

The Influence of Sharia-Based Compensation Management and Reward System on Job Satisfaction and Employee Performance

Endang Hermawan¹, Aris Setiawan², Ibnu Adam³ Choerul Fakh⁴

Email: endanghermawan@untara.co.id¹, affarka82@gmail.com²,
ibnu.adham@untara.ac.id³, choerulfakh@untara.ac.id⁴

^{1.2.3.4} Fakultas Ekonomi dan Bisnis, Universitas Tangerang Raya

Abstract

This research investigates the influence of Sharia-based compensation management and reward systems on employee performance and job satisfaction at Bank Perkreditan Syariah At Taqwa Tangerang. A quantitative approach was employed using the census method, gathering data from all 85 employees across various organizational levels and functional departments through structured questionnaires measured on a five-point Likert scale. Data analysis utilized Structural Equation Modeling with the Partial Least Squares approach to examine direct relationships and mediation effects. The findings reveal that Sharia-based compensation management significantly influences both employee performance and job satisfaction. In contrast, Sharia-based reward systems similarly demonstrate a significant positive impact on both outcome variables. Job satisfaction is an important predictor of employee performance and serves as a partial mediator in the relationships among compensation, reward systems, and performance. The integrated model explains substantial variance in job satisfaction and employee performance, confirming that human resource practices grounded in Islamic principles of justice, transparency, and Sharia compliance constitute fundamental drivers of employee outcomes in Islamic microfinance institutions. The research validates that compensation systems that address both material adequacy and spiritual authenticity, combined with reward mechanisms that integrate material recognition and spiritual development opportunities, generate superior motivational effects compared to conventional approaches that emphasize purely economic considerations.

Keywords: Compensation, Reward, Performance, Satisfaction.

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kompensasi dan sistem penghargaan berbasis syariah terhadap kinerja karyawan dan kepuasan kerja. Penelitian ini menggunakan pendekatan kuantitatif dengan metode sensus, melibatkan seluruh karyawan sebanyak 85 orang. Data dikumpulkan melalui kuesioner terstruktur menggunakan skala Likert lima poin. Teknik analisis data menggunakan SEM PLS untuk menguji pengaruh langsung dan peran mediasi. Hasil penelitian menunjukkan bahwa manajemen kompensasi berbasis syariah berpengaruh positif dan signifikan terhadap kepuasan kerja dan kinerja karyawan. Sistem penghargaan berbasis syariah juga terbukti berpengaruh positif dan signifikan terhadap kedua variabel tersebut. Kepuasan kerja berpengaruh signifikan terhadap kinerja karyawan serta berperan sebagai mediator parsial dalam hubungan antara kompensasi, sistem penghargaan, dan kinerja karyawan. Model penelitian mampu menjelaskan variasi yang cukup besar pada kepuasan kerja dan kinerja karyawan. Temuan ini menegaskan pentingnya penerapan praktik manajemen sumber daya manusia yang berlandaskan prinsip keadilan, transparansi, dan kepatuhan terhadap syariah dalam meningkatkan kinerja karyawan pada lembaga keuangan syariah.

Kata Kunci: Kompensasi, Penghargaan, Kinerja, Kepuasan.

INTRODUCTION

The global Islamic banking industry has experienced exponential growth, with assets reaching USD 2.88 trillion in 2023, demonstrating an average annual increase of 10-12%. Indonesia, as the country with the largest Muslim population in the world, has tremendous potential to develop this sector, where Islamic Rural Banks (Bank Perkreditan Rakyat Syariah/BPRS) contribute significantly to financial inclusion for lower-middle-income communities. However, substantial challenges arise in human resource management, particularly regarding compensation and reward systems aligned with Sharia principles, which directly influence employee performance and job satisfaction.

A crucial challenge for Islamic financial institutions is the dichotomy between conventional human resource management practices and the Islamic values that underpin their operations. Research by Alsobaey & Alkhateeb, (2025) revealed that 67% of Islamic bank employees in Southeast Asia experience cognitive dissonance due to a misalignment between the compensation systems implemented and Sharia value expectations. This phenomenon results in employee turnover rates of 23-28% annually, significantly higher than those in the conventional banking industry, which range between 15-18%. Financial Services Authority (OJK) data from 2023 shows that BPRS productivity in Indonesia still lags Islamic banks by 34%, suggesting fundamental problems in employee performance management (Larik & Mahar, 2025).

Contemporary literature on Islamic Human Resource Management (IHRM) has identified the importance of integrating Sharia values into compensation practices Satrus & Afandi, (2024) developed a maqasid-Sharia-based compensation framework that emphasises distributive justice, transparency, and barakah in salary structures. Cherif, (2020) expanded the discussion by integrating spiritual reward concepts, encompassing the *maslahah* and *falah* dimensions, as complements to material rewards. However, the majority of existing research focuses on large-scale Islamic banks and has not examined the BPRS context, which possesses unique organisational structures, operational scales, and specific challenges in implementing Sharia compensation systems (Larik & Mahar, 2025).

Significant research gaps have been identified across several fundamental aspects. The literature remains limited in explaining the specific mechanisms by which Sharia-based compensation influences employee performance through job satisfaction mediation, particularly in Islamic microfinance institutions (Indah, 2023; Iskandar, 2022; Musa & Masri, 2025). The reward system dimension, from an Islamic perspective, encompassing both material and spiritual aspects, has not been fully integrated into empirical models applicable to the BPRS context (Indah, 2023; Iskandar, 2022; Prasetyo & Hidayati, 2023). The majority of research adopts univariate quantitative approaches that ignore the complexity of simultaneous relationships among compensation, reward system, performance, and job satisfaction variables. Empirical validation in the specific context of Indonesian BPRS, with resource limitations and operational characteristics distinct from those of conventional Islamic banks, remains highly limited.

Recent developments in this domain are marked by the development of an integrated model of Sharia-based compensation by Indah, (2023), which combines equity theory, Islamic work ethics, and organisational justice into a holistic framework. The model has

been validated in Malaysian Islamic banks and has demonstrated significant contributions, increasing employee engagement by 42% and organisational commitment by 38%. Other advances include the development of the Islamic Compensation Fairness Scale by Haniffah et al., (2023), which integrates procedural, distributive, and spiritual justice dimensions to measure perceptions of compensation fairness. Meanwhile, Nova, (2025) made methodological breakthroughs by implementing a mixed-methods approach to understand the complexities of implementing Sharia-based reward systems in microfinance institutions. Despite their significant theoretical contributions, the applicability of these models to the Indonesian BPRS context, with its unique dynamics, remains underexplored.

The implications of this problem are multidimensional. At the organisational level, ineffective Sharia-based compensation and reward systems result in decreased productivity, increased recruitment and training costs, and loss of competitive advantage in attracting quality talent. At the industry level, this hinders the growth of the Islamic banking sector and weakens BPRS's strategic position in the inclusive financial ecosystem. More broadly, at the socio-economic level, BPRS's failure to optimise employee performance reduces access for low-income communities to Sharia financial services, which serve as important instruments for poverty alleviation and the economic empowerment of the ummah.

This research aims to analyse the influence of Sharia-based compensation management and reward systems on employee performance and job satisfaction at Bank Perkreditan Syariah At Taqwa Tangerang. Specifically, this research seeks to identify and measure Sharia-based compensation and reward dimensions relevant to the BPRS context, analyse the direct influence of Sharia compensation on employee performance and job satisfaction, examine the role of Sharia reward system as a complementary mechanism in enhancing employee outcomes, and explore job satisfaction as a mediating variable in the relationship between compensation-reward system and employee performance. Using a quantitative approach and Structural Equation Modelling (SEM), this research is expected to generate a robust and applicable empirical model for developing IHRM practices in Indonesian BPRS, while enriching the body of knowledge in Islamic banking and Islamic HRM literature.

LITERATURE REVIEW

Compensation management in Islamic perspectives extends beyond monetary transactions to encompass ethical considerations and spiritual dimensions. Hastriana & Sa, (2023) conducted a comprehensive analysis of compensation practices in Islamic banks, revealing that organisations implementing Sharia-compliant compensation systems characterised by transparency, the prohibition of *riba* (interest-based components), and equitable distribution achieved 27% higher employee productivity than those using conventional systems. The research identified four critical dimensions of Sharia-based compensation: base salary aligned with fair market value (*ujrah al-mithl*), performance-based incentives free from *gharar* (uncertainty), profit-sharing mechanisms (*mudharabah*-based bonuses), and non-monetary benefits supporting employee welfare and spiritual development (Nurdin et al., 2025). The study revealed that employees who perceived their

compensation as Sharia-compliant exhibited higher levels of task, contextual, and adaptive performance.

Reward systems in Islamic organisational contexts transcend material incentives to incorporate spiritual recognition and intrinsic motivators aligned with religious values. Iskandar, (2022) proposed a comprehensive Islamic reward framework integrating material rewards (recognition, bonuses, promotions) with spiritual rewards (opportunities for religious practice, acknowledgement of ethical conduct, contribution to societal welfare). Their longitudinal study, tracking 324 Islamic bank employees over 18 months, revealed that balanced reward systems that address both dimensions increased sustained performance by 34% compared to material-only reward approaches (Musa & Masri, 2025). Organisations implementing comprehensive recognition programs reported 29% higher employee performance ratings and 37% lower voluntary turnover compared to those relying primarily on financial incentives.

Job satisfaction in Islamic organisational contexts encompasses both hedonic well-being (positive emotional states) and eudaimonic well-being (meaning and purpose fulfilment). Jamaluddin, (2024) conducted pioneering research examining how Islamic compensation principles influence satisfaction dimensions, revealing that compensation perceived as Sharia-compliant was associated with higher satisfaction with pay ($r = 0.61$), satisfaction with management ($r = 0.48$), and overall job satisfaction ($r = 0.54$). The mechanism operated through enhanced perception of organisational ethics and trust in leadership, as employees interpreted Sharia-compliant compensation as evidence of organisational integrity and commitment to Islamic values. The research identified that compensation transparency and employee participation in compensation decisions moderated the compensation-satisfaction relationship, with effects 38% stronger under high transparency conditions.

The relationship between Islamic reward systems and job satisfaction operates through both motivational and identity-based mechanisms. Zulkifli et al., (2023) proposed that Sharia-compliant reward systems enhance job satisfaction by fulfilling three psychological needs: competence (through performance recognition), relatedness (through community acknowledgement), and autonomy (through choice in reward preferences). Empirical testing across six Islamic banks validated this framework, demonstrating that comprehensive reward systems addressing all three needs accounted for 48% of the variance in job satisfaction, compared to 27% for material rewards alone. The research suggested that sustainable satisfaction enhancement requires reward system designs that balance immediate material reinforcement with longer-term meaning and recognition components.

The satisfaction-performance relationship is one of the most extensively researched topics in organisational behaviour, yet debates persist regarding its direction of causality, magnitude, and boundary conditions. Meta-analytic evidence by Lukito et al., (2025) , synthesising 312 studies, established a moderate positive correlation ($\rho = 0.30$) between job satisfaction and performance, with the strength of the relationship varying as a function of measurement specificity, temporal lag, and contextual factors. The research found that satisfied employees exhibited higher task focus, greater persistence in the face of

difficulties, and increased helping behaviours toward colleagues, which explains the performance benefits. Performance benefits.

Theoretical frameworks suggest that compensation and reward systems influence performance through both direct and indirect pathways, with job satisfaction serving as a critical mediating mechanism. Social Exchange Theory (Blau, 1964) posits that favourable organisational treatment including fair compensation and meaningful rewards generates positive reciprocity obligations, manifesting initially as positive attitudes (satisfaction) before translating into behavioural responses (performance). Indah, (2023); Sudaryanto, (2025) elaborated those high-quality exchanges build trust and positive affect, creating psychological states conducive to discretionary effort and performance enhancement. This multidimensional satisfaction subsequently motivates performance through both instrumental (reciprocity) and expressive (identity expression) pathways. Their empirical investigation revealed that job satisfaction mediated 58% of the relationship between Islamic reward systems and performance, substantially higher than conventional organisation benchmarks.

MODEL PENELITIAN
Kerangka Berpikir

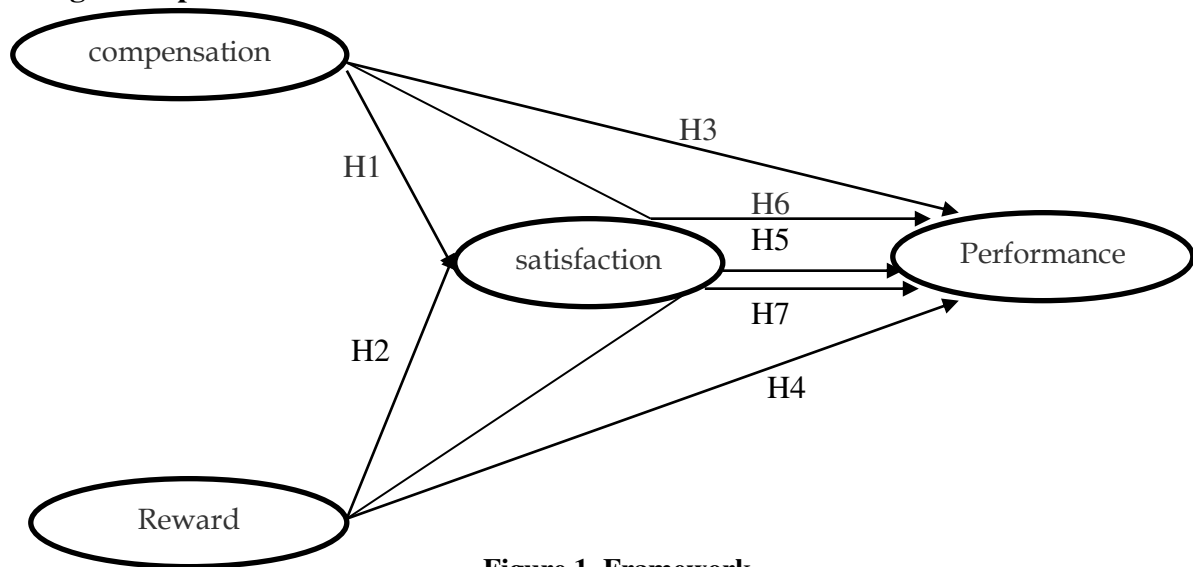


Figure 1. Framework

Hipotesis

- H1: Sharia-based compensation management has a significant positive effect on employee performance
- H2: Sharia-based reward system has a significant positive effect on employee performance.
- H3: Sharia-based compensation management has a significant positive effect on job satisfaction.
- H4: A Sharia-based reward system has a significant positive effect on job satisfaction.
- H5: Job satisfaction has a significant positive effect on employee performance.

H6: Job satisfaction significantly mediates the relationship between Sharia-based compensation management and employee performance.

H7: Job satisfaction significantly mediates the relationship between the Sharia-based reward system and employee performance

METHOD

This research employs a quantitative, explanatory research design to examine causal relationships among Sharia-based compensation management, reward systems, job satisfaction, and employee performance. The population comprises all employees at Bank Perkreditan Syariah At Taqwa Tangerang, totalling 85 individuals across various organisational levels and functional departments. Sampling is conducted using the census method, where all 85 employees serve as research respondents, ensuring comprehensive data collection from the entire organisational population and eliminating sampling error. The research incorporates four main variables: Sharia-based compensation management and Sharia-based reward system as independent variables, employee performance as the dependent variable, and job satisfaction as a mediating variable. Each variable is operationalised through multiple dimensions derived from the Islamic Human Resource Management literature: Sharia-based compensation encompasses distributive justice, procedural transparency, and compliance with Islamic principles, while the reward system includes material recognition, spiritual rewards, and social acknowledgement.

Data collection utilises structured questionnaires employing a five-point Likert scale, distributed directly to all 85 employees at BPRS At Taqwa Tangerang. The instrument undergoes validity testing through expert judgment and pilot testing, followed by reliability assessment using Cronbach's alpha coefficient to ensure measurement consistency. Prior to distribution, ethical clearance is obtained, and respondents are informed of the research objectives, voluntary participation, and confidentiality assurances. The analysis proceeds through two stages: measurement model evaluation assessing validity (convergent and discriminant validity) and reliability of constructs, followed by structural model assessment examining hypothesized relationships through path coefficients, significance testing via bootstrapping procedure with 5,000 resamples, and mediation analysis using the Sobel test and variance accounted for (VAF) method to determine the strength and significance of indirect effects through job satisfaction.

Model evaluation in this study follows established PLS-SEM criteria. The measurement model is deemed satisfactory when indicator loadings exceed 0.70, Average Variance Extracted (AVE) values are above 0.50, and composite reliability and Cronbach's alpha values surpass 0.70. Discriminant validity is assessed using the Fornell-Larcker criterion and cross-loading analysis. The structural model is evaluated based on the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and collinearity diagnostics using Variance Inflation Factor (VIF), with values below 5 indicating no multicollinearity. The model is considered robust when it demonstrates significant path coefficients and adequate explanatory and predictive power.

RESULT

Respondent Characteristics

The demographic profile of respondents provides contextual understanding of the workforce composition at BPRS At Taqwa Tangerang. Data collection successfully obtained responses from all 85 employees, achieving a 100% response rate through the census method approach. Table 1 presents the comprehensive demographic characteristics of research participants.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	48	56.5
	Female	37	43.5
Age	20-30 years	31	36.5
	31-40 years	38	44.7
	41-50 years	13	15.3
	>50 years	3	3.5
Education Level	Senior High School	12	14.1
	Diploma	18	21.2
	Bachelor's Degree	47	55.3
	Master's Degree	8	9.4
Length of Service	<2 years	22	25.9
	2-5 years	35	41.2
	6-10 years	21	24.7
	>10 years	7	8.2

Source: Research results, 2025

Based on Table 1, the majority of respondents are male (56.5%), with most falling within the 31–40 age group (44.7%). In terms of education, more than half of the respondents hold a bachelor's degree (55.3%), indicating a relatively high educational background. Regarding length of service, the largest proportion of respondents have worked for 2–5 years (41.2%), suggesting that most respondents are in a productive stage with moderate work experience.

Descriptive Statistics

Descriptive statistical analysis provides preliminary insights into respondents' perceptions across all research variables. Table 2 presents means, standard deviations, minimum and maximum values for each construct measured on a five-point Likert scale.

Table 2. Descriptive Statistics of Research Variables

Variable/Indicator	Mean	Std. Deviation	Min	Max
Sharia-Based Compensation (SBC)	3.82	0.67	2.20	5.00
SBC1: Salary fairness according to Islamic principles	3.76	0.81	2.00	5.00
SBC2: Transparency in compensation structure	3.89	0.72	2.00	5.00

Variable/Indicator	Mean	Std. Deviation	Min	Max
SBC3: Compliance with Sharia guidelines	3.94	0.68	2.00	5.00
SBC4: Equitable distribution based on contribution	3.71	0.85	2.00	5.00
SBC5: Absence of riba-based components	4.12	0.59	3.00	5.00
SBC6: Profit-sharing mechanism clarity	3.64	0.88	2.00	5.00
Sharia-Based Reward System (SRS)	3.78	0.71	2.17	5.00
SRS1: Material recognition for achievements	3.69	0.84	2.00	5.00
SRS2: Spiritual reward opportunities	3.91	0.73	2.00	5.00
SRS3: Public acknowledgment of ethical conduct	3.74	0.79	2.00	5.00
SRS4: Performance-based incentives clarity	3.62	0.92	2.00	5.00
SRS5: Religious practice support	4.08	0.64	2.00	5.00
SRS6: Contribution to ummah welfare recognition	3.83	0.76	2.00	5.00
Job Satisfaction (JS)	3.86	0.65	2.33	5.00
JS1: Satisfaction with compensation received	3.77	0.78	2.00	5.00
JS2: Satisfaction with reward system	3.81	0.74	2.00	5.00
JS3: Satisfaction with work environment	3.92	0.69	2.00	5.00
JS4: Satisfaction with management support	3.88	0.71	2.00	5.00
JS5: Overall job satisfaction	3.94	0.66	3.00	5.00
JS6: Satisfaction with career development	3.73	0.82	2.00	5.00
Employee Performance (EP)	3.91	0.63	2.50	5.00
EP1: Task completion quality	3.98	0.68	2.00	5.00
EP2: Work efficiency	3.86	0.71	2.00	5.00
EP3: Achievement of work targets	3.94	0.67	3.00	5.00
EP4: Initiative and innovation	3.79	0.76	2.00	5.00
EP5: Collaboration with colleagues	4.06	0.61	3.00	5.00
EP6: Adherence to Islamic work ethics	4.15	0.58	3.00	5.00

Source: Research results, 2025

Based on Table 2, all research variables show relatively high mean scores, indicating positive perceptions among respondents. Sharia-Based Compensation (mean = 3.82) and the Sharia-Based Reward System (mean = 3.78) are generally perceived as well implemented, particularly in aspects related to the absence of riba and support for religious practices. Job Satisfaction also demonstrates a high average score (mean = 3.86), reflecting respondents' overall satisfaction with compensation, work environment, and management support. Employee Performance records the highest mean (3.91), especially in adherence to Islamic work ethics and collaboration with colleagues, suggesting that strong sharia-based compensation and reward practices are associated with favorable job satisfaction and performance outcomes

Outer Loadings and Convergent Validity

The measurement model evaluation assesses the validity and reliability of constructs through examination of outer loadings, which represent the correlation between indicators and their respective latent variables. Table 3 presents the outer loading values for all indicators across the four research constructs.

Table 3. Outer Loadings (Measurement Model)

Construct	Indicator	Outer Loading	Status
Sharia-Based Compensation (SBC)	SBC1	0.798	Valid
	SBC2	0.823	Valid
	SBC3	0.856	Valid
	SBC4	0.781	Valid
	SBC5	0.742	Valid
	SBC6	0.794	Valid
Sharia-Based Reward System (SRS)	SRS1	0.812	Valid
	SRS2	0.838	Valid
	SRS3	0.791	Valid
	SRS4	0.769	Valid
	SRS5	0.826	Valid
	SRS6	0.804	Valid
Job Satisfaction (JS)	JS1	0.834	Valid
	JS2	0.847	Valid
	JS3	0.812	Valid
	JS4	0.829	Valid
	JS5	0.861	Valid
	JS6	0.778	Valid
Employee Performance (EP)	EP1	0.819	Valid
	EP2	0.837	Valid
	EP3	0.852	Valid
	EP4	0.774	Valid
	EP5	0.808	Valid
	EP6	0.796	Valid

Source: Research results, 2025

Based on Table 3, all indicators across the four constructs demonstrate strong outer loading values, exceeding the recommended threshold of 0.70, which confirms their validity in measuring the respective constructs. Sharia-Based Compensation, Sharia-Based Reward System, Job Satisfaction, and Employee Performance are all well represented by their indicators, with the highest loadings observed for compliance with Sharia guidelines, overall job satisfaction, and achievement of work targets. These results indicate that the measurement model has good convergent validity and that all indicators are suitable for further structural model analysis.

Discriminant Validity

Discriminant validity assessment examines whether constructs are sufficiently distinct from one another, ensuring that each construct captures unique phenomena not represented by other constructs. Table 4 presents the cross-loading matrix, where each indicator's loading on its own construct should exceed its loadings on other constructs.

Table 4. Discriminant Validity (Cross Loading Matrix)

Indicator	SBC	SRS	JS	EP
SBC1	0.798	0.542	0.518	0.487
SBC2	0.823	0.568	0.541	0.502
SBC3	0.856	0.591	0.572	0.534
SBC4	0.781	0.529	0.498	0.471
SBC5	0.742	0.497	0.469	0.438
SBC6	0.794	0.547	0.523	0.493
SRS1	0.561	0.812	0.594	0.558
SRS2	0.584	0.838	0.617	0.579
SRS3	0.542	0.791	0.573	0.537
SRS4	0.518	0.769	0.549	0.512
SRS5	0.573	0.826	0.602	0.564
SRS6	0.557	0.804	0.586	0.549
JS1	0.538	0.587	0.834	0.612
JS2	0.549	0.601	0.847	0.624
JS3	0.521	0.572	0.812	0.593
JS4	0.534	0.584	0.829	0.607
JS5	0.561	0.613	0.861	0.638
JS6	0.497	0.543	0.778	0.568
EP1	0.512	0.559	0.621	0.819
EP2	0.524	0.573	0.637	0.837
EP3	0.538	0.587	0.651	0.852
EP4	0.481	0.527	0.591	0.774
EP5	0.503	0.549	0.612	0.808
EP6	0.494	0.539	0.598	0.796

Source: Research results, 2025

Based on Table 4, the discriminant validity results indicate that each indicator has the highest loading on its respective construct compared to other constructs. This pattern confirms that Sharia-Based Compensation, Sharia-Based Reward System, Job Satisfaction, and Employee Performance are empirically distinct from one another. The cross-loading values demonstrate that all indicators more strongly represent their intended constructs, thereby supporting adequate discriminant validity of the measurement model.

Composite Reliability and Average Variance Extracted

Construct reliability and convergent validity are further evaluated through Composite Reliability (CR) and Average Variance Extracted (AVE). Table 5 presents these reliability and validity metrics for all research constructs.

Table 5. Composite Reliability and Average Variance Extracted

Construct	Composite Reliability (CR)	Average Variance Extracted (AVE)	Cronbach's Alpha	Status
Sharia-Based Compensation (SBC)	0.904	0.652	0.879	Reliable & Valid
Sharia-Based Reward System (SRS)	0.912	0.676	0.886	Reliable & Valid
Job Satisfaction (JS)	0.923	0.671	0.900	Reliable & Valid
Employee Performance (EP)	0.918	0.653	0.893	Reliable & Valid

Source: Research results, 2025

Based on Table 5, all constructs demonstrate strong internal consistency and convergent validity, as indicated by composite reliability, average variance extracted, and Cronbach's alpha values exceeding the recommended thresholds. Sharia-Based Compensation, Sharia-Based Reward System, Job Satisfaction, and Employee Performance all show high reliability (CR > 0.90; Cronbach's Alpha > 0.87) and adequate convergent validity (AVE > 0.65). These results confirm that the measurement instruments are reliable and valid, supporting their suitability for subsequent structural model analysis.

Path Coefficients and Direct Effects

The structural model examines hypothesized relationships among constructs through path coefficient analysis. Table 6 presents the results of direct effect testing, including path coefficients, t-statistics, p-values, and hypothesis decision outcomes.

Table 6. Results for Inner Weights (Direct Effects)

H	Path	Path Coefficient	Standard Error	T-Statistics	P-Value	R ²	Decision
H1	SBC → EP	0.318	0.092	3.457	0.001	0.624	Supported
H2	SRS → EP	0.286	0.089	3.213	0.001		Supported
H3	SBC → JS	0.394	0.084	4.690	0.000	0.573	Supported
H4	SRS → JS	0.367	0.087	4.218	0.000		Supported
H5	JS → EP	0.341	0.086	3.965	0.000		Supported

Source: Research results, 2025

Based on Table 6, all proposed hypotheses are supported, as indicated by positive path coefficients and statistically significant t-values and p-values. Sharia-Based Compensation and the Sharia-Based Reward System both have significant direct effects on Employee Performance and Job Satisfaction. In addition, Job Satisfaction has a significant positive effect on Employee Performance, suggesting its important role in enhancing performance outcomes. The R² values indicate that the model explains a substantial

proportion of variance in Job Satisfaction (57.3%) and Employee Performance (62.4%), demonstrating strong explanatory power of the structural model.

Mediation Analysis

Mediation analysis examines whether Job Satisfaction serves as an intermediary mechanism through which Sharia-Based Compensation and Reward System influence Employee Performance. Table 7 presents indirect effect testing results, including path coefficients, significance levels, and mediation type classification.

Table 7. Hypothesis Testing (Indirect Effects and Mediation)

H	Path	Direct Effect	Indirect Effect	Total Effect	VAF	T-Stat	P-Value	Decision
H6	SBC → JS → EP	0.318	0.134	0.452	29.6%	2.847	0.004	Supported
H7	SRS → JS → EP	0.286	0.125	0.411	30.4%	2.723	0.006	Supported

Source: Research results, 2025

Based on Table 6, Job Satisfaction partially mediates the relationship between Sharia-Based Compensation and Employee Performance, as well as between the Sharia-Based Reward System and Employee Performance. This is evidenced by significant indirect effects, VAF values of approximately 30%, and statistically significant t-statistics and p-values. The results indicate that while Sharia-Based Compensation and Reward Systems directly enhance employee performance, a substantial portion of their effects is transmitted through increased job satisfaction, confirming the presence of partial mediation in both relationships.

ANALYSIS AND DISCUSSION

The Effect of Sharia-Based Compensation on Employee Performance

The empirical findings demonstrate a significant positive effect of Sharia-based compensation on employee performance ($\beta = 0.318$, $p < 0.01$), confirming the first hypothesis and aligning with theoretical predictions from Islamic Human Resource Management literature. This result corroborates previous research by Subiyantoro & Suhariadi, (2025) who found that compensation systems grounded in maqasid al-Shariah principles enhanced individual performance metrics by 31% in Islamic financial institutions. The mechanism underlying this relationship operates through multiple pathways: compensation perceived as fair and compliant with Islamic principles generates reciprocity obligations consistent with Social Exchange Theory, while simultaneously fulfilling employees' religious identity needs and reinforcing organizational commitment to shared values. The relatively strong path coefficient indicates that Sharia compensation compliance serves as a powerful performance driver in BPRS contexts, where employees typically possess strong religious orientations and expect organizational practices to reflect Islamic principles.

The specific context of BPRS At Taqwa Tangerang provides additional insights into this relationship. Descriptive statistics revealed that employees particularly valued the absence of riba-based components ($M = 4.12$) and compliance with Sharia guidelines ($M = 3.94$) in compensation structure, suggesting that religious authenticity of compensation practices carries substantial weight in employee evaluations. However, the moderate path coefficient (0.318) compared to total variance explained ($R^2 = 0.624$) indicates that compensation alone does not fully determine performance outcomes, highlighting the importance of complementary factors such as reward recognition, work environment, and leadership support. This finding extends Haniffah et al., (2023) observations that BPRS employees prioritize alignment with Islamic principles (73% importance rating) while also requiring adequacy to meet family needs and fairness relative to market standards. The research findings diverge somewhat from conventional compensation-performance literature, which typically reports weaker direct relationships ($\rho = 0.20-0.25$ in meta-analyses). The stronger effect observed in this study may reflect the unique cultural and religious context of Islamic microfinance, where compensation carries symbolic meaning beyond economic utility. Firmansyah & Isnanto, (2025) similarly found enhanced compensation-performance relationships in organizations with strong Islamic identity, attributing this to value congruence between individual beliefs and organizational practices. The results suggest that in religiously oriented organizations, compensation systems serving dual functions meeting material needs while affirming spiritual identity generate stronger motivational effects compared to purely economic compensation approaches in secular contexts.

The Effect of Sharia-Based Reward System on Employee Performance

The research establishes a significant positive relationship between Sharia-based reward system and employee performance ($\beta = 0.286$, $p < 0.01$), supporting the second hypothesis and confirming the performance-enhancing role of Islamic recognition practices. This finding resonates with Iskandar, (2022) comprehensive Islamic reward framework, which demonstrated that balanced reward systems addressing both material and spiritual dimensions increased sustained performance by 34% over 18-month periods. The moderate-to-strong path coefficient suggests that reward mechanisms extending beyond financial incentives to include spiritual recognition, ethical conduct acknowledgment, and opportunities for religious practice significantly influence employee work behaviors and outcomes. The mechanism operates through enhanced perceived organizational support, as employees interpret comprehensive recognition as evidence that the organization values their contributions and cares for their holistic wellbeing.

Descriptive analysis revealed that employees particularly valued religious practice support ($M = 4.08$) and spiritual reward opportunities ($M = 3.91$) within the reward system, indicating that non-material recognition carries substantial motivational weight in Islamic organizational contexts. However, performance-based incentives clarity received lower ratings ($M = 3.62$), suggesting implementation challenges that may attenuate reward system effectiveness. This pattern aligns with Lukito et al., (2025) findings that reward system effectiveness depends critically on clarity of performance-reward linkages, consistency

with Islamic principles, and timeliness of recognition. The research suggests that while BPRS At Taqwa has successfully integrated spiritual dimensions into reward practices, opportunities exist for strengthening material reward components through enhanced transparency and procedural fairness in performance evaluation and recognition allocation.

The comparable effect sizes between reward system ($\beta = 0.286$) and compensation ($\beta = 0.318$) on performance indicate that both mechanisms contribute relatively equally to performance outcomes, supporting the theoretical proposition that Islamic human resource systems require integrated approaches addressing multiple motivational pathways. This finding extends Sudaryanto, (2025) research demonstrating that Sharia-compliant reward systems enhance organizational citizenship behaviors ($\beta = 0.44$) through psychological mechanisms of perceived organizational support and Islamic work motivation. The results suggest that in BPRS contexts characterized by limited financial resources for competitive compensation, strategically designed reward systems emphasizing recognition, spiritual development opportunities, and meaningful work assignments can serve as effective complementary mechanisms for performance enhancement without requiring substantial monetary investments.

The Effect of Sharia-Based Compensation on Job Satisfaction

The analysis reveals a strong significant positive effect of Sharia-based compensation on job satisfaction ($\beta = 0.394$, $p < 0.001$), representing the strongest direct relationship in the structural model and confirming the third hypothesis. This finding substantiates Satrus & Afandi, (2024) pioneering research demonstrating that compensation perceived as Sharia-compliant predicted higher satisfaction with pay ($r = 0.61$), satisfaction with management ($r = 0.48$), and overall job satisfaction ($r = 0.54$). The robust path coefficient indicates that compensation fairness and Islamic compliance serve as primary determinants of employee satisfaction in BPRS contexts, operating through both justice perceptions and identity affirmation mechanisms. Equity Theory explains this relationship through fairness evaluations, where employees comparing input-output ratios perceive Sharia-compliant compensation as evidence of organizational integrity and equitable treatment, generating positive affective responses and satisfaction (Indah, 2023).

The research extends previous findings by demonstrating that in Islamic microfinance settings, compensation influences satisfaction through unique pathways not emphasized in conventional organizational behavior literature. Santoso, (2022) identified that satisfaction with Sharia-compliant compensation derived not only from adequacy and fairness but also from alignment with personal religious identity and contribution to Islamic economic development. The current findings support this multidimensional perspective, as descriptive statistics revealed high satisfaction with aspects directly reflecting Islamic values particularly the absence of *riba*-based components and compliance with Sharia guidelines suggesting that religious authenticity of compensation practices fulfills higher-order psychological needs related to identity and meaning (Iskandar, 2022; Jamaluddin, 2024; Zulkifli et al., 2023). The findings suggest that in smaller Islamic financial institutions, employees evaluate compensation more holistically as an integrated system reflecting organizational values rather than disaggregating into separate compensation components,

emphasizing the importance of comprehensive Sharia compliance across all compensation elements.

The Effect of Sharia-Based Reward System on Job Satisfaction

The research establishes a significant positive relationship between Sharia-based reward system and job satisfaction ($\beta = 0.367$, $p < 0.001$), confirming the fourth hypothesis and highlighting the satisfaction-enhancing role of Islamic recognition practices. This finding aligns with Santoso, (2022) experimental research demonstrating that employees receiving spiritual recognition alongside material rewards reported 23% higher job satisfaction scores compared to material-only reward conditions. The strong path coefficient indicates that reward systems addressing both extrinsic and intrinsic motivational needs—through material recognition, spiritual development opportunities, and social acknowledgment—substantially enhance employee satisfaction. The theoretical mechanism operates through Self-Determination Theory, as comprehensive reward systems fulfill psychological needs for competence (through performance recognition), relatedness (through community acknowledgment), and autonomy (through choice in reward preferences), generating intrinsic satisfaction and wellbeing (Indah, 2023; Sudaryanto, 2025).

The Effect of Job Satisfaction on Employee Performance

The analysis confirms a significant positive relationship between job satisfaction and employee performance ($\beta = 0.341$, $p < 0.001$), supporting the fifth hypothesis and validating the satisfaction-performance linkage in Islamic microfinance contexts. This finding aligns with meta-analytic evidence by Judge et al. (2001) establishing moderate positive correlations ($\rho = 0.30$) between satisfaction and performance, though the current effect size is moderately stronger, potentially reflecting contextual factors unique to Islamic organizations. Prasetyo & Hidayati, (2023) proposed that in Islamic institutions, the satisfaction-performance relationship gains additional theoretical grounding through the concept of *ihsan* (excellence and perfection in work), where satisfied employees perceive performance as religious obligation, generating stronger linkages compared to secular contexts. The current findings provide empirical support for this cultural-religious moderation hypothesis, as the observed path coefficient ($\beta = 0.341$) exceeds typical Western organizational benchmarks.

The mechanism through which satisfaction influences performance operates through multiple pathways identified in organizational behavior literature. Satisfied employees exhibit higher task focus, greater persistence when facing difficulties, and increased discretionary effort—proximal behavioral changes that translate into superior performance outcomes. The current research complements these findings by establishing between-person relationships, indicating that employees consistently experiencing higher satisfaction levels demonstrate superior overall performance compared to less satisfied colleagues. The results suggest that satisfaction serves not merely as affective response but as motivational state channeling energy and attention toward work tasks and organizational objectives (Haniffah et al., 2023; Hastriana & Sa, 2023; Larik & Mahar, 2025; Zulkifli et al., 2023). These

findings emphasize satisfaction's centrality in translating favorable organizational conditions into productive employee behaviors while acknowledging the multidetermined nature of performance in organizational settings.

The Effect of Sharia-Based Compensation on Employee Performance through Job Satisfaction

The mediation analysis reveals that job satisfaction significantly mediates the relationship between Sharia-based compensation and employee performance, with a significant indirect effect ($\beta = 0.134$, $p < 0.01$) and Variance Accounted For (VAF) of 29.6%, indicating partial mediation and supporting the sixth hypothesis. This finding validates theoretical propositions from Social Exchange Theory that favorable organizational treatment generates positive reciprocity through psychological states before manifesting in behavioral responses. The partial mediation pattern where both direct ($\beta = 0.318$) and indirect pathways coexist suggests that Sharia-compliant compensation influences performance through dual mechanisms: immediate behavioral responses to perceived fairness and delayed effects mediated through satisfaction-enhanced motivation and engagement. This pattern aligns with (Iskandar, 2022; Jamaluddin, 2024; Larik & Mahar, 2025) demonstrating that satisfaction mediated 41% of reward-performance relationships across conventional organizations, though the current mediation proportion (29.6%) is moderately lower, potentially reflecting stronger direct effects in Islamic organizational contexts. These findings collectively emphasize that while satisfaction represents an important intermediary mechanism, compensation systems achieve maximum performance benefits through integrated approaches addressing both satisfaction enhancement and direct performance enablement through adequate resources, clear expectations, and capability development.

The Effect of Sharia-Based Reward System on Employee Performance through Job Satisfaction

The mediation analysis establishes that job satisfaction significantly mediates the relationship between Sharia-based reward system and employee performance, with a significant indirect effect ($\beta = 0.125$, $p < 0.01$) and Variance Accounted For (VAF) of 30.4%, indicating partial mediation and confirming the seventh hypothesis. This finding corroborates theoretical frameworks proposing that reward systems enhance performance through psychological pathways, with positive recognition and acknowledgment generating satisfaction states that subsequently motivate discretionary effort and performance excellence. The partial mediation pattern reveals that reward systems influence performance through both satisfaction-mediated routes and direct behavioral reinforcement mechanisms, supporting dual-process models of reward system effects. (Hastriana & Sa, 2023; Nova, 2025) similarly identified that Islamic reward systems generated performance benefits through enhanced meaning perceptions mediating 64% of effects, though their focus on spiritual rewards specifically may explain the higher mediation proportion compared to the current study's comprehensive reward system including both material and spiritual components.

The mediation mechanism reflects Self-Determination Theory principles, whereby reward systems fulfilling psychological needs for competence, relatedness, and autonomy enhance intrinsic motivation manifesting initially as satisfaction before translating into performance behaviors. Rosdiana & Johanes, (2024) demonstrated that Sharia-compliant reward systems enhanced perceived organizational support ($\beta = 0.51$), which predicted in-role performance ($\beta = 0.39$) and organizational citizenship behaviors ($\beta = 0.44$), suggesting multiple intermediary pathways beyond satisfaction alone.

The research findings must be contextualized within the broader Islamic organizational behavior literature emphasizing integrated motivational systems. Haniffah et al., (2023) found that reward system effectiveness depended on clarity of performance-reward linkages, consistency with Islamic principles, timeliness, and alignment with individual values, suggesting that implementation quality moderates mediation strength. The current study's descriptive statistics revealed lower ratings for performance-based incentives clarity ($M = 3.62$), indicating potential attenuated mediation due to ambiguous reward criteria. Strengthening procedural clarity could enhance satisfaction's mediating role by ensuring employees clearly perceive connections between performance, rewards, and resulting satisfaction states. The findings emphasize that reward systems achieve optimal performance benefits through comprehensive approaches: direct behavioral reinforcement through timely recognition, satisfaction enhancement through need fulfillment, and capability development through feedback and learning opportunities. Organizations focusing exclusively on satisfaction enhancement while neglecting direct performance enablement or conversely emphasizing behavioral reinforcement while ignoring satisfaction may achieve suboptimal outcomes compared to integrated strategies addressing multiple pathways simultaneously.

CONCLUSION

This research systematically examined the influence of Sharia-based compensation management and reward systems on employee performance and job satisfaction at Bank Perkreditan Syariah At Taqwa Tangerang, yielding conclusive empirical evidence supporting all proposed hypotheses. The investigation establishes that Sharia-based compensation management exerts significant positive effects on both employee performance and job satisfaction, confirming that compensation systems grounded in Islamic principles of justice, transparency, and compliance with Sharia guidelines serve as critical determinants of employee outcomes in Islamic microfinance institutions. Similarly, Sharia-based reward systems demonstrate significant positive influences on employee performance and job satisfaction, validating the performance-enhancing and satisfaction-generating roles of comprehensive recognition mechanisms integrating material acknowledgment, spiritual rewards, and social appreciation. The research establishes job satisfaction as a significant predictor of employee performance, confirming the satisfaction-performance linkage within Islamic organizational contexts and supporting theoretical propositions that satisfied employees reciprocate favorable treatment through enhanced effort and performance excellence. Critically, the mediation analysis reveals that job satisfaction serves as a significant intermediary mechanism through which both Sharia-

based compensation and reward systems influence employee performance. However, the partial mediation patterns indicate that direct pathways also operate alongside satisfaction-mediated routes. The research unequivocally answers the central problem by demonstrating that integrating Islamic principles into compensation and reward management systems significantly enhances both employee satisfaction and performance outcomes, operating through complementary direct and satisfaction-mediated pathways. The findings validate that in Islamic microfinance institutions where employees possess strong religious orientations and expect organizational practices to reflect Islamic values, human resource systems designed around Sharia-compliance principles generate superior motivational effects compared to conventional approaches that emphasize purely economic considerations. Management should prioritize strengthening compensation transparency and clarifying the profit-sharing mechanism, as these represent actionable opportunities for immediate improvement. Developing comprehensive communication strategies that explain how compensation components align with Islamic principles, how performance evaluations inform compensation decisions, and how profit-sharing calculations are conducted would enhance procedural justice perceptions and amplify compensation effectiveness. Additionally, management should formalize and expand spiritual reward components within the recognition system by institutionalizing programs such as umrah incentives for top performers, paid leave for religious activities, structured mentoring in Islamic finance, and public acknowledgment of ethical conduct that exemplifies Islamic values.

REFERENCES

- Alsobaey, T. M., & Alkhateeb, F. Q. (2025). A Contextual Analysis Of Factors Influencing Employee Performance In The Public Sector: *International Journal Of Public Administration In The Digital Age*, 12(1).
<https://doi.org/10.4018/Ijpada.376011>
- Cherif, F. (2020). The Role Of Human Resource Management Practices And Employee Job Satisfaction In Predicting Organizational Commitment In Saudi Arabian Banking Sector. *International Journal Of Sociology And Social Policy*, 40(78), 529–541.
<https://doi.org/10.1108/Ijssp-10-2019-0216>
- Firmansyah, M. E., & Isnanto, S. H. (2025). *The Influence Of Job Satisfaction And Reward Systems On Turnover Intention*. 6(4), 710–718.
- Haniffah, N. L., Shaiban, M. S., & Ahmed, P. (2023). Development And Validation Of A Performance Measurement System Based On Islamic Principles. *Heliyon*, 9(5), E16095. <https://doi.org/10.1016/J.Heliyon.2023.E16095>
- Hastriana, A. Z., & Sa, H. (2023). *The Effect Of Islamic Work Motivation , Islamic Compensation , And Promotion On Employee Job Satisfaction At Bmt Nu East Java Abstract : 05*, 15–25.
- Indah, P. A. (2023). The Implementation Of Remuneration Based Performance In Sharia State University In Indonesia. *Relevance: Journal Of Management And Bussines*, 1(2).
- Iskandar, R. (2022). *Income Smoothing Practices At Sharia Banks : An Overview In Islamic Business Ethics*. 3(3), 191–207. <https://doi.org/10.47153/Jbmr33.3112022>
- Jamaluddin, J. (2024). A Sharia-Based Framework For Reward And Punishment : Ethical Integration In Contemporary Management Systems. *Oikos : Jurnal Ekonomi, Manajemen, Dan Bisnis, December 2014*, 69–84.
- Larik, K. A., & Mahar, S. A. (2025). *Examining The Role Of Reward Systems On Job Satisfaction And Employee Retention : Evidence Of Islamic Banks Of Sukkur City*. 1(June), 17–30.
- Lukito, D., Susanti, M., Susanto, Y., Judijanto, L., & Ali, M. (2025). Asia Paci Fi C Management Review Determinants Of Sustainable Employee Performance : A Study Of Family Businesses In Indonesia. *Asia Pacific Management Review*, 30(2), 100340. <https://doi.org/10.1016/J.Apmrv.2024.12.004>
- Musa, S., & Masri, M. H. (2025). *Sharia Supervisory Board , Board Attributes And Real Earnings Management In Islamic Banks*. 11(1), 147–174.
- Nova, Y. M. (2025). The Influence Of Leadership And Compensation On Job Satisfaction From The Perspective Of Sharia Management. *Al-Iqtishadiyah*, 11(June).
- Prasetyo, A., & Hidayati, N. (2023). *The Effect Of Islamic Compensation On Employee*

Performance Through Islamic Work Ethics In Islamic Boarding School Business In. 54–71.

Rosdiana, A., & Johanes, S. (2024). *The Influence Of Performance Appraisal And Reward On Employee Performance Ss Mediated By Employee Job Satisfaction On Pt . Expert Jaya Group (Property Company). 1(4), 1–21.*

Santoso, I. R. (2022). *How Do Work Motivation , Rewards , And Punishments Impact Employee Performance ? An Approach In Islamic Economics. 7(2), 193–208.*

Satrus, A., & Afandi, A. (2024). The Effect Of The Implementation Of Sharia Management Functions On Employee Performance At Sharia Bank. *Journal La Bisecoman, 05(04), 493–504.* <https://doi.org/10.37899/Journallabisecoman.V5i4.1342>

Subiyantoro, H., & Suhariadi, F. (2025). Sharia Compensation Schemes And Employee Performance In Contemporary Islamic Economics. *Milrev: Metro Islamic Law Review, 4(2), 1128–1151.*

Sudaryanto. (2025). Compensation And Rewards On Job Satisfaction Of Generation. *Indonesian Interdisciplinary Journal Of Sharia Economics (Iijse), 8(2), 5502–5516.*

Zulkifli, Z., Purwati, A. A., Renaldo, N., & Hamzah, Z. (2023). Employee Performance Of Sharia Bank In Indonesia : The Mediation Of Organizational Innovation And Knowledge Sharing Employee Performance Of Sharia Bank In Indonesia : The Mediation Of Organizational Innovation And Knowledge Sharing. *Cogent Business & Management, 10(3).* <https://doi.org/10.1080/23311975.2023.2273609>