

Research Article

The Effect of Financial and Non-Financial Compensation on the Performance of Frontline Employees with Intrinsic Motivation as a Mediating Variable

(A Study at PT. Bank Rakyat Indonesia (Persero) Tbk. KC Palangka Raya)

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Abstract: This study aims to analyze the effect of financial and non-financial compensation on frontliner employee performance with intrinsic motivation as a mediating variable at PT Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office). This study aims to analyze the influence of financial and non-financial compensation on frontliner employee performance with intrinsic motivation as a mediating variable at PT Bank Rakyat Indonesia (Persero) Tbk, Palangka Raya Branch Office. The research employs a quantitative approach using 67 respondents and data analysis with Structural Equation Modeling (SEM-PLS). The results show that both financial and non-financial compensation have a positive and significant effect on employee performance and intrinsic motivation. Furthermore, intrinsic motivation significantly affects performance and mediates the relationship between compensation and performance. The R^2 value of 0.681 indicates that the model explains 68.1% of performance variation. These findings reinforce Herzberg's Two-Factor Theory and Self-Determination Theory, emphasizing the importance of balancing material and non-material compensation to enhance motivation and sustainable performance among frontliner employees in the banking sector.

Keywords: Employee Performance; Financial Compensation; Frontliner; Intrinsic Motivation; Non Financial Compensation.

1. Introduction

Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch is a financial institution that has a strategic position in expanding banking services, especially in the Central Kalimantan region. As one of the main branches, the operational effectiveness of this institution is highly dependent on the performance of *frontline* employees who play a leading role in providing services to customers. However, Bank Rakyat Indonesia (Persero) Tbk's internal report in (2023) noted an 8% decline in customer retention, which is suspected to be related to a decline in service performance scores. This condition indicates the need to evaluate various internal factors that affect the quality of work of employees in the main service line.

In their daily work, *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk's Palangka Raya Branch are faced with high work pressure, fluctuating transaction volumes, and customers' expectations for excellent service. This requires not only technical competence, but also consistent work ethic and motivation. Indradewa states that the combination of leadership and intrinsic motivation creates a more productive work culture, especially in the service sector (Indradewa, 2024). In this context, it is important to understand how employees' internal motivation can support their performance amid dynamic work pressures.

Intrinsic motivation refers to internal drives that make a person work happily, feel challenged, and enjoy the work process without relying on external rewards. Components such as a sense of responsibility, autonomy in decision-making, and inner satisfaction are key

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elements in this type of motivation. A study by Oktavio & Wijaya (2020) shows that intrinsic motivation is negatively correlated with *turnover intention* and positively affects job satisfaction, making it a crucial variable that must be considered in HR policy design.

Under certain conditions, companies that rely solely on intrinsic motivation without considering external compensation aspects will face difficulties in retaining the best talent. Compensation remains a key component in classical and modern motivation theories. According to Herzberg in his *Two-Factor Theory*, compensation falls under the *hygiene factor* category, which, if neglected, can lead to dissatisfaction. Conversely, intrinsic motivation falls under the *motivator* category, which drives individuals to achieve optimal performance.

Based on research by Kusuma & Swasto (2021), financial compensation has a significant effect on job satisfaction and performance, which ultimately impacts employee loyalty. Forms of financial compensation such as base salary, monthly incentives, and performance allowances have proven to be important drivers in boosting productivity. However, the effects of compensation tend to be short-term if not accompanied by intrinsic motivation.

Equally important, non-financial compensation also contributes greatly to increasing work motivation. Factors such as non-material rewards, a healthy work environment, opportunities for training and self-development, and good interpersonal relationships can create a positive work climate. Rahma shows that non-financial compensation has an influence on voluntary work behavior (*organizational citizenship behavior*) and employee commitment to the organization (Rahma, 2021).

In aggregate, the relationship between compensation and intrinsic motivation needs to be analyzed thoroughly because both can form the basic structure of a modern HR management system. The combination of fair compensation and support for employees' psychological needs is believed to result in not only high but also sustainable performance. This is in line with the humanistic approach to human resource management that places people at the center of productivity.

Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office, as a state-owned financial institution, faces major challenges in maintaining service quality amid digitalization and changing customer expectations. Suboptimal service at the *frontliner* level can have a direct impact on the bank's reputation and customer trust. *Indonesian Banking Statistics* (2024) recorded a 3.2% decline in banking customer satisfaction, with the main complaints covering service delays and staff rudeness, two issues directly related to service motivation and competence.

This decline in service scores may reflect structural problems in performance management, including compensation and attention to individual motivation. Therefore, evidence-based interventions are crucial in developing HR management policies that are not only reactive but also anticipatory. A quantitative approach can help describe the relationship between variables objectively and statistically.

Palangka Raya, as the study location, also offers unique local characteristics with economic growth of 5.4% in 2023. According to the Central Statistics Agency (2024), business activity has increased, and the need for excellent financial services has also grown. This adds pressure on *frontline* employees to maintain the quality of their interactions with customers. On the other hand, available human resources are still limited, so management needs to maintain employee productivity and loyalty simultaneously.

In this local context, a study by Nudin et al. (2023) highlights that many HR policies implemented in the regions do not sufficiently consider the psychological and cultural aspects of the local workforce. Therefore, a generic approach from headquarters is often ineffective in improving performance in the regions. Thus, a locally-based approach that combines compensation and intrinsic motivation will yield more relevant and impactful results.

In addition to the locality approach, the need to pay attention to the balance between financial and non-financial factors is an important highlight. A compensation system that places too much emphasis on financial aspects risks neglecting the psychological needs of employees, which play a major role in creating loyalty and work engagement. With an integrative approach, organizations can create an empowering work environment.

As organizations become more complex, evaluating the variables that affect performance is a necessity that cannot be postponed. Compensation and intrinsic motivation need to be positioned not only as administrative tools, but as part of business strategy. Optimal *frontline* employee performance is not just an end result, but a reflection of a healthy and fair work system.

In contemporary management practices, organizations that want to survive and grow need to adopt a data-driven and empirical analysis approach. This study aims to fill the gap in academic literature regarding the simultaneous influence of compensation and intrinsic motivation on *frontline* employee performance, particularly in the local context of Central Kalimantan.

Methodologically, this study uses a quantitative approach with a census technique of 67 *frontline* employees of BRI Palangka Raya. Data collection was conducted through a survey using a standardized questionnaire, and the analysis was performed using inferential statistical techniques to test the causal relationship between variables.

The variables in this study consist of financial compensation (salary, allowances, bonuses), non-financial compensation (awards, work environment, career path), intrinsic motivation (work freedom, sense of challenge, personal satisfaction), and employee performance (productivity, service quality, punctuality). The relationship between variables will be tested using a mediation model.

The results of this study are expected to be used by the management of PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office as a basis for revising compensation policies and human resource development programs that are more oriented towards individual empowerment. With a deep understanding of psychological and structural variables, improvements can be made comprehensively.

Not only that, this study also seeks to make a scientific contribution to the development of work motivation theory in the financial services sector, with a focus on direct interactions between employees and customers. The empirical findings of this study have the potential to be a reference for further studies in the context of other public service organizations.

This research also fills a gap in the national literature, where studies examining the relationship between compensation and intrinsic motivation in the context of local banking are still very limited. In fact, the issue of *frontliner* performance is a strategic issue that has a direct impact on the future business continuity of banks.

Based on this background, this study aims to empirically examine the effect of financial and non-financial compensation on the performance of *frontline* employees with intrinsic motivation as a mediating variable (a study at PT Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office). The findings of this study are expected to strengthen the evidence-based management approach in planning and influencing effective and sustainable HR policies.

2. Preliminaries or Related Work or Literature Review

Human Resource Management (HRM) Theory

Human Resource Management (HRM) theory serves as the main conceptual framework in this study, focusing on how organizations can strategically manage people as key assets in achieving business objectives. Ulrich et al. underscore the paradigm shift from HRM, which was originally administrative in nature, to a more strategic role in creating sustainable competitive advantage (Ulrich et al., 2021). In this approach, performance management, compensation systems, and employee motivation programs are no longer merely complementary functions, but an integral part of corporate strategy.

Furthermore, modern HRM views employees not only as task executors, but also as sources of ideas, innovation, and value creators. Therefore, aspects such as fair compensation, a supportive work environment, and opportunities for self-development must be systematically designed to be in line with organizational goals. This theory is highly relevant in the context of PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya, which seeks to strengthen service quality by optimizing the role of *frontline* employees.

Within this framework, HRM functions such as workforce planning, compensation, training, and development play an important role in supporting motivation and performance. Strategic HRM also requires a direct link between incentive policies and performance results, which is the basis for the importance of research that empirically tests this link.

Financial Compensation Theory

Financial compensation is the most direct part of the rewards employees receive for their work, whether in the form of fixed salaries or variable forms such as bonuses and allowances. Milkovich et al. emphasize that a competitive and fair compensation system is essential for attracting, motivating, and retaining quality employees (Milkovich et al., 2022). Financial

compensation can also create a sense of economic security, which is a basic need according to motivation theory.

In practice, perceptions of compensation fairness often become a crucial factor that influences employee satisfaction and engagement. In the banking sector, performance-based incentive systems are an important tool for encouraging the achievement of service targets. Therefore, the measurement of compensation in this study considers the aspects of fairness and employees' perceptions of fairness regarding the payment system implemented at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya.

In addition, this theory also emphasizes the importance of transparency and accountability in the wage system so as not to cause conflict or demotivation. If salaries and bonuses are given in proportion to performance, then theoretically, this will increase employee productivity and loyalty.

Non-Financial Compensation Theory

While financial compensation is material in nature, non-financial compensation covers the psychological and emotional aspects that employees receive while working. Deci & Ryan emphasize that forms of reward such as recognition of achievements, learning opportunities, a conducive work environment, and work autonomy can have a strong and lasting motivational impact (Deci & Ryan, 2000).

Non-financial compensation not only affects performance but also shapes employees' perceptions of their value within the organization. Feeling appreciated, trusted, and having room to grow will strengthen employees' psychological attachment to the workplace. This is in line with the humanistic approach in HRM, which emphasizes the importance of job satisfaction as a key determinant of long-term productivity.

In this study, the dimensions of non-financial compensation include intangible but highly felt elements, such as a positive work culture, flexible work schedules, and opportunities for skill enhancement. All of these aspects are seen as important instruments in creating deep intrinsic motivation.

Intrinsic Motivation Theory (*Self-Determination Theory*)

Self-Determination Theory (SDT), developed by Deci and Ryan, is the main theory in understanding intrinsic motivation. SDT states that humans have three basic psychological needs: *autonomy* (freedom to act), *competence* (developing abilities), and *relatedness* (social connection), which, when fulfilled, will result in strong intrinsic motivation (Deci & Ryan, 2000).

Intrinsic motivation arises from within the individual, not from external rewards. In the context of work, intrinsically motivated employees usually show enthusiasm, perseverance, and high initiative without always being driven by bonuses or additional salaries. Therefore, the role of SDT in this study is to explain how both financial and non-financial compensation can trigger or support the formation of intrinsic motivation, which then has an impact on performance improvement.

This study also adopts the basic assumption of SDT that motivation is not fixed but can be influenced by the work environment and organizational systems. Therefore, the right compensation strategy will play a role in fostering a work climate that supports the basic psychological needs of employees.

Employee Performance Theory

Employee performance is a key indicator of the success of HRM strategies within an organization. According to Gomes, performance can be evaluated through several dimensions, namely work quantity, quality of results, timeliness, initiative, and ability to work together (Gomes, 2021). Performance is not only related to what is done, but also how the work is done and its impact on customers and the organization.

In measuring performance in the service sector, such as banking, it is important to include elements such as customer satisfaction, speed of service, and problem-solving skills. High performance among frontline employees reflects an efficient work system and good work motivation, and is the basis for maintaining customer loyalty.

In this study, performance is used as the dependent variable, which is assumed to be directly and indirectly influenced by the compensation system and level of intrinsic motivation. Performance assessment will be carried out through a survey instrument tailored to relevant operational indicators at PT. Bank Rakyat Indonesia (Persero) Tbk.

3. Materials and Method

The type of research used in this study is quantitative analysis. The research location was at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya, Jln. Jend A.Yani No. 85 Palangka Raya. The population in this study consisted of 67 employees working at KC Palangka Raya as customer service, tellers, and universal banking staff. The sample was determined using the census technique.

The types of data and data sources used in this study consisted of primary and secondary data. The primary data source in this study was employees working at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office, hereinafter referred to as respondents. Meanwhile, the secondary data source was in the form of report documents at PT Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office.

The data collection methods used in this study were questionnaires with a Likert scale and literature study. The data analysis techniques used were descriptive statistical analysis and structural equation modeling analysis. Validity tests were conducted through *convergent validity*, *discriminant validity*, and reliability tests.

4. Results and Discussion

Analisis Statistik Deskriptif

Deskripsi Karakteristik Responden

This study involved 67 respondents who were all *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office. Thus, this study used a census technique (total sampling) because the population size was less than 100 people, so all individuals were included in the research sample. The respondents consisted of three main job categories, namely *Customer Service* (40 people), *Teller* (25 people), and *Universal Banker* (2 people). This composition shows that most of the respondents came from the *customer service* department, who interact directly with customers every day. Based on the questionnaire distributed, 67 copies were filled out and collected, all of which could be used as research data. This study obtained an overview of the research respondent profile described based on age, gender, education level, and length of service.

Table 1. Characteristics of Research Respondents.

	Characteristics	Frequency	Percentage (%)
1. Gender	Female	44	65.7%
	Male	23	34.3%
	Total	67	100%
2. Age	20–30 years old	38	56.7%
	31–40 years old	24	35.8%
	41–50 years old	5	7.5%
	Total	67	100%
3. Position	<i>Universal Bankers</i>	2	3%
	<i>Customer Service</i>	40	59.7%
	<i>Teller</i>	25	37.3%
	Total	67	100%
4. Position	D3	25	37.3%
	Bachelor	42	62.7%
	Total	67	100%
5. Position	1–3 years	35	52.2%
	4–6 years	26	38.8%
	< 1 years	9	9%
	Total	67	100%

Source: 2025 Data Processing Results

Based on the survey results, (65.7%) of respondents were female and (34.3%) were male. This proportion shows the dominance of women in *frontline* positions, in line with the trend

in the banking service sector where women more often occupy public service positions. In terms of age, most respondents were in the 20-30 age group (56.7%), followed by 31-40 (35.8%) and the rest were 41-50 (7.5%). This shows that the *frontline* workforce at PT. Bank Rakyat Indonesia KC Palangka Raya is dominated by young people who are adaptive to change and digital technology. Most respondents had a bachelor's degree as their highest level of education (62.7%), indicating that the majority of employees have a bachelor's degree background.

This indicates that the workforce at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya has met the high educational qualifications required to provide services to customers. Meanwhile, employees with a D3 degree (37.3%) are also quite significant, indicating that operational positions such as tellers and customer service are still open to experienced diploma graduates.

The majority of respondents have worked for 1–3 years (52.2%), indicating that most employees are in the early to mid-stage of their careers at the company. A total of 38.8% of respondents have worked for 4–6 years, indicating a fairly strong level of loyalty and work experience. Meanwhile, 9% of employees with less than 1 year of service indicate new recruitment, which may be aimed at strengthening the frontline service force.

Description of Respondents' Perceptions

Descriptive statistical analysis of respondents' perceptions was conducted using the SPSS application. To determine the descriptive criteria for variables, categories were created with the following calculations: (a) Maximum value = maximum score. (b) Minimum value = minimum score. (c) Range = Maximum value – minimum value. (d) Interval = range : number of classes.

Table 2. Descriptive Analysis Criteria for Variables.

No	Interval	criteria
1	4,2-5	Strongly Agree
2	3,4-4,2	Agree
3	2,6-3,4	Neutral
4	1,8-2,6	Disagree
5	1-1,8	Strongly disagree

Based on the table above, the respondents' perception criteria according to the interval calculation have been established. The interval 4.2 - 5 is the "Strongly Agree" category, the interval 3.4 - 4.2 is the "Agree" category, the interval 2.6 - 3.4 is the "Neutral" category, the interval 1.8 - 2.6 is the "Disagree" category, and the interval 1 - 1.8 is the "Strongly Disagree" criteria category.

This study uses four variables, namely Financial Compensation (X1), Non-Financial Compensation (X2), Intrinsic Motivation (M), and Employee Performance (Y).

a. Financial Compensation (X1)

Financial compensation is remuneration given by an organization to employees in the form of money, either directly (salary, wages, incentives, bonuses) or indirectly (allowances, insurance, pensions). This compensation is an important factor in increasing employee satisfaction and performance because it is directly related to individual economic needs. Several studies support the role of financial compensation in improving performance. Wibowo (2020) found that financial compensation has a significant effect on employee motivation and performance. Rahmawati & Sutanto (2021) explain that a fair increase in financial compensation will foster loyalty and reduce turnover rates, and Simanjuntak (2019) also emphasizes that financial factors are the main motivator for employees in the private sector to achieve work targets. Each has been described in the following table:

Table 2. Description of Financial Compensation Variable (X1).

NO	ITEM	ANSWER SCORE					Average
		SS (1)	S (2)	N (3)	TS (4)	STJ (5)	
		F	F	F	F	F	
1	X1.1	0	3	18	21	25	4.01
2	X1.2	0	3	17	20	27	4.05
3	X1.3	1	1	16	25	24	4.04
4	X1.4	1	4	14	23	25	4
5	X1.5	1	1	22	18	25	3.97
FINANCIAL COMPENSATION INDICATOR RETATA							4.01

Source : Processed Data 2025

Based on the average score of 4.01, it can be concluded that respondents have a very good perception of the financial compensation they receive. This score indicates that financial policies such as salaries and incentives implemented by the company are able to provide positive motivation for employees.

The high scores on items X1.2 and X1.3 show that employees consider the bonus or additional allowance system to be adequate and fair. This supports Herzberg's theory of *hygiene factors*, in which financial compensation is a basic element that prevents job dissatisfaction (Herzberg, 1959).

b. Non-Financial Compensation (X2)

Kompensasi non finansial adalah segala bentuk penghargaan non-materi yang diberikan to employees, such as recognition, awards for achievement, a comfortable work environment, and career development opportunities. These factors play a crucial role in increasing employee engagement and loyalty.

Mangkunegara explains that non-financial rewards influence employee morale and loyalty (Mangkunegara, 2017). Sari & Fadillah (2020) found that providing training and career promotion opportunities can increase work motivation. Handoko emphasized that a balance between financial and non-financial compensation is essential for maintaining long-term job satisfaction (Handoko, 2019).

The non-financial compensation variable has one indicator, each broken down into five questions. This is explained in the table below:

Table 4. Description of Non-Financial Compensation Variables (X2).

NO	ITEM	ANSWER SCORE					Average
		SS (1)	S (2)	N (3)	TS (4)	STJ (5)	
		F	F	F	F	F	
1	X2.1	0	4	15	21	27	4.05
2	X2.2	0	1	24	19	23	3.95
3	X2.3	1	0	20	23	23	4
4	X2.4	0	2	25	15	25	3.94
5	X2.5	0	2	22	18	25	3.98
FINANCIAL COMPENSATION INDICATOR RETATA							3.98

Source : Processed Data 2025

An average score of 3.98 indicates a good category, meaning that the non-financial compensation implemented by the organization is sufficiently optimal. Employees feel appreciated through recognition, good working relationships, and a comfortable working environment. However, there is still room for improvement, particularly in the areas of career recognition and interpersonal communication. This is in line with Maslow's theory (1943) that once basic needs are met, individuals will seek recognition and self-actualization.

c. Motivasi Intrinstik (M)

Intrinsic motivation is a drive that comes from within the individual to do work enthusiastically because of a sense of responsibility and personal satisfaction, not because of external rewards. This variable plays an important role in creating long-term productivity.

According to Deci & Ryan in *Self-Determination Theory*, autonomy, competence, and relatedness are important elements in building intrinsic motivation (Deci & Ryan, 2000). Utami found that intrinsic motivation has a more dominant influence on performance than extrinsic motivation (Utami & Ramdhani, 2020). Setiawan (2019) emphasized that individuals with high intrinsic motivation remain productive even when the incentives they receive are small.

Table 3. Description of Intrinsic Motivation Variables (M1).

NO	ITEM	ANSWER SCORE					Average
		SS (1)	S (2)	N (3)	TS (4)	STJ (5)	
		F	F	F	F	F	
1	M1.1	1	1	19	17	29	4.07
2	M1.2	0	2	23	18	24	3.95
3	M1.3	0	2	19	20	26	4.04
4	M1.4	0	1	19	22	27	4.05
5	M1.5	0	0	18	27	22	4.05
FINANCIAL COMPENSATION INDICATOR RETATA							4.03

Source : Processed Data 2025

The average score of 4.03 indicates that respondents' intrinsic motivation is very high. This means that employees have an internal drive to perform well, motivated by a sense of responsibility, personal achievement, and enjoyment in their work. These results support Herzberg's theory that motivators such as achievement and recognition are the main drivers of job satisfaction (Herzberg, 1968).

d. Employee Performance

Employee performance is the result of work, both in terms of quality and quantity, achieved by individuals in carrying out their duties according to their responsibilities. Performance is a key indicator of an organization's success in achieving its goals.

According to Robbins & Judge, performance is influenced by motivation, ability, and work opportunities (Robbins & Judge, 2021). Ghazali emphasizes that compensation and motivation simultaneously increase employee productivity (Ghazali, 2020). Luthans adds that positive behavior and the work environment contribute to the stability of individual performance (Luthans, 2018).

Table 4. Description of Employee Performance Variable (X1).

NO	ITEM	ANSWER SCORE					Average
		SS (1)	S (2)	N (3)	TS (4)	STJ (5)	
		F	F	F	F	F	
1	Y1.1	0	1	16	29	21	3.59
2	Y1.2	0	3	17	25	22	3.98
3	Y1.3	1	0	19	21	26	4.05
4	Y1.4	0	0	18	25	25	4.08
5	Y1.5	0	3	15	28	21	4
FINANCIAL COMPENSATION INDICATOR RETATA							3.94

Source : Processed Data 2025

The average of 3.94 indicates that employee performance is very good. Employees demonstrate discipline, responsibility, and consistency in completing their work. These results correlate with high motivation and satisfaction with compensation, both financial and non-financial. These findings reinforce Gibson's (2017) *Performance Linkage* model, which states that compensation and motivation have a positive relationship with improved individual performance.

Research Model Analysis Using Partial Least Square (PLS)

This study uses the Smart PLS program to test the research model. The structural equation model evaluation is carried out through research data processing. There are two stages in the analysis using PLS in this study, namely: (a) Evaluation of the measurement model or *outer model* to determine the validity and reliability of the indicators that measure

latent variables. The criteria for testing the outer model include *discriminant validity*, *convergent validity*, and *composite reliability*. (b) Assessing the structural model or *inner model* to see the relationship between constructs, significant values, and R-Square of the research model. *Inner model* testing with PLS is done through *bootstrap resampling*.

The following presents the results of testing and processing research data using the PLS method with the SmartPLS 4.0 program.

Evaluation Of The Measurement Model (Outer Model)

The measurement model is tested with the aim of assessing indicator variables that reflect a construct (latent variable). Empirically, this analysis aims to validate the model and the reliability of constructs that reflect the parameters in the indicators and latent variables constructed based on theory and empirical studies. Measurement in the evaluation of the reflective indicator measurement model uses *convergent validity*, *discriminant validity*, and *composite reliability*. The following presents the results of the measurement model evaluation to test the validity and reliability of the items, indicators, and constructs (latent variables) of the study.

a. Convergent Validity

Convergent validity aims to measure the suitability between the measurement indicators of variables and the theoretical concepts that explain the existence of indicators of the variables being tested. *Convergent validity* is related to the principle that indicators of a construct should be highly correlated. *Convergent validity* can be evaluated in two stages, namely by looking at *outer loadings* and *average variance extracted (AVE)*.

Outer loadings are tables containing factor *loadings* to show the magnitude of the correlation between the indicators and the latent variables. The factor *loading* value must be greater than 0.7 to be considered valid. *The outer loadings output* can be obtained from *the PLS Algorithm Report* SmartPLS. The indicators that measure the construct are presented in the table and path diagram below.

Table 7. Factors Loading.

Variable	Item	Loading	Rule of Thumb	Conclusion
Financial Compensation	X1.1	0,825	0,700	Valid
	X1.2	0,739	0,700	Valid
	X1.3	0,776	0,700	Valid
	X1.4	0,860	0,700	Valid
	X1.5	0,721	0,700	Valid
Non-Financial Compensation	X2.1	0,780	0,700	Valid
	X2.2	0,797	0,700	Valid
	X2.3	0,824	0,700	Valid
	X2.4	0,755	0,700	Valid
	X2.5	0,834	0,700	Valid
Intrinsic Motivation	M1	0,761	0,700	Valid
	M2	0,807	0,700	Valid
	M3	0,735	0,700	Valid
	M4	0,765	0,700	Valid
	M5	0,825	0,700	Valid
Employee Performance	Y1	0,763	0,700	Valid
	Y2	0,807	0,700	Valid
	Y3	0,815	0,700	Valid
	Y4	0,746	0,700	Valid
	Y5	0,794	0,700	Valid

Based on the analysis results in the table above, it is known that each indicator in the variables of financial compensation, non-financial compensation, intrinsic motivation, and

employee performance has a *loading* value above 0.7. Thus, all indicators in each variable can be declared valid.

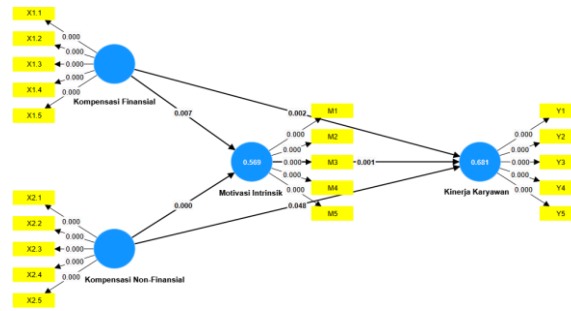


Figure 1. Diagram Validitas Konvergen.

The next step after *convergent validity* is reliability. Reliability is defined as the ability of indicators to produce consistent values in every research activity. The measurement used to test reliability is AVE. The AVE value aims to measure the level of variance of a component construct's gathered from its indicators by adjusting for the error rate. Testing with AVE values is more critical than *composite reliability*. The minimum recommended AVE value is 0.50. The AVE output obtained from the PLS Algorithm Report SmartPLS 3.0 can be seen in the table below.

Table 8. AVE Values.

	AVE Value
Financial Compensation	0,617
Non-Financial Compensation	0,638
Intrinsic Motivation	0,607
Employee Performance	0,617

The results of the analysis in the table above show that the *Average Variance Extracted* (AVE) values for the variables of financial compensation, non-financial compensation, intrinsic motivation, and employee performance are each greater than 0.50. Therefore, it can be concluded that all indicators used in this study have met the validity criteria.

b. Discriminant Validity

Discriminant validity is the degree of differentiation of an indicator in measuring instrument constructs. To test *discriminant validity*, a *cross-loading* examination can be performed, namely comparing the correlation coefficient of the indicator with its associated construct (*loading*) with the correlation coefficient with other constructs (*cross-loading*). The *cross-loading* value of the variable indicator must be >0.70 and must be greater than the *cross-loading* of other variable indicators in reflecting a construct.

Table 9. Cross Loading.

	Financial Compensation	Non-Financial Compensation	Intrinsic Motivation	Employee Performance
X1.1	0,825	0,489	0,495	0,604
X1.2	0,739	0,603	0,615	0,641
X1.3	0,776	0,529	0,513	0,581
X1.4	0,860	0,596	0,575	0,566
X1.5	0,721	0,405	0,330	0,505
X2.1	0,552	0,780	0,489	0,537
X2.2	0,520	0,797	0,592	0,593
X2.3	0,515	0,824	0,540	0,531
X2.4	0,534	0,755	0,643	0,562
X2.5	0,581	0,834	0,581	0,590
M1	0,503	0,454	0,761	0,548
M2	0,471	0,593	0,807	0,615
M3	0,543	0,481	0,735	0,570
M4	0,408	0,597	0,765	0,480

	Financial Compensation	Non-Financial Compensation	Intrinsic Motivation	Employee Performance
M5	0,619	0,652	0,825	0,656
Y1	0,632	0,507	0,554	0,763
X1.3	0,776	0,529	0,513	0,581
Y2	0,662	0,632	0,664	0,807
Y3	0,550	0,531	0,623	0,815
Y4	0,459	0,548	0,487	0,746
Y5	0,592	0,552	0,565	0,794

Based on the results of the discriminant validity test presented in the table above, it can be seen that the *loading* values of each indicator on the variables of financial compensation, non-financial compensation, intrinsic motivation, and employee performance are higher than the *cross-loading* values on other variables. Therefore, it can be concluded that this research instrument has met the criteria for discriminant validity.

c. Reliability Test

The construct reliability test is measured using the *composite reliability* criteria of the indicator block that measures the construct. The construct is considered *reliable* if the *composite reliability* value is above 0.70. Cronbach's Alpha Smart PLS 4.0 *output*.

Table 10. Nilai *Composite Reliability*.

	Cronbach's Alpha	Composite reliability	Keterangan
Financial Compensation	0,844	0,889	Reliable
Non-Financial Compensation	0,858	0,898	Reliable
Intrinsic Motivation	0,838	0,885	Reliable
Employee Performance	0,845	0,890	Reliable

Based on the table above, it can be seen that the variables of financial compensation, non-financial compensation, intrinsic motivation, and employee performance have *Composite Reliability* values that are each greater than 0.7. Thus, it can be concluded that all variables in this study *are reliable*.

Evaluation of the Structural Model (Inner Model)

The structural model is tested by looking at the R-square value, which is part of the *model goodness-of-fit* test. The R-square value is used to measure the level of variation in the independent variable against the dependent variable. The higher the *R-square* value, the better the prediction model from the model proposed by Abdillah and Jogiyanto (Abdillah & Jogiyanto, 2015).

a. R-Square

Table 11. Nilai *R-square*.

	R-square
Intrinsic Motivation	0,569
Employee Performance	0,681

The table above shows that the intrinsic motivation variable has an *R-square* value of 0.569, which means that the influence/contribution of the financial compensation and non-financial compensation variables on intrinsic motivation is 56.9%, and the remaining 43.1% is influenced by other variables not included in this study.

Then, the *R-square* value for the employee performance variable is 0.681, which shows that the influence/contribution of the financial compensation, non-financial compensation, and intrinsic motivation variables on employee performance is 68.1%, while the remaining 31.9% is influenced by other variables not included in this study.

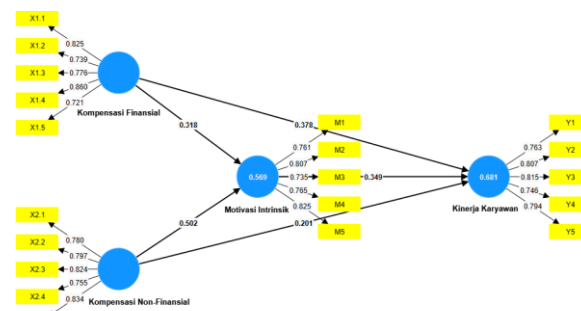
b. *Q-square***Table 12.** *Q-square*.

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Intrinsic Motivation	335,000	224,555	0,330
Employee Performance	335,000	200,225	0,402

The results of the above analysis obtained *Q-square* values of 0.330 and 0.402, both of which are greater than 0. Thus, it can be concluded that the model in this study has good predictive relevance.

Hypothesis Testing Results

Hypothesis testing can use *path* coefficients for direct effects and indirect effects using *indirect effects*.

**Figure 2.** Figure of Hypothesis Testing Results.**Table 13.** Direct Effect Test.

	Original sample (O)	T statistics	P values	Conclusion
Financial Compensation -> Employee Performance	0,378	3,058	0,002	H1 accepted
Non-Financial Compensation -> Employee Performance	0,201	1,980	0,048	H2 accepted
Financial Compensation -> Intrinsic Motivation	0,318	2,706	0,007	H3 accepted
Non-Financial Compensation -> Intrinsic Motivation	0,502	4,388	0,000	H4 accepted
Intrinsic Motivation -> Employee Performance	0,349	3,195	0,001	H5 accepted

The table above shows that: (a) The first hypothesis test obtained a *t-statistic* value of $3.058 > 1.96$ and a *p-value* of $0.002 < 0.05$, so H1 is accepted, and it can be concluded that financial compensation has a significant effect on employee performance at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office. (b) The second hypothesis test obtained a *t-statistic* value of $1.980 > 1.96$ and a *p-value* of $0.048 < 0.05$, so H2 is accepted, and it can be concluded that non-financial compensation has a significant effect on employee performance at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office. (c) The third hypothesis test yielded a *t-statistic* value of $2.706 > 1.96$ and a *p-value* of $0.007 < 0.05$, so H3 was accepted, and it can be concluded that financial compensation has a significant effect on the intrinsic motivation of *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch. (d) The fourth hypothesis test yielded a *t-statistic* value of $4.388 > 1.96$ and a *p-value* of $0.000 < 0.05$, so H4 was accepted, and it can be concluded that non-financial compensation has a significant effect on the intrinsic motivation of *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch. (e) The fifth hypothesis test yielded a *t-statistic* value of $3.195 > 1.96$ and a *p-value* of $0.001 < 0.05$, so H5 was accepted, and it can be concluded that intrinsic motivation has a significant effect on the

performance of employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch.

Table 14. Indirect Effect Test

	<i>Original sample</i>	<i>T statistics (O/STDEV)</i>	<i>P values</i>	Conclusion
Financial Compensation ->				
Intrinsic Motivation -> Employee Performance	0,111	2,010	0,044	H6 accepted
Non-Financial Compensation ->				
Intrinsic Motivation -> Employee Performance	0,175	2,582	0,010	H7 accepted

Source : SmartPLS 4, 2025

The sixth hypothesis test yielded a *t-statistic* value of $2.010 > 1.96$ and a *p-value* of $0.044 < 0.05$, so H6 is accepted. It can therefore be concluded that intrinsic motivation mediates the relationship between financial compensation and the performance of *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch Office.

The seventh hypothesis test yielded a *t-statistic* value of $2.582 > 1.96$ and a *p-value* of $0.010 < 0.05$, so H7 is accepted, and it can be concluded that intrinsic motivation mediates the relationship between non-financial compensation and the performance of *frontline* employees at PT. Bank Rakyat Indonesia (Persero) Tbk Palangka Raya Branch

The Effect of Financial Compensation on the Performance of *Frontline* Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya

The first hypothesis (H1) in this study is "Financial Compensation on *Frontline* Employee Performance." Based on the hypothesis testing results, a *t-statistic* value of $3.058 > 1.96$ and a *p-value* of $0.002 < 0.05$ were obtained, which means that financial compensation has a positive and significant effect on employee performance. This shows that the better the financial compensation provided by the company, the higher the performance shown by *frontline* employees.

The financial compensation referred to includes salaries, bonuses, incentives, and other allowances given in accordance with work contributions. Increased financial compensation encourages employees to work more productively, be more disciplined, and strive to achieve service targets to the maximum. The results of this study are in line with Wibowo's (2020) research, which states that financial compensation has a significant effect on employee motivation and performance. Similarly, Rahmawati and Sutanto (2021) found that fair financial compensation can increase loyalty and reduce turnover rates. Simanjuntak (2019) also emphasized that financial factors are the main motivators for private sector employees to achieve work targets.

Thus, the results of this study reinforce Herzberg's theory in the *Hygiene Factors* concept, which explains that financial compensation is a basic factor that prevents dissatisfaction and forms positive performance motivation (Herzberg, 1959). In the environment of BRI KC Palangka Raya, this is reflected in employee satisfaction with the salary and incentive system that is implemented proportionally and transparently, thereby impacting the improvement of service quality for customers.

The Effect of Non-Financial Compensation on the Performance of *Frontline* Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya

The second hypothesis (H2) in this study is "Non-Financial Compensation on *Frontliner* Employee Performance." Based on the hypothesis testing results, a *t-statistic* value of $1.980 > 1.96$ and a *p-value* of $0.048 < 0.05$ were obtained, meaning that non-financial compensation also has a significant effect on employee performance. Non-financial compensation includes rewards, recognition of achievements, career development opportunities, and a supportive work environment.

Employees who feel valued in non-material ways will have high loyalty and strive to provide the best service. This shows that job satisfaction does not only depend on financial aspects, but also on interpersonal relationships and a harmonious work atmosphere.

These findings are in line with Mangkunegara's research, which states that non-financial rewards can increase employee morale and loyalty (Mangkunegara, 2017). Sari and Fadillah (2020) also found that opportunities for self-development and career training have a positive

effect on motivation and performance. Meanwhile, Handoko emphasizes the importance of a balance between financial and non-financial compensation to maintain long-term job satisfaction (Handoko, 2019).

The results of this study support Maslow's theory (1943), which places *the need for esteem* and self-actualization at a high level of work motivation. Thus, in the environment of BRI KC Palangka Raya, recognition and appreciation of *frontline* performance are important factors in maintaining work enthusiasm and responsibility.

The Effect of Financial Compensation on the Intrinsic Motivation of *Frontline* Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya

The third hypothesis (H3) in this study is "Financial Compensation Affects the Intrinsic Motivation of *Frontline* Employees." Based on the results of hypothesis testing, a *t-statistic* value of $2.706 > 1.96$ and a *p-value* of $0.007 < 0.05$ were obtained, which means that financial compensation has a significant effect on the intrinsic motivation of employees. Although intrinsic motivation stems from internal drives, adequate financial compensation can reinforce feelings of security, fairness, and appreciation by the organization.

Employees who receive rewards commensurate with their performance tend to have a sense of responsibility and enthusiasm to work better. These results are consistent with Deci and Ryan's *Self-Determination Theory*, which states that financial rewards given proportionally do not decrease intrinsic motivation but rather strengthen feelings of competence and autonomy (Deci & Ryan, 2000).

This study is also in line with Simanjuntak (2019), who found that financial rewards can increase intrinsic motivation through personal satisfaction. Thus, the transparent and performance-based financial compensation system at BRI KC Palangka Raya has been proven to encourage employees' intrinsic motivation to achieve their targets optimally.

The Effect of Non-Financial Compensation on the Intrinsic Motivation of *Frontline* Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya

The fourth hypothesis (H4) in this study is "Non-Financial Compensation Affects the Intrinsic Motivation of *Frontline* Employees." Based on the hypothesis testing results, a *t-statistic* value of $4.388 > 1.96$ and a *p-value* of $0.000 < 0.05$ were obtained, indicating that non-financial compensation has a significant effect on intrinsic motivation. This means that non-material rewards such as trust, recognition, harmonious working relationships, and opportunities for self-development can increase employees' internal work enthusiasm.

This finding supports Herzberg's theory, which states that motivating factors such as achievement, recognition, and job responsibility are the main drivers of intrinsic motivation (Herzberg, 1959). In addition, Suhartini (2020) also found that a conducive work environment and non-material rewards play an important role in fostering pride and responsibility towards work.

Thus, this study confirms that at BRI KC Palangka Raya, non-financial compensation contributes significantly to building intrinsic motivation among employees. Management support for a harmonious work atmosphere and open communication among employees are important factors in maintaining long-term work motivation.

The Effect of Intrinsic Motivation on the Performance of *Frontline* Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya

The fifth hypothesis (H5) in this study is "Intrinsic Motivation Affects the Performance of *Frontline* Employees." Based on the hypothesis testing results, a *t-statistic* value of $3.195 > 1.96$ and a *p-value* of $0.001 < 0.05$ were obtained, which means that intrinsic motivation has a significant effect on employee performance. This means that the higher the intrinsic motivation of employees, the higher their performance level.

Employees who have internal drives such as a sense of responsibility, pride in their work, and personal satisfaction will show high commitment to their tasks. These results are in line with Utami's research, which found that intrinsic motivation has a more dominant influence on performance than extrinsic motivation (Utami & Ramdhani, 2020).

Robbins and Judge also state that intrinsic motivation is a major factor in driving productivity and creativity at work (Robbins & Judge, 2021). Thus, these findings reinforce the view that intrinsic motivation is the bridge between job satisfaction and optimal performance. In the context of BRI KC Palangka Raya, *frontliners* who have a spirit of service and professional responsibility have been proven to deliver consistent and high-quality performance.

The Effect of Financial Compensation on the Performance of Frontline Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya Through Intrinsic Motivation

The sixth hypothesis (H6) in the study, based on the results of hypothesis testing, obtained an indirect effect test result with a *t-statistic* value of $2.010 > 1.96$ and a *p-value* of $0.044 < 0.05$, which means that intrinsic motivation mediates the relationship between financial compensation and employee performance. This implies that financial compensation can enhance performance not only directly but also through increased intrinsic motivation.

This finding is in line with Ghozali's research, which explains that fair compensation can foster enthusiasm and responsibility at work, which ultimately improves performance (Ghozali, 2020). Luthans also adds that effective compensation encourages positive work behavior and commitment to the organization (Luthans, 2018).

Thus, the results of this study confirm that the financial compensation system at BRI KC Palangka Raya has been able to create a balance between external rewards and internal motivation, thereby positively impacting *frontliner* performance.

The Effect of Financial Compensation on the Performance of Frontline Employees at PT. Bank Rakyat Indonesia (Persero) Tbk KC Palangka Raya Through Intrinsic Motivation

The seventh hypothesis (H7) in this study, based on the results of hypothesis testing, found that the *t-statistic* value was $2.582 > 1.96$ and the *p-value* was $0.010 < 0.05$, which means that intrinsic motivation also mediates the relationship between non-financial compensation and employee performance. Thus, non-material rewards such as good working relationships, a sense of appreciation, and career opportunities can foster intrinsic motivation, which in turn leads to improved performance.

This study is consistent with the results of Luthans and Mangkunegara, which show that non-financial factors such as recognition and organizational support contribute to increased intrinsic motivation and work performance (Luthans, 2018; Mangkunegara, 2017).

Thus, these findings prove that organizational success is not only determined by financial incentives but also by non-financial rewards that foster enthusiasm and a sense of belonging to the company. In the BRI KC Palangka Raya environment, this is evident from the harmonious working relationships and supportive environment that create high-quality service for customers.

6. Conclusion

Based on the research results, data analysis using the *Partial Least Square (PLS)* method, and the discussion that has been carried out, it can be concluded that financial compensation has a positive and significant effect on the performance of *frontline* employees. Non-financial compensation also has a positive and significant effect on employee performance. Financial compensation has a positive and significant effect on employees' intrinsic motivation. Non-financial compensation has a positive and significant effect on intrinsic motivation. Intrinsic motivation has a positive and significant effect on employee performance. Intrinsic motivation mediates the relationship between financial compensation and employee performance. Intrinsic motivation also mediates the relationship between non-financial compensation and employee performance. Overall, the results of this study prove that a well-managed combination of financial and non-financial compensation will increase intrinsic motivation and jointly contribute to improving the performance of frontline employees at BRI KC Palangka Raya. An *R-square* value of 68.1% shows that the two factors of compensation and intrinsic motivation are able to explain most of the variation in employee performance.

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