

## ABSTRACT

Rofi'ah Muhimatur, 2012. Thesis. The Effect of Compensation on Employee Performance (A Case Study at PT. Bank Tabungan Negara (Persero), Tbk. Syariah Branch Office of Malang).

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The banking enterprises are required to be precise because it is usual for them in facing the tight deadline in exchange for reliable return. In achieving the target, a productive performance is needed. To keep the employee who has high performance and high retention within company, good compensation must be given directly or indirectly. Indeed, good compensation develops employee's sense of wealthy, thus influencing the work achievement. The objective of research is to understand (a) whether there is simultaneous effect of variables of direct compensation ( $X_1$ ) and indirect compensation ( $X_2$ ) on employee performance ( $Y$ ); (b) whether there is partial effect of variables of direct compensation ( $X_1$ ) and indirect compensation ( $X_2$ ) on employee performance ( $Y$ ); and (c) which variable with the most dominant effect on employee performance.

The researcher uses quantitative method. Population of research is the employee of PT. Bank Tabungan Negara (Persero), Tbk, of Syariah Branch Office of Malang. The main tool of analysis is multiple linear regression. The analysis is also supported with F-test, t-test and classical assumption test. The latter test considers normality, autocorrelation, multicollinearity and heteroscedasticity.

Result of analysis indicates that (a) variables of direct compensation ( $X_1$ ) and indirect compensation ( $X_2$ ) simultaneously influence employee performance by  $F_{\text{count}}$  of 8.871 >  $F_{\text{table}}$  of 3.20 in 5 % rate and R square of 2.66 %; (b) direct compensation ( $X_1$ ) partially does not influence employee performance. It seems that direct compensation is not evenly distributed because it is based on the rank and achievement of employee. The education background does not influence the compensation expected by the employee; (c) the variable with the most dominant effect is variable  $X_2$  with B rate of 0.541.