

SALARY, INCENTIVES, AND EMPLOYEE PRODUCTIVITY (Case Study of USPPS BMT Al-Hijrah KAN Jabung)

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Abstract

The study aims to analyze the impact of salary and incentives on employee productivity at USPPS BMT Al-Hijrah KAN Jabung Syariah from both simultaneous and partial perspectives. The research employs multiple regression analysis, with a sample population consisting of all 40 employees, who were also the subjects of the study. The analysis results indicate that salary has a positive and significant effect on employee productivity. Additionally, incentives also contribute positively and significantly to productivity. The findings of this research are expected to provide valuable insights for continuous improvement at USPPS BMT Al-Hijrah KAN Jabung Syariah.

Keywords: *Employee Productivity, Incentives, Salary.*

Introduction

The success of an organization, whether large or small, is not solely determined by the available natural resources but is significantly influenced by the quality of human resources (HR) that play a role in planning, executing, and controlling the organization. Human resources encompass the integrated capabilities of intellectual and physical abilities possessed by individuals, whose behaviors and traits are shaped by genetics and their environment. Meanwhile, employee performance is motivated by the desire to achieve personal satisfaction. HR is a crucial asset in all aspects of organizational management (Ratnasari & Mahmud, 2020)

Productivity is the comparison between the results achieved and the participation and workforce involved, including time and job readiness in accordance with established standards (Douw et al., 2021). The role of the workforce here includes the efficient and effective use of resources. The issue of competitiveness in an increasingly open global market is a key challenge that is not easily addressed. Competent human resources, who are placed in the right positions, will enhance the performance of the company. The success of a company is greatly influenced by the productivity of each individual employee, as companies strive to continually enhance employee productivity to achieve their set objectives (Baiti et al., 2020)

One of the factors affecting employee productivity is salary and incentives (Amanda & Hermana, 2024). Salary serves as a tool to motivate employees to enhance their performance and encourage their involvement in achieving company goals. Salary is a reward given for work or services rendered, functioning as a guarantee of a decent livelihood (Amanda & Hermana, 2024). The higher an employee's performance, the greater the salary they should receive. On the other hand, incentives are defined as stimuli offered to employees to perform their work at or above the established standards. Providing incentives aims to encourage employees to work better and more efficiently. Previous studies have shown a positive relationship between salary and incentives and employee productivity. Salary and incentives have a simultaneous positive and significant impact on employee productivity (Haeruddin et al., 2023), also found that salary and incentives positively influence employee performance (M.Trihudiyatmanto & Sukardi, 2023). However, these studies have not specifically explored the context of Islamic financial institutions in Indonesia, such as USPPS BMT Al-Hijrah KAN Jabung. This research is necessary to identify and understand the unique issues related to the mismatch between workload and compensation in this context, as well as their impact on employee productivity and the overall performance of the institution.

A research gap has been identified in the existing literature, providing a crucial basis for the implementation of this study. Previous studies, such as those conducted by Kurniati (2019) and Fathoni (2021), have demonstrated that salary and incentives have a positive and significant influence on work productivity. However, these studies predominantly focus on general organizational contexts without specifically exploring Islamic financial institutions in Indonesia. At USPPS BMT Al-Hijrah KAN Jabung, there are unique issues related to the

misalignment between workload and compensation (salary and incentives), which have not been extensively addressed in previous research. This focus is critical because the characteristics of Islamic financial institutions differ from other organizations, particularly in determining compensation based on Sharia principles. Therefore, this study aims to fill the gap by delving deeper into the relationship between salary, incentives, and work productivity in the context of Islamic finance.

Previous research has been updated by incorporating a more specific context and relevant indicators aligned with current conditions. For instance, while Kurniati (2019) and Fathoni (2021) identified a positive relationship between salary, incentives, and work productivity, this research expands the scope by addressing the issue of unequal workloads among employees, a topic not thoroughly explored in prior studies. Furthermore, it introduces more comprehensive indicators for measuring employee productivity, including outstanding loans, margin revenue, and Non-Performing Loans (NPL), which are particularly relevant in the context of Islamic financial institutions. By focusing specifically on USPPS BMT Al-Hijrah KAN Jabung, this study contributes empirical insights to the existing literature and offers practical recommendations applicable to similar institutions.

This study aims to investigate the influence of salary and incentives on employee productivity at USPPS BMT Al-Hijrah KAN Jabung Syariah in East Java. Three main questions focus this research: (1) Do salary and incentives simultaneously affect employee productivity? (2) Does salary influence employee productivity? And (3) Do incentives affect employee productivity? The choice of this topic is based on the importance of understanding the factors that influence employee productivity, especially in the context of Islamic financial institutions. By understanding the impact of salary and incentives, it is hoped that this research will contribute to the development of more effective human resource management strategies and enhance employee performance and organizational sustainability.

Literature Review

Salary

According to recent studies, salary is defined as a monetary compensation given to employees in recognition of their contribution to achieving organizational goals. Mulvaney et al. (2021) emphasize the importance of internal and external equity in salary systems, noting that fair compensation can enhance work motivation and organizational commitment. Karami et al. (2020) further highlights that salary equity supports employee retention and satisfaction, particularly when salaries are structured to address fairness and competitiveness within the industry. Additionally, Sharma et al. (2022) argue that salaries fulfill not only economic needs but also serve as intrinsic motivators, measured through indicators like fairness, competitiveness, and employee welfare provisions such as health insurance and retirement benefits. These perspectives underscore that salary, beyond being a fixed monetary reward, plays a critical role in meeting employees' needs and driving organizational success.

Companies should differentiate between salary and wages in their compensation practices, as salary is awarded based on an employee's education level, position, and length of service, while wages are based on the hours worked and the volume or output produced by an employee.

Salaries are generally higher than payments made to wage workers. Wages are payments made to employees or workers that are calculated based on the number of hours worked and are typically given to those who do not have guarantees of continuous employment (Purwono, 2009). In conclusion, salary is the monetary reward provided by a company or institution employing an individual for the work performed to achieve the organization's goals, as well as to meet the employees' needs as motivation to work harder. The salary variable is measured by indicators such as internal equity, which ensures employees performing similar tasks receive equal rewards; external equity, where employees in one organization are compensated comparably to those in other organizations within the same field; a decent standard of living, which reflects fair salary levels; the ability to meet basic personal needs; the promotion of work motivation through adequate compensation; and welfare provisions, including retirement guarantees or health insurance for employees.

Incentives

Incentives serve as motivational tools that encourage employees to perform at their optimal capacity, intended as additional income beyond the established salary or wages. The provision of incentives aims to meet the needs of employees and their families. The term incentive system is generally used to describe compensation plans that are directly or indirectly linked to various performance standards of employees or the profitability of the organization. Incentives can be defined as adequate rewards given to employees whose performance exceeds predetermined standards. They act as a driving factor for employees to improve their performance. Several definitions of incentives include according to Panggabean (2010), incentives are monetary rewards given to those who can work beyond the established standards. Hasibuan (2013) states that incentives are additional compensation provided to specific employees whose performance exceeds standard expectations. This incentive wage is a tool used to support the principle of fairness in compensation distribution.

From these definitions, it is clear that incentives represent awards or compensation given to employees for their performance that exceeds the set standards, with the expectation that providing such incentives will motivate them to achieve organizational goals. According to Sarwoto (2010), incentive indicators can be categorized into two groups: material incentives and non-material incentives. Material incentives include cash bonuses given as rewards for completed work, commissions paid to sales staff for good sales performance, profit-sharing plans that distribute a portion of net profits among participants, and compensation programs that involve future payments. Social guarantees are collective incentives provided equally to all employees, such as housing provision, free medical treatment, and free subscriptions to newspapers or magazines, paid sick leave, relocation expenses, and opportunities for further

education. Non-material incentives can take various forms, including official titles, awards or medals, certificates of appreciation, verbal or written commendations, formal or informal expressions of gratitude, and privileges associated with job titles (e.g., flags on cars).

Employee Productivity

According to Sinungan (2007), productivity is defined as the value of goods or services produced divided by the value expended to obtain those goods or services. Furthermore, Sadarmayanti (2007) explains that productivity is also understood as the level of efficiency in producing goods and services, emphasizing the effective utilization of resources in the production process. Moelyono (2008) states that productivity is the comparison between the output achieved and the labor involvement, considering the time regulation (typically per hour of work) and the readiness of tasks according to predetermined time standards. Here, labor involvement refers to the efficient and effective use of resources. The indicators for measuring work productivity include: 1) Work Achievement, which refers to the results achieved by an employee in carrying out assigned tasks; 2) Creativity, which encompasses the knowledge and ability of employees to propose or develop new work programs to address challenges; 3) Collaboration, defined as an employee's ability to work together with others to complete designated tasks, maximizing both efficiency and effectiveness; and 4) Timeliness, indicating the readiness of work in accordance with predetermined time standards.

Research Methods

The research method to examine the effect of salary and incentives on productivity at USPPS BMT Al-Hijrah KAN Jabung Syariah in East Java employs a quantitative approach. The study involves a sample of 40 respondents, all of whom are employees of the organization. To gather data, respondents provided information regarding their demographics and work conditions through a questionnaire distributed online via Google Forms and shared across social media platforms. The observed variables in this study include Salary (X_1), Incentives (X_2), and Productivity (Y). The data analysis method utilizes multiple linear regression, with the primary data collected from respondents analyzed using the SPSS program. The findings indicate a significant positive impact of salary and incentive programs on employee productivity at USPPS BMT Al-Hijrah KAN Jabung Syariah.

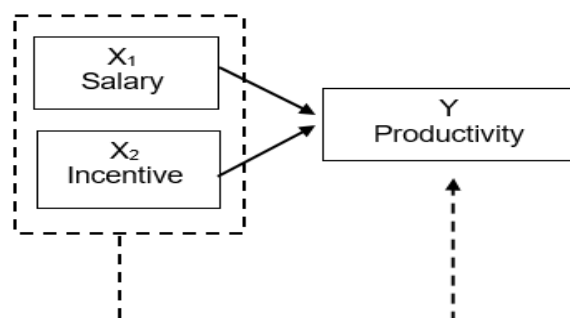


Figure 1. Conceptual Framework

Compensation, in the form of salaries and incentives, plays a vital role in influencing employee productivity. According to Mulvaney et al. (2021), salaries ensure internal and external equity, which contributes to work motivation and organizational commitment. Karami et al. (2020) also emphasizes the significance of salary equity in fostering employee satisfaction and retention, while Sharma et al. (2022) highlight that salaries serve not only as economic rewards but also as intrinsic motivators when structured to address fairness and competitiveness. These findings underline that salary, when properly managed, can drive employee productivity by fulfilling both their financial and non-financial needs.

Incentives, as supplementary compensation, are equally important in enhancing employee performance. Panggabean (2010) defines incentives as rewards given to employees who exceed performance standards, while Hasibuan (2013) and Sarwoto (2010) categorize them into material and non-material forms. Material incentives include bonuses, commissions, and profit-sharing, which directly impact employees' financial well-being. Non-material incentives, such as recognition and awards, can also foster motivation and engagement, driving employees to achieve better outcomes. These studies suggest that incentives act as motivators that directly align employee efforts with organizational objectives. Employee productivity, as defined by Sinungan (2007), is a measure of the efficiency and effectiveness of producing goods or services. Indicators such as work achievement, creativity, collaboration, and timeliness (Moelyono, 2008) reflect an employee's ability to meet organizational goals. Previous research has shown that both salary and incentives significantly contribute to these productivity indicators by motivating employees to perform optimally and fostering a sense of fairness and achievement.

The following hypotheses are proposed based on the theoretical and empirical foundations:

- H1: There is an influence of salary and incentives on the work productivity of employees at USPPS BMT Al-Hijrah.
- H2: There is an influence of salary on the work productivity of employees at USPPS BMT Al-Hijrah.
- H3: There is an influence of incentives on the work productivity of employees at USPPS BMT Al-Hijrah.

These hypotheses aim to explore the extent to which financial and non-financial compensation impacts employee performance, providing insights into effective management practices at USPPS BMT Al-Hijrah.

Finding and Analysis

Result of Multiple Linear Regression Test

Table 1. Results of Multiple Linear Regression Test

Variable	<i>Unstandardized Coefficients</i> B	t	Sig.	Result
Constant	11,748	4,111	0,000	Significant

Salary (X1)	0,264	3,773	0,001	Significant
Incentive (X2)	0,241	2,094	0,043	Significant

The value of the constant (aaa) is 11.748, which represents the level of employee productivity (Y) when it is not influenced by the other variables, namely salary (X1) and incentives (X2). If the independent variables are absent, the productivity level would remain at this constant value.

Coefficient of Regression for Salary Variable

The way to present the image can be seen in Figure 1. If the image is a secondary source, it is necessary to mention the source. Image captions are placing at the bottom of the image. Images do not need framing.

Coefficient of Regression for Incentive Variable

The value of b2 is 0.241, which shows that for every one-unit increase in incentives, employee productivity increases by 0.241, assuming that other variables remain constant. The positive coefficient for incentives indicates a significant relationship between incentives and employee productivity.

Table 2. Simultaneous Test Result

Model	F	Sig.
Salary (X1) dan Incentives (X2) toward productivity (Y)	17,647	0,000 ²

The first hypothesis was tested using the F-test, with the results indicating that the calculated F-value is 17.647, while the F-table value is 3.24, and the significance level is $0.000^2 < \alpha = 0.05$. This means that the calculated F-value (17.647) is greater than the F-table value (3.24), and the probability value (0.000) is less than the significance level $\alpha = 0.05$. These results indicate that the alternative hypothesis (Ha) is accepted. In other words, the independent variables, namely salary and incentives, have a significant simultaneous effect on employee productivity. Thus, the statistical analysis supports the first hypothesis proposed in this study, providing strong evidence that salary and incentives play a crucial role in influencing employee productivity.

Table 3. Partially Test Result

Variable	T-Value	Sig.	Result
Salary (X1)	3,773	0,001	significant
Incentives (X2)	2,094	0,043	significant

Second Hypothesis testing: the effect of salary (X1) on work productivity (Y). Based on the T-test (partial test) conducted, the t-value obtained is 3.773. This indicates that the t-value 3.773 is greater than the t-table value of 2.026, and the significance value of 0.001 is less than

$\alpha = 0.05$. Therefore, the second hypothesis is accepted, meaning that the salary variable has a significant partial effect on work productivity. Third Hypothesis Testing: The Effect of Incentives (X_2) on Work Productivity (Y). Based on the T-test (partial test) conducted, the t-value obtained is 2.094. This indicates that the t-value of 2.094 is less than the t-table value of 2.026, and the significance value of 0.043 is less than $\alpha = 0.05$. Therefore, the third hypothesis is accepted, meaning that the incentive variable has a significant partial effect on work productivity.

The Influences of Salary and Incentives on Work Productivity

The research results show that salary and incentives simultaneously have a positive and significant impact on employee work productivity. A competitive salary that matches the qualifications and workload can enhance employee motivation and commitment, which in turn increases their work productivity. Incentives, such as bonuses, commissions, or other rewards, also play an important role in motivating employees to achieve higher targets, thus improving work efficiency and productivity. Kurniati's (2018) research supports this finding, which shows that incentives are directly related to increased work productivity.

The Influence of Salary on Work Productivity

Individually, salary has a positive and significant impact on employee work productivity. A higher salary encourages employees to work more productively, while a lower salary can reduce their motivation and productivity. This is in line with Fathoni's (2021) opinion that salary plays a crucial role in enhancing work productivity. Salary is not only a financial reward but also a motivational tool that encourages employees to contribute more toward the achievement of company goals.

The Influence of Incentives on Work Productivity

Incentives also have a significant impact on employee work productivity. Providing incentives based on performance can increase employee motivation to work better and more efficiently, as they see a direct connection between their efforts and rewards. Incentives are considered a reward for achievements, and the higher the work performance, the higher the incentives given. Handoko (2010) states that incentives function as stimulants that encourage employees to meet or exceed established standards, thus enhancing their work productivity.

Conclusion

From the results of data processing and analysis, researchers can draw the following conclusions:

1. Salary positively and significantly affects the work productivity of employees at USPPS BMT Al-Hijrah.
2. Incentives positively and significantly affect the work productivity of employees at USPPS BMT Al-Hijrah.
3. Salary and incentives have a positive and significant effect simultaneously (together) on

the work productivity of employees at USPPS BMT Al-Hijrah.

Based on the conclusions above, it can be interpreted that both salary and incentives significantly influence the work productivity of employees at USPPS BMT Al-Hijrah. The salary variable aligns with the Islamic Sharia principle of fair compensation, emphasizing the importance of providing employees with a just and adequate reward for their labor, as highlighted in various Islamic teachings. The Prophet Muhammad (peace be upon him) emphasized the significance of paying workers their wages before their sweat dries, illustrating the urgency and importance of fair compensation. This principle fosters trust and loyalty, ensuring that employees feel valued and motivated to perform optimally.

Moreover, incentives embody the Islamic concept of *tahsin* (enhancement of performance) and *ikhtiar* (effort), encouraging employees to strive for excellence in their work. The provision of incentives is a manifestation of the organization's commitment to recognizing and rewarding hard work, which resonates with the Islamic ethical principle of *sadaqah* (charity) and supporting one another in achieving success. By promoting a culture of reward and recognition, USPPS BMT Al-Hijrah not only enhances productivity but also aligns with the teachings of Islam that advocate for mutual respect, cooperation, and the pursuit of excellence in all endeavors. Thus, the implementation of fair salary structures and effective incentive programs not only boosts employee productivity but also adheres to Islamic ethical standards, creating a positive and thriving work environment.

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