

*Research Article*

# Analysis Influence Compensation Financial and Non-Financial Compensation To Performance Employee With Satisfaction Work As Variables Moderation ( Study On Employee Kpp Primary School in Malang City)

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**Abstract.** This study aims to analyze the effect of financial compensation and non-financial compensation on employee performance with job satisfaction as a moderating variable . The approach in this study is a quantitative approach. This research strategy uses an associative strategy, which is based on the characteristics of the main research problem. The population of the study was all employees of KPP Pratama in Malang City, consisting of KPP Pratama Malang Utara and KPP Pratama Malang Selatan with a total of 154 employees. Determination of the number of samples used the Slovin formula of 61 employees. The sampling technique used in this study was proportionate stratified random sampling. The structural equation modeling of the study used Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 4.0 to analyze the data . The results showed that better financial compensation was able to encourage increased employee performance. Better non-financial compensation was able to encourage increased employee performance. Although job satisfaction was getting stronger, it was not able to encourage increased employee performance. Job Satisfaction is able to play a role in purely moderating the influence of Financial Compensation on Employee Performance. Job Satisfaction is able to play a role in purely moderating the influence of Non-Financial Compensation on Employee Performance.

**Keywords:** Financial Compensation, Non-Financial Compensation, Job Satisfaction, Employee Performance.

## 1. Introduction

Analysis conducted by Researchers from 2021, 2022 and 2023 at the Malang City Pratama Tax Office found that Employee Performance Indicators that never achieved maximum achievement were Quantitative Indicators such as the Gross Tax Revenue Growth Realization Index and cash planning projection deviation, Percentage of achievement of the level of compliance in submitting Annual Income Tax Returns for Corporate and Individual Taxpayers, and Percentage of tax revenue realization from

Material Compliance Testing (PKM) activities. For other Employee Performance Indicators such as Quality (Level of Competency Quality and Implementation of HR Activities), Efficiency (Percentage of changes in reporting and paying behavior for education and counseling activities), Effectiveness (Service Satisfaction Index and Counseling Effectiveness) and Behavior achieving maximum achievement. Employee Performance Achievement that is not optimal can be caused by several factors including Financial Compensation that is not optimal, Non-Financial Compensation that is too difficult to achieve and Job Satisfaction that has not been fulfilled

Employee performance is a very important thing in an organization's efforts to achieve its goals (Zainal *et al.* , 2017). Financial compensation plays a very important role in improving employee performance. Companies that provide fair, competitive, and

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transparent compensation will be able to motivate employees, increase productivity, attract and retain the best talent, and create a positive work environment. As the results of research conducted by Basyari *et al.* (2023), Tumusime & Mulyungi (2021), Tarzani *et al.* (2024), Manurung *et al.* (2024), Rahim *et al.* (2022), Sajudinnoor (2014), Irwansyah (2019), Munthe (2021), Panin *et al.* (2024), Charity (2017), Muhtazib & Niartiningsih (2022), Oktari *et al.* (2023), and Katabalo & Mwita (2024) revealed a significant relationship between financial compensation and employee performance. Meanwhile, the research results of Budi & Dewi (2021), Puspitasari *et al.* (2022), Indraswari *et al.* (2022) revealed that financial compensation has no effect on employee performance.

Non-financial compensation has a significant influence on employee performance. Several studies have shown that non-financial compensation can improve employee performance (Basyari *et al.*, 2023; Lawarang *et al.*, 2023; Pandiangan *et al.*, 2019; Manurung *et al.*, 2024; Rahim *et al.*, 2022; Sajudinnoor, 2014; Munthe, 2021; Panin *et al.*, 2024; Muhtazib & Niartiningsih, 2022; Oktari *et al.*, 2023; and Katabalo & Mwita, 2024).

Furthermore, the strength of the relationship between financial compensation and non-financial compensation with employee performance as explained earlier is also determined by job satisfaction. In other words, job satisfaction plays an important role in determining the relationship. Job satisfaction can strengthen or weaken the effect of compensation on performance. Companies that pay attention to employee job satisfaction will be able to maximize the positive impact of compensation, both financial and non-financial, on employee performance. As stated by Rahim *et al.* (2022), compensation (financial and non-financial) has a significant effect on employee performance if moderated by job satisfaction.

This statement is in accordance with previous researchers Rahim *et al.* (2022), Sajudinnoor (2014), Munthe (2021), and Panin *et al.* (2024) who stated that job satisfaction has been proven to moderate the relationship between compensation (financial and non-financial) on employee performance. Meanwhile, other researchers, Irwansyah (2019) and Indraswari *et al.* (2022) stated that job satisfaction does not moderate compensation (financial and non-financial) on performance.

Job satisfaction directly has a significant influence on employee performance. Employees who are satisfied with their jobs tend to be more motivated. They have positive energy and enthusiasm in completing their tasks. This statement is in line with the results of previous studies, namely Lawarang *et al.* (2023), Egenius *et al.* (2020), Nilasari *et al.* (2024), Rahim *et al.* (2022), Sajudinnoor (2014), and Oktari *et al.* (2023) which revealed that job satisfaction has a significant influence on employee performance. However, the results of research by Satri *et al.* (2023) and Okrah *et al.* (2024) stated that job satisfaction had no effect on employee performance.

Based on the previous description, it explains that job satisfaction plays an important role in moderating the relationship between financial and non-financial compensation with employee performance. Thus, the researcher determines the topic of this study is: Analysis of the Influence of Financial Compensation and Non-Financial Compensation on Employee Performance with Job Satisfaction as a Moderating Variable (Study on KPP Pratama Employees in Malang City).

## 2. Literature Review And Hypothesis

### 1. The Influence of Financial Compensation on Employee Performance

According to Hasibuan (2018), financial compensation is all income in the form of money, goods, directly or indirectly, received by employees in return for services provided to the company.

According to Nawawi (2014) financial compensation is an award or reward for workers who have contributed to realizing their goals, through activities called work.

Fahmi (2013) stated that performance is the result obtained by an organization, whether the organization is *profit-oriented* or *non-profit-oriented*, which is produced during a period of time. Mangkunegara (2016) explained that performance is the result of work in terms of quality and quantity achieved by a person in carrying out his functions according to the responsibilities given to him. Sutrisno (2019) described that performance is the quantity, quality and time used in carrying out tasks.

Based on the explanation above, the first hypothesis in this study is formulated as follows:

H1: Financial compensation has an effect on employee performance at KPP Pratama in Malang City.

## 2. The Influence of Non-Financial Compensation on Employee Performance

Non-financial compensation is anything received by employees as a form of reward for the contribution given by employees to the organization in a form other than material (Sedarmayanti, 2019). Non-financial compensation is divided into two, namely because of career (security in position, promotion opportunities, and recognition of work) and the work environment arena (getting praise, friendly, comfortable working, conducive). Employees will be more motivated to carry out their work responsibilities if the organization understands and pays close attention to the needs of its employees (Putra, 2016).

Simamora (2014) stated that there are two important aspects in non-financial compensation, namely the work and work environment of employees. In order to increase employee job satisfaction, it is not enough to fulfill financial compensation alone, but non-financial compensation must also be fulfilled.

According to Rivai (2013), performance is the result of work that can be achieved by a person or group of people in a company in accordance with their respective authorities and responsibilities in an effort to achieve company goals legally, without violating the law and without conflicting with morals and ethics. Meanwhile, Mathis & Jackson (2016) stated that performance is basically what employees do or do not do. Performance management is all activities carried out to improve the performance of a company or organization, including the performance of each individual and work group in the company.

Non-financial compensation has a significant influence on employee performance. Several studies have shown that non-financial compensation can improve employee performance (Basyari *et al.*, 2023; Lawarang *et al.*, 2023; Pandiangan *et al.*, 2019; Manurung *et al.*, 2024; Rahim *et al.*, 2022; Sajudinnoor, 2014; Munthe, 2021; Panin *et al.*, 2024; Muhtazib & Niartiningsih, 2022; Oktari *et al.*, 2023; and Katabalo & Mwita, 2024).

Based on the explanation above, the first hypothesis in this study is formulated as follows

H2: Non-financial compensation has an effect on employee performance at KPP Pratama in Malang City.

## 3. The Influence of Job Satisfaction on Employee Performance

According to Fathoni (2016), job satisfaction is a form of emotional attitude that is enjoyable and loving towards the work one does.

Employees will feel more satisfied if their compensation is commensurate with the work results they have done. According to Handoko (2014) job satisfaction is one of the variables that can affect employee productivity or work performance. Other variables that can also affect employee work productivity include motivation to work, the level of work stress experienced by employees, physical conditions of work, compensation. According to Jex (2002) defines job satisfaction as the level of positive affection of a worker towards work and work situations, job satisfaction is solely related to the worker's attitude towards his work. This attitude occurs in cognitive and behavioral aspects. The cognitive aspect of job satisfaction is the worker's belief about work and work situations.

Job satisfaction has a significant influence on employee performance. Companies that pay attention to employee job satisfaction tend to have more motivated, productive, and loyal employees. This statement is in line with the results of previous studies, namely Lawarang *et al.* (2023), Egenius *et al.* (2020), Nilasari *et al.* (2024), Rahim *et al.* (2022), Sajudinnoor (2014), and Oktari *et al.* (2023) which revealed that job satisfaction has a significant influence on employee performance.

Based on the explanation above, the third hypothesis in this study is formulated as follows:

H3: Job satisfaction has an effect on employee performance at KPP Pratama in Malang City.

#### 4. The Role of Job Satisfaction in Moderating the Effect of Financial Compensation on Employee Performance

Financial compensation is a form of compensation paid to employees in the form of money or services they contribute to their work (Bangun, 2012). Meanwhile, Mangkunegara (2016) provides an understanding that performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Rivai (2013) emphasizes the understanding of performance, namely the concrete results of work that can be observed and measured.

Job satisfaction plays an important role in moderating the relationship between financial compensation and employee performance. The results of Munthe's (2021) study stated that job satisfaction was proven to moderate the relationship between financial compensation and employee performance.

Based on the explanation above, the fourth hypothesis in this study is formulated as follows:

H4: Job satisfaction moderates the relationship between financial compensation and employee performance at KPP Pratama in Malang City.

#### 5. The Role of Job Satisfaction in Moderating the Effect of Non-Financial Compensation on Employee Performance

Kisanyanya (2020) states that non-financial compensation is a non-financial reward allocated by companies or organizations to employees to satisfy their needs and to gain influence and personal growth in the workplace, responsibility for achievement, and recognition.

Sholihin (2021) stated that job satisfaction is a positive emotional state characterized by a deep sense of affection for one's work, because the effort made is commensurate with the rewards received.

Job satisfaction plays an important role in moderating the relationship between non-financial compensation and employee performance. Panin *et al.* (2024) concluded that job satisfaction significantly moderates the relationship between non-financial compensation and employee productivity (performance).

Based on the explanation above, the fifth hypothesis in this study is formulated as follows:

H5: Job satisfaction moderates the relationship between non-financial compensation and employee performance at KPP Pratama in Malang City.

### 3. Research Methods

#### a. Population

The population was obtained from the two Pratama KPPs in Malang City, namely:

1. North Malang Primary Tax Office

The number of employees at the North Malang Pratama Tax Office is 79 people.

2. South Malang Primary Tax Office

The number of employees at the South Malang Pratama Tax Office is 75 people .

So that the total population of KPP Pratama employees in Malang City is  $79 + 75 = 154$  people (employees).

#### b. Sample

According to Umar (2013), to determine the sample size needed from the population, the *S Lavin* formula can be used, as follows:

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n = sample size

N = population size

e = allowance for inaccuracy due to sampling error of 10 % .

Based on the formula above, the sample required is:

$$n = \frac{154}{1 + 154(0.1^2)}$$

$$n = 60.63 \text{ atau dibulatkan menjadi } 61$$

So the sample size required in this study is 61 respondents.

### c. Sampling

According to Umar (2013) the formula For amount sample each part with technique *Proportional Random Sampling* is as following :

$$\text{Jumlah Sampel} = \frac{\text{Jumlah Sub Populasi}}{\text{Jumlah Populasi}} \times \text{Jumlah Sampel yang diperlukan}$$

**Table 1 Number of Employees of the Malang City Pratama Tax Office**

KPP	Number of Employees
North Malang Primary Tax Office	79
South Malang Primary Tax Office	75
Amount	154

Based on Table 4.1 , the sampling according to its section can be used to create a statistical description of the sampling technique as follows :

$$\text{KPP Pratama Malang Utara} = \frac{79}{154} \times 61 = 31.29 = 31$$

$$\text{KPP Pratama Malang Selatan} = \frac{75}{154} \times 61 = 29.71 = 30$$

$$\text{Jumlah} = 61$$

### d. Definition Operational Variables Study

#### 1) Compensation Financial (X1)

As for indicator compensation financial according to Mondy & Noe (2016) namely :

- Compensation Financial Direct ( *Direct Financial Compensation* ) (X1.1)
- Compensation Financial No Indirect Financial *Compensation* (X1.2)

#### 2) Non- Financial Compensation (X2)

As for indicator non- financial compensation according to Mondy & Noe (2016) namely :

- Challenging Work ( *X2.1* )
- Confession And Recognition and *Rewards* (X2.2)
- Chance Development Career ( *Career Development Opportunities* ) (X2.3)
- Environment Positive Work ( *Positive Work Environment* ) (X2.4)
- Flexibility Work ( *Work Flexibility* ) (X2.5)

#### 3) Job Satisfaction (M)

According to Greenberg & Baron (2003), the indicators of job satisfaction are:

- Work That Work *it* Self (M1.1)
- Quality Supervision ( *M1.2* )
- Connection fellow workers ( *Co-Workers* ) (M1.3)
- Chance promotion ( *Promotion* ) (M1.4)
- Salary / Wages ( *Pay* ) (M1.5)

#### 4) Performance Employee (Y)

As for indicator performance employee according to KMK Number 300/KMK.01/2022 , namely :

- Quantity (Y1.1)
- Quality (Y1.2)
- Efficiency (Y1.3)
- Effectiveness (Y1.4)
- Behavior (Y1.5)

#### 4. Results And Discussion

##### Respondent Characteristics Description

**Table 2 Age Profile**

No.	Age	Frequency	Percentage
1	20 to 25 years	4	6.56%
2	26 to 30 years	3	4.92%
3	31 to 35 years old	10	16.39%
4	36 to 40 years	18	29.51%
5	41 to 44 years old	13	21.31%
6	45 to 50 years	7	11.48%
7	> 50 years	6	9.84%
Total		61	100%

From the table above , we can seen that group age 36 to 40 years own amount Respondent most ( frequency) highest And percentage largest ), namely 18 people or 29.51% of the total respondents . The group age 26 to 30 years own amount the fewest respondents , namely 3 people or 4.92%. Distribution Respondent tend more Lots on group older age young until middle , then decrease on group older age old .

**Table 3 Gender Profile**

No.	Type Sex	Frequency	Percentage
1	Man	37	60.66%
2	Woman	24	39.34%
Total		61	100%

From the table above , we can conclude that amount Respondent male (37 people) far more Lots compared to with Respondent women (24 people). In percentage , more from half Respondent is men , namely by 60.66%, while Respondent Woman as much as 39.34% of the total respondents .

**Table 4 Education Profile**

No.	Education Final	Frequency	Percentage
1	Diploma I	7	11.48%
2	Diploma III	5	8.20%
3	Diploma IV	3	4.92%
4	S1	39	63.93%
5	S2	7	11.48%
Total		61	100%

From the table above, it can be seen that the majority of respondents have a final education of Bachelor's Degree, with a total of 39 people or 63.93% of the total respondents. The second highest level of education is Diploma I with 7 respondents (11.48%), followed by Bachelor's Degree with 7 respondents (11.48%). Respondents with a final education of Diploma III numbered 5 people (8.20%), and the fewest were respondents with a final education of Diploma IV, which was only 3 people (4.92%). Overall, these data show that most respondents in this group have a Diploma and Bachelor's degree, with the largest proportion at the Bachelor's degree level.

**Table 5 Profile of Working Period**

No.	Years of service	Frequency	Percentage
1	< 5 years	2	3.28%
2	5 - 10 years	9	14.75%
3	11 - 15 years	11	18.03%

4	16 - 20 years	15	24.59%
5	> 20 years	24	39.34%
Total		61	100%

From the table above , we can seen that group Respondent with a period of over 20 years is the most , namely 24 people or amounting to 39.34% of the total respondents . The group with a working period of 16 to 20 years is also quite significant with 15 respondents (24.59%). Meanwhile, respondents with a working period of less than 5 years are the fewest, only 2 people (3.28%). The distribution of respondents shows a tendency to be more in the group with medium to high working periods.

**Table 6 Profile Group**

No.	Years of service	Frequency	Percentage
1	Class II	17	27.87%
2	Group III	39	63.93%
3	Group IV	5	8.20%
Total		61	100%

From the table above, it can be seen that the respondent group with Group III is the largest, which is 39 people or 63.93% of the total respondents. The group with Group II is also quite significant with 17 respondents (27.87%). Meanwhile, respondents with Group IV are the fewest, only 5 people (8.20%). Distribution Respondent show trend more Lots on group Group III.

### Variable Description

1. The average score value for each indicator in the Financial Compensation variable (X1) is explained as follows:
  - a) The average score for the Direct *Financial* Compensation indicator (X1.1) is 3.90 , and based on the index value category, it is in the high category .
  - b) The average score for the Indirect Financial Compensation indicator ( X1.2) is 3.84 , and based on the index value category, it is in the high category .
2. The average score value for each indicator in the Non-Financial Compensation variable (X2 ) is explained as follows:
  - a) The average score for the Challenging Work indicator ( X2.1) is 3.34, and based on the index value category, it is in the moderate category.
  - b) The average score for the Recognition and Rewards indicator ( X2.2) is 3.32, and based on the index value category, it is in the moderate category.
  - c) The average score for the Career Development Opportunities indicator ( X2.3) is 2.60, and based on the index value category, it is in the low category.
  - d) The average score for the Positive Work Environment indicator ( X2.4) is 3.22, and based on the index value category, it is in the moderate category.
  - e) The average score for the Work Flexibility indicator ( X2.5) is 3.59, and based on the index value category, it is in the high category.
3. The average score for each indicator in the Job Satisfaction variable ( M ) is explained as follows:
  - a) The average score for the Work it Self indicator ( M1.1) is 3.96, and based on the index value category, it is in the high category.
  - b) The average score for the Supervision Quality indicator ( M1.2 ) is 3.97, and based on the index value category, it is in the high category.
  - c) The average score for the *Co-Workers Relationship indicator* (M1.3) is 3.99 and based on the index value category, it is in the high category.
  - d) The average score for the *Promotion Opportunity indicator* (M1.4) is 4.06 and based on the index value category, it is in the high category .
  - e) The average score for the Salary/Wages ( *Pay* ) indicator (M1.5) is 3.89 and based on the index value category, it is in the high category.

4. The average score for each indicator in the Employee Performance variable (Y) will be explained as follows:
  - a) The average score for the Quantity indicator (Y1.1) is 3.95, and based on the index value category, it is in the high category.
  - b) The average score for the Quality indicator (Y1.2) is 3.97, and based on the index value category, it is in the high category.
  - c) The average score for the Efficiency indicator (Y1.3) is 3.95, and based on the index value category, it is in the high category.
  - d) The average score for the Effectiveness indicator (Y1.4) is 4.04, and based on the index value category, it is in the high category.
  - e) The average score for the Behavior indicator (Y1.5) is 4.02, and based on the index value category, it is in the high category.

Figure 1 Outer Model

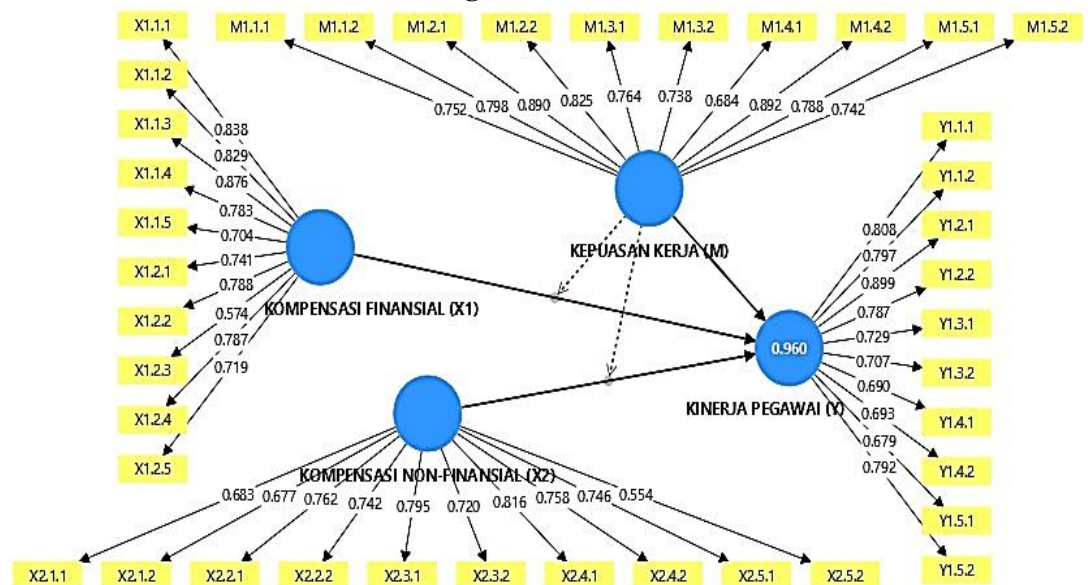
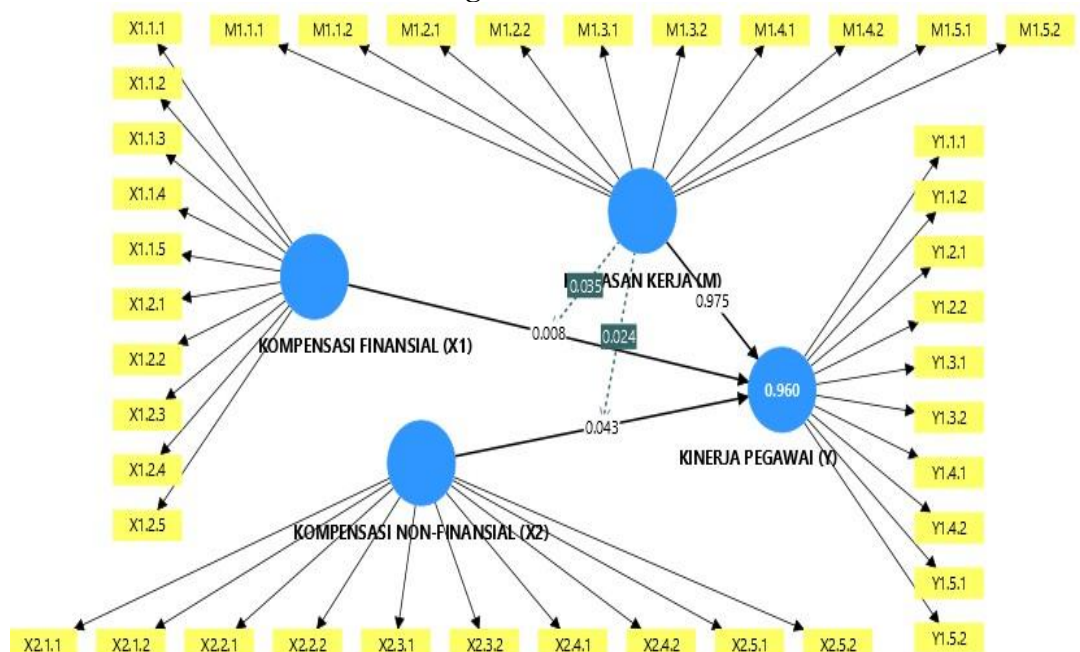


Figure 2 Inner Model





**Table 7 Results Testing Hypothesis**

Hypothesis	Statement Hypothesis	Conclusion
H1	Financial Compensation (X1) -> Employee Performance (Y)	Accepted
H2	Non-Financial Compensation (X2) -> Employee Performance (Y)	Accepted
H3	Job Satisfaction (M) -> Employee Performance (Y)	Rejected
H4	Job Satisfaction (M) x Financial Compensation (X1) -> Employee Performance (Y)	Accepted
H5	Job Satisfaction (M) x Non-Financial Compensation (X2) -> Employee Performance (Y)	Accepted

## Discussion

### The Influence of Financial Compensation on Employee Performance

Overall, the average score for Financial Compensation is 3.87, and based on the previous index value category, it is in the high category. These results indicate that all forms of payment given by the organization to employees as compensation for services or work they have done are classified as high. Then, overall, the average score for Employee Performance is 3.98, and based on the previous index value category, it is in the high category. These results indicate that the work results achieved by employees in carrying out their duties and responsibilities are in accordance with the targets that have been set, are classified as high.

The results of the hypothesis state that financial compensation has an effect on employee performance at KPP Pratama in Malang City. The results of the hypothesis test are in accordance with the results of previous studies, namely Basyari *et al.* (2023), Tumusime & Mulyungi (2021), Tarzani *et al.* (2024), Manurung *et al.* (2024), Rahim *et al.* (2022), Sajudinnoor (2014), Irwansyah (2019), Munthe (2021), Panin *et al.* (2024), Charity (2017), Muhtazib & Niartiningsih (2022), Oktari *et al.* (2023), and Katabalo & Mwita (2024) which revealed a significant relationship between financial compensation and employee performance.

The results of this study indicate a positive correlation between monetary rewards and increased individual performance in the organization. In other words, the better and fairer the financial compensation system implemented, the greater the likelihood that employees will be motivated to work more effectively and efficiently. This is in line with various motivational theories, such as expectancy theory *which* states that individuals will be motivated when they believe that their efforts will result in good performance, and good performance will be rewarded with attractive rewards (Vroom, 1964).

### The Influence of Non-Financial Compensation on Employee Performance

Overall, the average score for Non-Financial Compensation is 3.21, and based on the previous index value category, it is in the moderate category. These results indicate that the rewards given to employees that are not in the form of money, but have their own value and appeal to employees, are classified as moderate. Then, overall, the average score for Employee Performance is 3.98, and based on the previous index value category, it is in the high category. These results indicate that the work results achieved by employees in carrying out their duties and responsibilities are in accordance with the targets that have been set, are classified as high.

The results of the hypothesis state that non-financial compensation has an effect on employee performance at KPP Pratama in Malang City. The results of the hypothesis test are in accordance with the results of previous studies which show that non-financial compensation can improve employee performance (Basyari *et al.*, 2023; Lawarang *et al.*, 2023; Pandiangan *et al.*, 2019; Manurung *et al.*, 2024; Rahim *et al.*, 2022; Sajudinnoor, 2014; Munthe, 2021; Panin *et al.*, 2024; Muhtazib & Niartiningsih, 2022; Oktari *et al.*, 2023; and Katabalo & Mwita, 2024).

The results of this study highlight the importance of non-monetary rewards and recognition in motivating and improving individual performance in the workplace. Non-monetary compensation includes aspects such as career development opportunities, recognition of achievements, work flexibility, positive work environment, and work-life balance. The existence of this positive influence indicates that fulfilling employees' psychological and social needs is as important, and in some cases more important, than financial rewards in encouraging optimal performance (Deci & Ryan, 2000).

#### The Influence of Job Satisfaction on Employee Performance

Overall, the average score for Job Satisfaction is 3.97, and based on the previous index value category, it is in the high category. These results indicate that the positive or negative attitudes that individuals have towards their work are classified as high. Then, overall, the average score for Employee Performance is 3.98, and based on the previous index value category, it is in the high category. These results indicate that the work results achieved by employees in carrying out their duties and responsibilities are in accordance with the targets that have been set, are classified as high.

The results of the hypothesis state that job satisfaction has no effect on employee performance at KPP Pratama in Malang City. The results of the hypothesis test are not in accordance with the results of previous studies, namely Lawarang *et al.* (2023), Egenius *et al.* (2020), Nilasari *et al.* (2024), Rahim *et al.* (2022), Sajudinnoor (2014), and Oktari *et al.* (2023) which revealed that job satisfaction has a significant effect on employee performance.

#### The Role of Job Satisfaction in Moderating the Effect of Financial Compensation on Employee Performance

Overall, the average score for Financial Compensation is 3.87, and based on the previous index value category, it is in the high category. These results indicate that all forms of payment given by the organization to employees as compensation for services or work they have done are classified as high. Then, overall, the average score for Job Satisfaction is 3.97, and based on the previous index value category, it is in the high category. These results indicate that the positive or negative attitudes that individuals have towards their work are classified as high. Furthermore, overall, the average score for Employee Performance is 3.98, and based on the previous index value category, it is in the high category. These results indicate that the work results achieved by employees in carrying out their duties and responsibilities are in accordance with the targets that have been set, and are classified as high.

The results of the hypothesis state that job satisfaction moderates the relationship between financial compensation and employee performance at KPP Pratama in Malang City. The results of the hypothesis test are in accordance with the results of previous studies, namely Kurniawan & Faustine (2014), Sule & Saefullah (2006), and Munthe (2021) which state that job satisfaction moderates the relationship between financial compensation and employee performance.

The results of this study indicate that the effect of financial compensation on employee performance is not direct or uniform, but its strength is influenced by the level of job satisfaction felt by the individual. In other words, the effectiveness of financial compensation in improving performance may be stronger or weaker depending on how satisfied employees are with their jobs overall. This moderation concept highlights the complexity of the relationship between motivation and performance in the workplace (Baron & Kenny, 1986).

#### The Role of Job Satisfaction in Moderating the Effect of Non-Financial Compensation on Employee Performance

Overall, the average score for Non-Financial Compensation is 3.21, and based on the previous index value category, it is in the medium category. These results indicate that the rewards given to employees that are not in the form of money, but have their own value and appeal to employees, are classified as medium. Then, overall, the average score for Job Satisfaction is 3.97, and based on the previous index value category, it is in the high category. These results indicate that the positive or negative attitudes that individuals have towards their work are classified as high. Furthermore, overall, the

average score for Employee Performance is 3.98, and based on the previous index value category, it is in the high category. These results indicate that the work results achieved by employees in carrying out their duties and responsibilities are in accordance with the targets that have been set, are classified as high.

The results of the hypothesis state that job satisfaction moderates the relationship between non-financial compensation and employee performance at KPP Pratama in Malang City. The results of the hypothesis test are in accordance with the results of previous studies, namely Juliani *et al.* (2022), Wardhana (2018), and Panin *et al.* (2024) which state that job satisfaction moderates the relationship between non-financial compensation and employee performance.

The results of this study imply that the effectiveness of non-financial rewards and recognition in improving employee performance is highly dependent on the level of job satisfaction they feel overall. In other words, the benefits of career development opportunities, recognition, work flexibility, and a positive work environment in driving performance may vary depending on how satisfied an employee is with other aspects of their job. This moderation concept highlights that the effect of one variable (non-financial compensation) on another variable (performance) may change depending on the level of the third variable (job satisfaction) (Hair *et al.*, 2017).

### Theoretical Implications

- a) The results of this study generally support extrinsic motivation theories, such as expectancy theory and equity theory, which state that fair and attractive financial and non-financial rewards can increase employee motivation and performance. The findings of points 1 and 2 reinforce the idea that compensation, both in the form of money and non-material benefits, is an important factor in encouraging positive work behavior.
- b) The results of point 3 provide important nuances in understanding the relationship between job satisfaction and performance. These findings indicate that job satisfaction, although considered important in many contexts, does not automatically guarantee increased performance, especially in the context of KPP Pratama in Malang City. This opens up opportunities for further research on specific factors in the work environment that may weaken or eliminate the generally found positive relationship.
- c) The findings of points 4 and 5 significantly contribute to a deeper understanding of the mechanism of compensation's influence on performance. These results support the theory of moderation, where job satisfaction acts as a variable that strengthens or weakens the influence of independent variables (financial and non-financial compensation) on the dependent variable (employee performance). This shows that the effectiveness of compensation in improving performance depends not only on the amount or type of compensation itself, but also on the level of job satisfaction felt by employees. This study provides empirical support for the importance of considering the affective aspect (job satisfaction) in understanding the impact of incentives on work behavior.
- d) The results of this study highlight the importance of considering the organizational context in the study of organizational behavior. The different findings related to the relationship between job satisfaction and performance at KPP Pratama Malang City compared to general findings indicate that specific factors in an organization's work environment (e.g., work culture, supervisory system, type of work) can influence the dynamics of the relationship between variables.

### Practical Implications

- a) Organizations, including KPP Pratama, need to continue to invest in competitive and fair financial and non-financial compensation systems. This is essential to attract, retain, and motivate employees to perform well. Compensation design needs to consider employee needs and preferences as well as industry standards.
- b) Although job satisfaction does not directly improve performance in the context of this study, organizations still need to strive to create a positive and satisfying work environment. High job satisfaction can contribute to employee retention, reduce absenteeism, and improve the quality of workplace interactions. These efforts include improving communication, management support, development opportunities, and work-life balance.

- c) Organizations need to realize that the effectiveness of financial and non-financial compensation in driving performance can be improved by considering the level of employee job satisfaction. Compensation programs need to be designed and implemented by considering factors that can increase job satisfaction. For example, transparency in the compensation system and providing opportunities for employees to provide input.
- d) The finding that job satisfaction is not positively correlated with performance at KPP Pratama Malang City indicates that there are other factors that may be more dominant in influencing performance. Management needs to conduct further diagnosis to identify performance barriers that may not be directly related to job satisfaction, such as inefficient work systems, lack of resources, or excessive target pressure.

### Research Limitations

- a) This research was conducted at one agency (KPP Pratama in Malang City), so generalizing the results to other organizational contexts, especially in the private sector or with different characteristics, needs to be done with caution.
- b) The research design used may not be able to fully capture the cause-and-effect relationships between variables. Experimental research can provide a deeper understanding of the direction and strength of the effects.
- c) The quality of measurement of variables (financial compensation, non-financial compensation, job satisfaction, employee performance) can be a limitation. The use of less valid or reliable instruments can affect the results of the study.
- d) This study may not take into account all other factors that could potentially influence employee performance, such as intrinsic motivation, leadership, organizational culture, or individual employee characteristics (e.g., ability, experience).

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