pratiwi & Firgiyani (2021), Octaviani & Suana (2019), Putra & Suwandana (2019),

Syafrina & Manik (2020), which states that work motivation has a positive and significant effect on work spirit.

The findings in this study indicate that compensation has a positive and significant effect on work spirit in employees of LPD *Desa Adat Kesiman* with mediation of work motivation, so work motivation is a mediating variable from the effect of compensation on work spirit e; this indicates that compensation for employees of LPD *Desa Adat Kesiman* is increased, it will be able to increase employee motivation, with an increase in work motivation, it will be able to increase work spirit in employees of LPD *Desa Adat Kesiman*. So, the fourth hypothesis in this study is accepted. This is also in line with research conducted by Iswara & Subudi (2017), Parisuda & Mujiati (2019), and Adnyani & Surya (2019), which states that work motivation mediates the influence between compensation and work spirit.

The theoretical implications of this research can provide evidence for the development of human resource science that empirically proves the theory used in this study. This research refers to social exchange theory, which explains the various transactions throughout a person's social life, characterized by a strong emotional connection. The practical implications of this research can be used as consideration and input for the management of LPD *Desa Adat Kesiman* in paying attention to employee work spirit by considering compensation and work motivation.

CONCLUSION AND RECOMMENDATION

Conclusion

Compensation has a positive and significant effect on the work spirit of employees of LPD *Desa Adat Kesiman*. These results indicate that if compensation is increased, it will impact the work spirit of the employees. Compensation positively and significantly affects work spirit among employees. In other words, if compensation is increased, it will affect the work motivation of the employees. Additionally, work motivation positively and significantly affects work spirit among employees of LPD *Desa Adat Kesiman*. There is an indication that the higher the employees work, the higher the work spirit of the employees. Work motivation emerges as mediating variable of the influence of compensation on work spirit. These results indicate that if compensation is increased, employees will be eager to work at LPD *Desa Adat Kesiman*.

Recommendation

The management of the LPD is recommended to increase employee work spirit by paying attention to compensation and work motivation. This can be done by giving fair rewards when employees make a total contribution to the company continuously, provide facilities that suit the needs of employees so that employees feel comfortable when completing their work with spirit and provide pay-for-performance based salary. Further research is expected to add variables that can affect work spirit and can expand the scope of research that is not only limited to the employees of Village Credit Union in Kesiman Municipality but also in other region in Bali Province.

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