

The Effect of Compensation and Leadership on Employee Loyalty With Job Satisfaction as A Mediating Variable (A Case Study at PT Permodalan Nasional Madani, Solo Branch)

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Abstract

This study aims to analyze the influence of leadership and compensation on employee work loyalty at PT Permodalan Nasional Madani (PNM) Solo Branch, as well as the mediating role of job satisfaction in that relationship. Employee work loyalty is a strategic resource that significantly impacts the company's competitive advantage. This study uses a quantitative approach, with data collected through surveys distributed to employees of PT PNM Solo Branch. The research population consists of 120 individuals, all of whom are treated as research respondents. Data collection was conducted through a questionnaire using a continuous rating scale (CRS) of 1–10 (Strongly Disagree—Strongly Agree). The data were processed using SmartPLS. The results of this study indicate that good compensation can improve job satisfaction, and good leadership can also improve job satisfaction. However, regardless of how good the compensation is, it cannot increase loyalty. In contrast, good leadership can increase loyalty. The higher the job satisfaction, the higher the loyalty. Job satisfaction can mediate and strengthen the relationship between compensation and loyalty, and it can also mediate and strengthen the relationship between leadership and loyalty.

Keywords: Compensation; Leadership Style; Job Satisfaction and Employee Loyalty

INTRODUCTION

In the midst of increasingly fierce competition in the banking business, employees are required to be able to work effectively and efficiently to support the achievement of company performance. Banking companies are a type of business engaged in financial services by providing various services to the public. Basically, all businesses have the same goal, which is to generate profits and provide welfare to their employees. The success of banking companies can be seen from the amount of profit obtained. Each banking company usually has a target RKAP (Work Plan and Company Budget) in the current year. Employees who can meet the target will get rewards in the form of bonuses, compensation or promotions. Employee performance is a measure of success in the achievements achieved by employees based on the targets that have been set by the company. If the employee is able to achieve the target he carries, then the company considers the employee to have good performance. On the other hand, if the employee is unable to achieve the target he carries, then the employee is considered to lack good performance.

To achieve success, every company needs a long process. The success process of a company depends on the hard work of its employees. The existence of employees is essential to the success of a company because their performance allows them to produce goods or services sold by the company. "An organization is a structured social system consisting of groups and individuals who work together to achieve agreed goals"

Greenberg, J., & Baron, R. A. (2003). Therefore, the main goal of the organization is to find ways to treat employees as human individuals. Human Resources are the resources that most determine the success of an organization/company. An organization can be said to be good if it is able to provide certain characteristics or advantages that other organizations do not have (Maharani et al., 2020).

To get reliable human resources or workforce, training, education, motivational training and creating a comfortable work environment for workers/employees are needed. Of the various resources owned by a company, human resources occupy the main position of other resources. Without human resources, a company cannot run as it should. Human resources are part of the strategic planning process (Schuler, 1990). The success of a company is closely related to quality manpower/human resources. Human resources are the main factor in carrying out every step of a company to realize the vision and mission of the company or organization.

PT Permodalan Nasional Madani (PNM) Solo Branch, which is engaged in financial services, faces challenges related to employee turnover rates, leadership, compensation, and job satisfaction, all of which affect employee loyalty. Leadership plays an important role in creating a supportive work environment, where effective leadership can increase employee motivation and satisfaction. Conversely, poor leadership can lead to dissatisfaction, absenteeism, and decreased employee loyalty. Additionally, an unfair compensation system can lower job satisfaction, which ultimately leads to low employee loyalty and increased turnover rates. As revealed by Hayati & Wilistiningsih (2019), low employee loyalty can be detrimental to companies because it increases recruitment costs. Another factor that is also important is job rotation and career development, which plays a role in maintaining morale, especially in positions with high turnover rates such as Account Officer.

The PNM Solo branch recorded a high turnover rate, especially in the position of Account Officer, with a turnover rate of 46.19% by 2025. This turnover rate increases towards the end of the year, which indicates dissatisfaction and low employee loyalty. This high turnover has a negative impact on organizational continuity, productivity, and recruitment costs. In addition, performance indicators such as Number of Accounts (NoA) and financing disbursement targets are often not achieved, due to inadequate compensation and ineffective leadership. Job satisfaction plays an important role in bridging the influence of compensation and leadership on employee loyalty, which ultimately affects organizational performance. As explained by Hirschman (1972), loyal employees contribute greatly to the success of an organization, while their dissatisfaction can lead to long-term problems for the company. Therefore, increased compensation, more effective leadership, and attention to job satisfaction can help reduce turnover issues and increase employee loyalty at PT PNM Solo Branch.

The urgency of this research is underscored by three factors. First, the 46.19% turnover rate at PT PNM Solo Branch substantially exceeds the 25-30% microfinance industry average, suggesting unique local factors requiring investigation. Second, each departing Account Officer costs the company approximately 3-6 months of salary in

recruitment and training expenses, representing significant financial loss. Third, high turnover directly impacts customer service quality, as customers lose their primary point of contact and must rebuild relationships with new officers - a critical issue for the ultra-micro customer segment that relies heavily on trust-based relationships.

This study focuses on the influence of compensation and leadership on employee loyalty, considering job satisfaction as a mediating variable. Various previous studies have shown that the variables compensation and leadership have a positive effect on job loyalty, despite differences in outcomes, with some studies showing insignificant influences (Cahyanto et al., 2025; Ramadhani & Rahardjo, 2017; Heryati, A., 2016; Saptarini, P. D., & Yudhaningsih, N. M., 2020; Ma'ruf, R., 2021). Good leadership, which includes being humble and able to solve problems, tends to increase employee loyalty, while authoritarian leadership can decrease work motivation, depending on the views of each employee. Job satisfaction felt by employees also plays an important role in increasing loyalty and productivity, as found in research by Elfani, E. Y. (2019) and Padmawati, G.A.E. (2023).

Thus, this study aims to examine the influence of compensation and leadership on employee loyalty, as well as the role of job satisfaction as a mediating variable. The focus of this research is on the microfinance sector, with a case study at PT Permodalan Nasional Madani (PNM) Solo Branch. It is hoped that the results of this research can contribute to the development of managerial strategies based on the human resource approach, especially in improving employee loyalty and performance through effective compensation and leadership policies.

Based on the background that has been described, this study aims to answer several problem formulations that include the influence of compensation and leadership on job satisfaction and employee loyalty, and whether job satisfaction can mediate the effect of compensation and leadership on employee loyalty. The purpose of this study was to test and analyze the significant relationship between compensation and leadership and job satisfaction, as well as the influence of compensation, leadership, and job satisfaction on employee loyalty, either directly or through the role of job satisfaction as a mediating variable. This research is also expected to make a theoretical contribution to the development of the literature on job satisfaction as a mediating variable that affects the relationship between compensation, leadership, and employee loyalty, with a case study at PT Permodalan Nasional Madani Solo Branch.

The benefits of this research are expected to make a significant contribution both theoretically and practically. Theoretically, this study is expected to provide new insights for researchers interested in the topic of job satisfaction as a mediating variable in the influence of compensation and leadership on employee loyalty. Practically, this research is expected to contribute to PT PNM Solo Branch in decision-making related to employee management to increase employee productivity and work performance, as well as for the employees themselves in terms of increasing achievement and loyalty that will have a positive impact on the company.

RESEARCH METHODS

This study used a quantitative approach to test hypotheses through the analysis of numerical data collected via surveys or questionnaires, which were then analyzed using statistical techniques to ensure valid and reliable conclusions (Setyadi, 2022; Scott, 2022). Data were collected through questionnaires and analyzed using SmartPLS (Partial Least Squares) 3.

The variables in this study included independent variables—compensation and leadership—which affected the dependent variable, employee loyalty (Setyadi, 2022; Sugiyono, 2022; Leon et al., 2023). The mediating variable was job satisfaction, which influenced the relationship between the independent and dependent variables (Setyadi, 2022; Tuckman in Sugiyono, 2022; Leon et al., 2023). The unit of analysis was employees of PT Permodalan Nasional Madani (PNM) Solo Branch.

The population consisted of 800 employees, with a sample of 120 respondents selected using purposive sampling. Data were collected using a closed-ended questionnaire to measure the influence of compensation, leadership, and job satisfaction on employee loyalty (Sugiyono, 2022). Data analysis was conducted using the PLS-SEM method, including tests of convergent and discriminant validity, as well as reliability using Cronbach's alpha and composite reliability (Musyaffi et al., 2021). Hypothesis testing was performed using t-statistics and p-values, where a hypothesis was accepted if the t-statistic exceeded the critical value or the p-value was less than 0.05.

RESULTS AND DISCUSSION

SmartPLS Calculation

The data analysis in this study uses the Partial Least Square (PLS) with the help of SmartPLS software. This method is used to test the relationships between variables in the research model, either directly or indirectly (mediation). In SmartPLS, analysis is carried out through two main stages, namely the evaluation of the measurement model (outer model) and structural model evaluation (inner model).

Outer Model (Measurement Model)

Outer model used to test the quality of indicators in representing latent variables. According to Hair et al. (2021), the evaluation outer model aims to ensure that the research instrument meets the criteria of validity and reliability. Evaluation outer model Includes Convergent Validity, Discriminant Validity and Construct Reliability.

Convergent Validity

Convergent validity is one of the important parts of the evaluation outer model, which is used to ensure that the indicators in a single variable measure the same concept. According to Hair et al. (2021), a construct is said to have convergent validity good if it meets two main criteria, namely: outer loading ≥ 0.708 , and the value of Average Variance Extracted (AVE) $\geq 0,50$

Outer loading shows how strong the relationship between the indicator and its variables is. The higher the value, the greater the contribution of the indicator in explaining the construct.

Table 1 Outer Loading First Stage

	Leadership	Job Satisfaction	Compensation	Loyalty
X1.1			0,659	
X1.10			0,785	
X1.11			0,376	
X1.12			0,784	
X1.13			0,792	
X1.2			0,336	
X1.3			0,839	
X1.4			0,880	
X1.5			0,756	
X1.6			0,754	
X1.7			0,794	
X1.8			0,797	
X1.9			0,822	
X2.1	0,913			
X2.10	0,943			
X2.11	0,955			
X2.12	0,976			
X2.13	0,966			
X2.14	0,967			
X2.15	0,952			
X2.2	0,951			
X2.3	0,912			
X2.4	0,906			
X2.5	0,965			
X2.6	0,945			
X2.7	0,950			
X2.8	0,953			
X2.9	0,963			
Y1				0,906
Y2				0,936
Y3				0,847
Y4				0,861
Y5				0,916
Y6				0,912
Z1		0,825		
Z10		0,911		
Z11		0,916		
Z12		0,911		
Z13		0,846		
Z14		0,872		
Z15		0,859		
Z2		0,852		

Z3	0,855
Z4	0,735
Z5	0,752
Z6	0,576
Z7	0,881
Z8	0,888
Z9	0,900

Source : Questionnaire Data (2026)

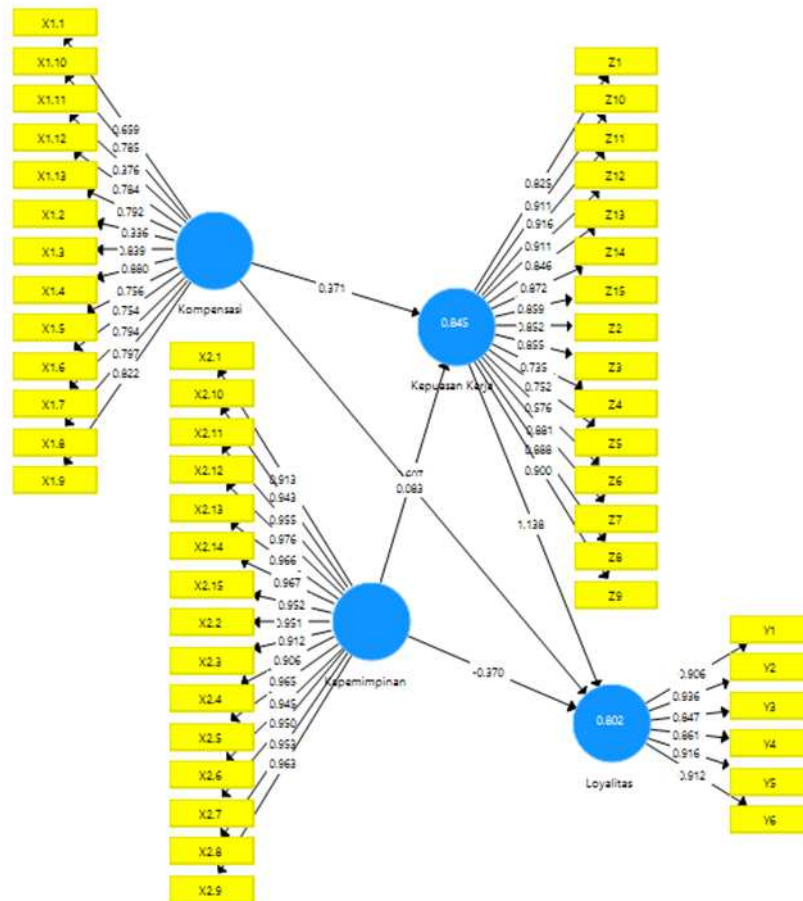


Figure 1 Outer Loading First Stage

Source : Questionnaire Data (2026)

In the results of this study, testing was carried out in two stages. In the first stage, there are still several indicator statements that have low values below the minimum limit of 0.708, so according to Hair et al. (2021), these indicator statements are not worth maintaining because they are not able to represent the construct properly. Therefore, it needs to be eliminated to improve the quality of the model.

Table 2 Outer Loading Stage Two

	Leadership	Job Satisfaction	Compensation	Loyalty
X1.10			0,777	
X1.12			0,787	
X1.13			0,799	
X1.3			0,834	
X1.4			0,886	
X1.5			0,761	
X1.6			0,777	
X1.7			0,811	
X1.8			0,791	
X1.9			0,840	
X2.1	0,913			
X2.10	0,943			
X2.11	0,955			
X2.12	0,976			
X2.13	0,966			
X2.14	0,967			
X2.15	0,952			
X2.2	0,951			
X2.3	0,912			
X2.4	0,906			
X2.5	0,965			
X2.6	0,945			
X2.7	0,950			
X2.8	0,953			
X2.9	0,963			
Y1				0,906
Y2				0,937
Y3				0,848
Y4				0,861
Y5				0,915
Y6				0,911
Z1		0,814		
Z10		0,916		
Z11		0,919		
Z12		0,915		
Z13		0,850		
Z14		0,879		
Z15		0,866		
Z2		0,843		
Z3		0,846		
Z4		0,742		
Z5		0,758		
Z7		0,883		
Z8		0,889		
Z9		0,898		

Source : Questionnaire Data (2026)

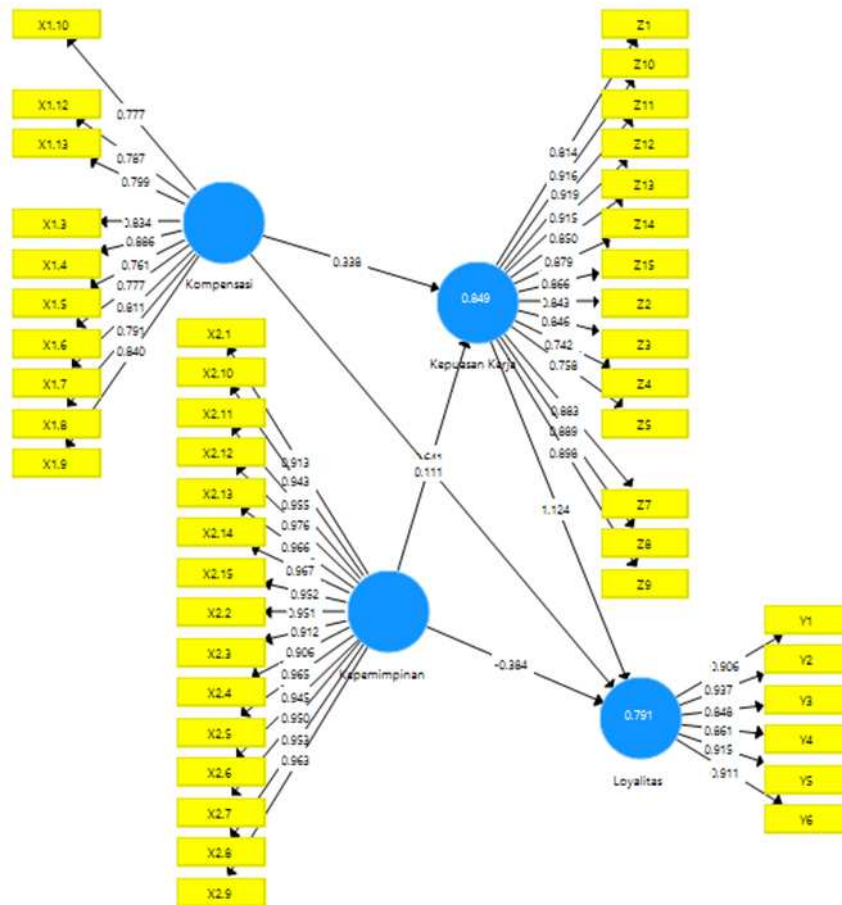


Figure 2 Outer Loading Stage Two

Source : Questionnaire Data (2026)

After retesting (the second stage), all values show outer loading above 0.70. All the indicator statements used already have a strong relationship with their variables, so it can be said that each indicator really reflects the construct being measured.

After outer loading, the next calculation is AVE which is used to see how much the variable can explain the variance of the indicator. According to Hair et al. (2021), the AVE value ≥ 0.50 indicates that more than 50% of the indicator's variance can be explained by constructs.

Table 3 Average Variance Extracted (AVE)

	AVE
Leadership	0,899
Job Satisfaction	0,740
Compensation	0,651
Loyalty	0,805

Source : Questionnaire Data (2026)

All variables have an AVE value above 0.50, which means that each construct is able to explain its indicators very well. In fact, the leadership variable has a high AVE value, indicating that the indicators are very strong and consistent.

Discriminant Validity

Discriminant validity used to ensure that each variable in the study is completely different from each other and does not overlap with each other. In other words, variables such as compensation, leadership, job satisfaction, and loyalty must have different meanings conceptually and empirically. According to Hair et al. (2021), discriminant validity can be tested using two main approaches, namely Fornell-Larcker Criterion, and Heterotrait-Monotrait Ratio (HTMT).

Table 4 Fornell Larcker Criterion

	Leadership	Job Satisfaction	Compensation	Loyalty
Leadership	0,948			
Job Satisfaction	0,793	0,860		
Compensation	0,746	0,787	0,807	
Loyalty	0,702	0,871	0,741	0,897

Source : Questionnaire Data (2026)

Fornell-Larcker used to compare relationships between variables. According to Hair et al. (2021), a construct is said to meet discriminant validity if the root value of AVE is greater than the correlation between other constructs. Based on the results of the Leadership research = 0.948; Job satisfaction = 0.860; Compensation = 0.807; Loyalty = 0.897. These values are greater than the relationship between variables, for example, leadership with job satisfaction = 0.793; job satisfaction with loyalty = 0.871; compensation with job satisfaction = 0.787. Each variable has a higher "internal strength" than its relationship to the other variable. That is, each construct remains independent and does not mix with each other.

Table 5 Heterotrait-Monotrait Ratio (HTMT)

	Leadership	Job Satisfaction	Compensation	Loyalty
Leadership				
Job Satisfaction	0,880			
Compensation	0,763	0,850		
Loyalty	0,720	0,837	0,772	

Source : Questionnaire Data (2026)

HTMT is a more sensitive method to detect whether two variables are too similar.

According to Hair et al. (2021), the HTMT value should be < 0.90 (general). The results showed that all values were below 0.90, thus showing that there were no variables that were too similar or replaced. Each variable remains with a clear boundary. It can be concluded that each construct in the research model has clear differences and is able to represent different concepts precisely.

Construct Reliability

Construct reliability It is used to measure the extent to which an indicator in a variable can provide consistent and stable results. This means that if the measurement is taken repeatedly under the same conditions, the results will be relatively unchanged. According to Hair et al. (2021), in the PLS-SEM analysis, reliability can be measured using two main indicators, namely: Cronbach's Alpha (CA) and Composite Reliability (CR). These two measures are used to ensure that indicators in a single variable have good internal consistency.

Table 6 Construct Reliability

	Cronbach's Alpha	rho_A	Composite Reliability
Leadership	0,992	0,992	0,993
Job Satisfaction	0,973	0,974	0,975
Compensation	0,940	0,943	0,949
Loyalty	0,951	0,953	0,961

Source : Questionnaire Data (2026)

Cronbach's Alpha used to measure internal consistency based on correlations between indicators. According to Hair et al. (2021), the recommended value is: ≥ 0.70 (reliable). The results showed that all variables had a Cronbach's Alpha value above 0.70. This very high value indicates that the indicators in each variable have a very strong relationship with each other, so they can measure the same concept consistently.

Composite Reliability is considered more accurate in PLS-SEM because it considers the outer loading value of each indicator. According to Hair et al. (2021), a good value is: 0.70 – 0.90 (good). Values above 0.90 are still acceptable, but it is necessary to note the possibility of indicators that are too similar. The results show that all variables have very high reliability, which means that the indicators in each variable are consistent in measuring the construct.

By value Cronbach's Alpha and Composite Reliability which are all above 0.70, it can be concluded that all variables in this study have met the reliability criteria according to Hair et al. (2021). This shows that the research instrument has an excellent level of consistency and can be trusted to measure the variables being studied.

Inner Model (Model Structural)

The aim is to measure the extent to which the relationships between variables in the research model can explain the phenomenon being studied. According to Hair et al. (2021), this evaluation includes several main indicators, namely R-Square (R^2), Effect Size (f^2), Predictive Relevance (Q^2), and Path Coefficient as well as mediation tests / hypothesis tests.

R-Square (R²)

R-Square It is used to measure how much an independent variable can explain a dependent variable. According to Hair et al. (2021), the R² criterion is 0.75 = strong; 0.50 = moderate; 0.25 = weak.

Table 7 R-Square

	R Square	R Square Adjusted
Job Satisfaction	0,849	0,846
Loyalty	0,791	0,785

Source : Questionnaire Data (2026)

The results showed job satisfaction = 0.849 and loyalty = 0.791. Both values belong to the strong category, which means that the compensation and leadership variables are able to explain 84.9% of job satisfaction variations. The variables of compensation, leadership, and job satisfaction were able to explain 79.1% of the variation in loyalty.

Effect Size (f²)

Effect size used to find out how much each independent variable contributes to the dependent variable. According to Hair et al. (2021), the criterion f² is 0.02 = small; 0.15 = medium; 0.35 = large.

Table 8 Effect Size

	Leadership	Job Satisfaction	Compensation	Loyalty
Leadership		1,204		0,142
Job Satisfaction				0,912
Compensation		0,336		0,019
Loyalty				

Source : Questionnaire Data (2026)

Leadership has a very dominant influence on job satisfaction, job satisfaction has a big influence on loyalty while compensation tends not to have a direct influence on loyalty. These results show that employees are more influenced by how they are led than by the compensation they receive.

Predictive Relevance (Q²)

Q² is used to measure the model's ability to predict dependent variables. According to Hair et al. (2021), the value of Q² > 0 shows that the model has *predictive relevance*

Table 9 Predictive Relevance

	SSO	SSE	Q ² (=1-SSE/SSO)
Leadership	1800,000	1800,000	
Job Satisfaction	1680,000	640,933	0,618
Compensation	1200,000	1200,000	
Loyalty	720,000	273,674	0,620

Source : Questionnaire Data (2026)

Job satisfaction and loyalty values above 0, indicating that the model has good predictive capabilities. Models not only describe existing data, but can also be used to predict conditions in similar contexts.

Hypothesis Test

The hypothesis test in this study was carried out using the bootstrapping method on SmartPLS. Hair et al. (2021) stated that a relationship is declared significant if it has a T-statistical value of > 1.96 and a P-value of < 0.05 . In addition, the value of the original sample (O) or path coefficient indicates the direction and magnitude of the influence, where the closer the number 1 indicates the stronger the influence.

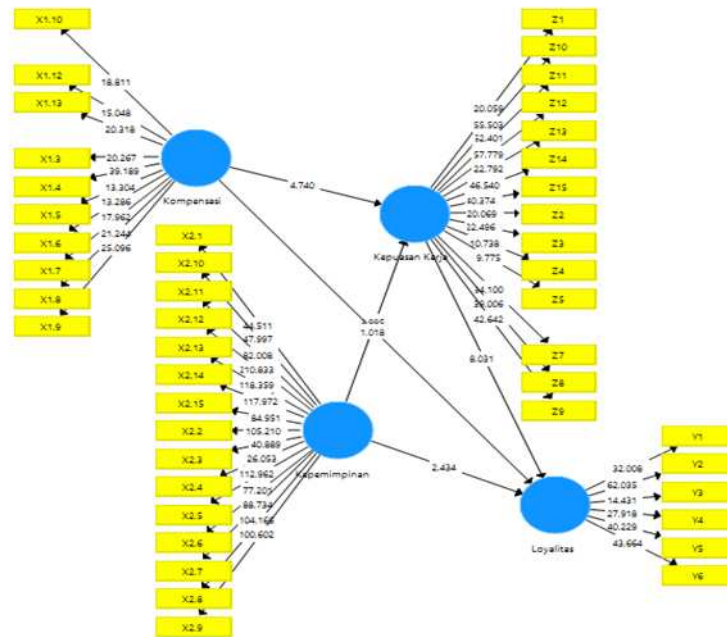


Figure 3 Uji Bootstrapping
Source : Questionnaire Data (2026)

Table 10 Uji Hypothesis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership -> Job Satisfaction	0,641	0,626	0,064	9,995	0,000
Leadership -> Loyalty	0,384	0,387	0,158	2,434	0,016
Job Satisfaction -> Loyalty	1,124	1,130	0,140	8,031	0,000
Compensation -> Job Satisfaction	0,338	0,357	0,071	4,740	0,000
Compensation -> Loyalty	0,111	0,103	0,109	1,018	0,311
Leadership -> Job Satisfaction -> Loyalty	0,720	0,705	0,103	6,990	0,000
Compensation -> Job Satisfaction -> Loyalty	0,380	0,405	0,101	3,783	0,000

Source : Questionnaire Data (2026)

Hypothesis Test Results

The Effect of Compensation on Job Satisfaction

Based on the test results, the original sample value was 0.338, which showed that the relationship between compensation and job satisfaction was positive. A T-statistic value of 4.740 (>1.96) and a P-value of 0.000 (<0.05) indicate that the relationship is significant.

Thus, H1 is accepted, which means that compensation has a positive and significant effect on employee job satisfaction at PT PNM Solo Branch. This shows that the better the compensation provided, whether in the form of salaries, incentives, or facilities, the level of employee job satisfaction will also increase. Compensation is one of the important factors that is able to meet the needs and expectations of employees for their work.

The Influence of Leadership on Job Satisfaction

The test results showed an original sample value of 0.641, which means the relationship is positive. A T-statistic value of 9.995 (>1.96) and a P-value of 0.000 (<0.05) indicate that the relationship is significant.

Thus, H2 is accepted, which means leadership has a positive and significant effect on employee job satisfaction. This indicates that a good leadership style, such as effective communication, motivational skills, and proper decision-making, can significantly increase employee job satisfaction. In fact, compared to compensation, leadership has a stronger influence on job satisfaction.

The Effect of Compensation on Loyalty

A T-statistic value of 1.018 (<1.96) and a P-value of 0.311 (>0.05) indicate that the relationship is not significant.

Thus, H3 is rejected, which means that compensation has no significant effect on employee loyalty. This shows that compensation alone is not enough to make employees loyal. Although compensation remains important, employee loyalty is not formed directly from financial factors alone.

The Influence of Leadership on Loyalty

The test results showed an original sample value of 0.384, which means the relationship is positive. A T-statistic value of 2.434 (>1.96) and a P-value of 0.016 (<0.05) indicate that the relationship is significant.

Thus, H4 is accepted, which means leadership has a positive and significant effect on employee loyalty. This shows that good leadership not only increases job satisfaction, but is also able to encourage employees to stay motivated and committed to the company.

The Effect of Job Satisfaction on Loyalty

The test results showed an original sample value of 1.124, which means the relationship is very strong and positive. A T-statistic value of 8.031 (>1.96) and a P-value of 0.000 (<0.05) indicate that the relationship is significant.

Thus, H5 is accepted, which means job satisfaction has a positive and significant effect on employee loyalty. This shows that job satisfaction is a major factor in forming loyalty. Employees who feel satisfied with their jobs tend to have a high level of

commitment and a desire to stay with the company.

The Effect of Compensation Through Job Satisfaction on Loyalty

The test results showed an original sample value of 0.380, which means that the indirect effect was positive. A T-statistic value of 3.783 (>1.96) and a P-value of 0.000 (<0.05) indicate that the relationship is significant.

Thus, H6 is accepted, which means that compensation has a significant effect on loyalty through job satisfaction as a mediating variable. This suggests that compensation does not directly affect loyalty, but must go through job satisfaction first. In other words, compensation will increase loyalty if it is able to increase employee job satisfaction.

The Influence of Leadership Through Job Satisfaction on Loyalty

The test results showed an original sample value of 0.720, which means that the indirect effect was positive. A T-statistic value of 6.990 (>1.96) and a P-value of 0.000 (<0.05) indicate that the relationship is significant.

Thus, H7 is accepted, which means leadership has a significant effect on loyalty through job satisfaction. This shows that good leadership will increase job satisfaction, which ultimately has an impact on increasing employee loyalty.

Research Comparison

Compensation for job satisfaction

The results of this study show that compensation has a positive and significant effect on employee job satisfaction. These results are in line with research conducted by Tengku Ariffadillah & Siti Safaria (2023) and Subakti & Mildawani (2023) which states that compensation has a positive and significant effect on job satisfaction. Thus, the results of this study support previous research, which shows that compensation is an important factor in increasing employee job satisfaction.

Leadership Towards Job Satisfaction

The results of this study show that leadership has a positive and significant effect on job satisfaction. These results are in line with the research of Saragih & Ramadhan (2020), Herawati & Tandirerung (2020), Musta'in et al. (2022), and Wicaksono & Arjangga (2020) which states that leadership has a positive and significant effect on job satisfaction. Thus, the results of this study support previous research, which shows that leadership quality has an important role in shaping employee job satisfaction.

Compensation for loyalty

The results of this study show that compensation has no significant effect on employee loyalty. These results are not in line with the research of Ramadhani & Rahardjo (2017) and Dita Saptarini & Yudhaningsih (2020) which stated that compensation has a positive and significant effect on loyalty. Thus, the results of this study reject the results of previous research, which shows that in the context of this study compensation is not directly able to shape employee loyalty.

Leadership Against Loyalty

The results of this study show that leadership has a positive and significant effect on employee loyalty. These results are in line with the research of Maulidana &

Hermansyah (2024) and Citra LM & F (2019) which states that leadership has a significant effect on employee loyalty. Thus, the results of this study support previous research, which shows that leadership has a role in increasing employee loyalty.

Job Satisfaction Versus Loyalty

The results of this study show that job satisfaction has a positive and significant effect on employee loyalty. These results are in line with the research of Larastrini & Adnyani (2019) and Elfani (2019) who stated that job satisfaction has a positive and significant effect on loyalty. Thus, the results of this study support previous research, which shows that job satisfaction is a major factor in shaping employee loyalty.

Compensation for loyalty through job satisfaction

The results of this study show that compensation has a significant effect on loyalty through job satisfaction as a mediating variable. These results are in line with the research of Ramadhani & Rahardjo (2017), Dita Saptarini & Yudhaningsih (2020), and Cahyanto et al. (2025) who stated that job satisfaction is able to significantly mediate the effect of compensation on loyalty. Thus, the results of this study support previous research, which shows that the role of job satisfaction is crucial in bridging the relationship between compensation and loyalty.

Leadership Towards Loyalty Through Job Satisfaction

The results of this study show that leadership has a significant effect on loyalty through job satisfaction. These results are in line with the research of Elfani (2019), Cahyanto et al. (2025), and Baskara & Bangun (2024) which states that job satisfaction is able to mediate the influence of leadership on loyalty significantly. Thus, the results of this study support previous research, which shows that job satisfaction plays an important role as a mediating variable in the relationship between leadership and loyalty.

CONCLUSION

Compensation and leadership played important roles in increasing job satisfaction and employee loyalty at PT Permodalan Nasional Madani (PNM) Solo Branch. Compensation aligned with target achievement improved job satisfaction but did not necessarily enhance loyalty, particularly when employees faced high work pressure and demanding routines. In contrast, effective leadership—characterized by clear direction, field support, and problem-solving—enhanced both job satisfaction and loyalty. Job satisfaction derived from fair compensation and supportive leadership strengthened their relationship, fostering greater trust, a sense of value, and increased loyalty among employees. Overall, positive work experiences driven by both compensation and leadership encouraged employees to remain and grow within the organization. Future research is recommended to examine additional factors such as work-life balance, organizational culture, or employee well-being, as well as to expand the study across different branches or industries to improve generalizability.

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