


The Influence Of Motivation And Compensation On The Performance Of Nongsa Sub-District Employees In Batam City With Loyalty As An Intervening Variable

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Article Info	ABSTRACT
<p>Keywords: Motivation, Compensation, Loyalty, Employee Performance.</p>	<p>This study aims to analyze the effect of motivation and compensation on employee performance in Nongsa Subdistrict, Batam City with loyalty as an intervening variable. and also examine the effect of loyalty on employee performance, as well as the role of loyalty as an intervening variable in the relationship between motivation and performance, as well as between compensation and employee performance. The research method used is quantitative with the number of respondents as many as 111 employees in the Nongsa District. Data analysis was carried out using SEM PLS SmartPLS 4 software. The results of the analysis show that compensation has a significant effect on employee performance and loyalty. Loyalty also has a significant effect on employee performance. Motivation has a significant effect on employee performance and loyalty. In addition, loyalty mediates the effect of motivation on employee performance and the effect of compensation on employee performance. All relationships studied show a significant effect, indicating that both compensation and motivation play an important role in improving employee performance through increased loyalty. The results of this study are expected to provide a comprehensive insight into how motivation and compensation can influence employee performance and loyalty, as well as the importance of loyalty as a mediating factor in these relationships.</p>
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INTRODUCTION

Optimal management of government agencies is vital in the delivery of public services and regional development. In providing high-quality public services, public sector organizations such as sub-districts in local government play an important role (Suhardi, 2016). In order for management activities to run well, organizations must have employees who are knowledgeable and highly skilled and able to manage the organization as optimally as possible so that employee performance increases (Suhardi, 2023).

Improving employee performance is a top priority in public sector human resource management to ensure efficient and effective public services. Nongsa Sub-district as one of

the administrative areas of Batam City plays an important role in governance and public service delivery. Employee motivation and compensation affect their performance. Good employee performance is important as it relates to the achievement of organizational goals and the quality of public services. Good performance is optimal performance, in accordance with organizational standards, and supports the achievement of organizational goals (Suhardi, 2018a). Improving employee performance will bring progress for agencies to survive in the competition of an unstable business environment. Therefore, efforts to improve employee performance are the most serious management challenge because the success of the organization depends on the quality of human resource performance in it. High employee performance is expected by the organization. The more employees who have high performance, the productivity of the organization as a whole will increase (Suhardi, 2018b).

Employee performance is a crucial component in achieving organizational goals, which involves mental attitudes and behaviors to produce high-quality work. In the book *Effective Human Resource Management* (Luh et al., 2014). Yuliani Irma, (2023) Human Resource Management (HRM) is a strategic process that includes planning, organizing, directing, and supervising to achieve optimal organizational and community goals. The goal is to manage the relationship and role of the workforce to be effective and efficient in supporting organizational goals. The effectiveness of HRM also depends on the company's ability to create a harmonious relationship between human resource policies and the overall organizational strategy (Suhardi, 2015).

Previous studies have shown that various factors affect employee performance. Sofyanureza found that work motivation affects employee loyalty which in turn affects their performance (Sofyanureza Muhammad Iqba', 2018). Bergiat Malau and Wasiman (2022) found that compensation and motivation have a significant and positive influence on employee performance. To improve employee performance, companies must ensure proper and timely compensation and provide fair and positive motivation. Thus, employee confidence in the organization will increase, the work atmosphere will be calmer, and employee performance will be better (Malau Bergiat & Wasiman, 2022). Altarom and Yuniawan (2019) also found that compensation and work motivation have a positive impact on employee performance (Al Tarom I R & Yuniawan A, 2019). Witari stated that compensation and motivation together have a positive effect on employee loyalty. (Witari, 2022). Oktaviani and Prasetyo (2020) found that compensation and leadership have a significant effect on employee loyalty and performance. (Oktaviani et al., 2020).. Susiana and Suhardi (2022) found that motivation, communication, and compensation together have a significant effect on employee performance (Susiana & Suhardi, 2022) . Putu et al. (2022) showed that work motivation and loyalty have a significant effect on employee performance (Putu et al., 2022).

This study aims to strengthen the analysis of the influence of motivation and compensation on employee performance and loyalty in Nongsa Sub-district, Batam City. Specifically, this study examines how motivation affects employee performance and loyalty, and the impact of compensation on employee performance and loyalty. In addition, this study also evaluates the effect of loyalty on employee performance. Furthermore, this study

examines the role of loyalty as an intervening variable in the relationship between motivation and performance, as well as between compensation and employee performance. The results of the study are expected to provide insight.

METHODS

This study uses quantitative research methods. According to Sugiyono (2019) quantitative research is a research method based on the philosophy of positivism to examine certain populations or samples, and sampling is done randomly with data collection using instruments, and data analysis is statistical (Husda et al., 2023). The quantitative research paradigm is considered a causal relationship between research variables (Tanjung, 2021).

This study also uses a survey method for data collection in the form of a questionnaire, which is an instrument of written statements that are answered or filled in by respondents in accordance with the instructions for filling it out (Tanjung, 2021). The questionnaire that is distributed later uses the Google Form (GF) distribution media. This study is to determine the effect of Motivation, Compensation and Loyalty on employee performance. The object of this research is all employees of Nongsa District, Batam City, Riau Islands, Indonesia, totaling 111 people.

After the data is collected, the questionnaire will be distributed to respondents and the instrument will be tested for validity and reliability using SEM SmartPLS 4.

Table 1 Operational Variables

No.	Research Variables	Variable Devention	Variable Indicator	Scale
1.	Motivation (X1)	Motivation is the force that drives employees to work harder and get satisfaction in maintaining their loyalty until it stabilizes, then discipline such as reducing poor attendance, creating a better work environment, increasing creativity, and employees who participate in the welfare and increase their responsibilities in addition to carrying out their duties. (Herenzus & Restui, 2018: 15)	According to Mangkunegara (2017: 94), Abraham Maslow's motivation theory divides human needs into five levels , namely: a. Physiological Needs b. Safety and security needs c. Social Needs d. Appreciation Needs e. Self-Actualization Needs	Likert scale
2.	Compensation (X2)	Compensation is the reward given to physical or non-physical employees in return for their work for the company. It is given in return for their contribution to the organization. (Herenzus & Restui, 2018: 14)	a. salary b. wages c. incentive d. Allowances	Likert scale
3.	Loyalty (Z)	Muhyadi (in Mahatir Muhammad, 2023: 31) Loyalty is the ability to cooperate which means being willing to sacrifice personal interests, watching yourself, and wanting to stand out.	a. Staying in the organization b. Willing to work overtime c. Maintain Agency secrets d. Promoting the organization e. Obey the rules f. Sacrifice	Scale Likert
4.	Employee Performance (Y)	According to Kasmir (2016: 182), performance is work that has been done to complete tasks and responsibilities within a certain time.	a. Quality b. Quantity (number) c. Time (time period) d. Cooperation between employees e. Cost reduction f. Surveillance	Scale Likert

Population and Sample

The population selected in this study were all employees in Nongsa Sub-district, Batam City. The population in this study amounted to 111 employees. The sampling technique used in this research is purposive sampling which determines the sample based on certain objectives (Margono, 2021:178). In the purposive sampling technique, there are 2 types of sampling types, namely judgment sampling and quota sampling. The type of purposive sampling used in this study is judgment sampling where the selection of sample members is based on certain criteria set by the researcher.

Data Collection Techniques and Tools

Data collection tools by distributing questionnaires to respondents through online surveys using Google Form. Google Form is considered more efficient and helps researchers reach respondents who are in various locations. Based on certain values or weights, each research participant's response will be given an assessment. This assessment will be arranged based on a hierarchical Likert scale given to the staff of Nongsa Sub-district, Batam City.

RESULTS AND DISCUSSION

Descriptive Analysis

Characteristics of Respondents Based on Gender

Table 2 Characteristics of Respondents Based on Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	87	78.4	78.4	78.4
	Female	24	21.6	21.6	100.0
	Total	111	100.0	100.0	

Characteristics of Respondents Based on Age

Table 3 Characteristics of Respondents Based on Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	14	12.6	12.6	12.6
	31-40	33	29.7	29.7	42.3
	41-50	48	43.2	43.2	85.6
	51+	16	14.4	14.4	100.0
	Total	111	100.0	100.0	

Characteristics of Respondents Based on Employment Status

Table 4 Characteristics of Respondents Based on Employment Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ASN	53	47.7	47.7	47.7
	FIRST AID	2	1.8	1.8	49.5
	Contract Honor Employee	56	50.5	50.5	100.0
	Total	111	100.0	100.0	

Characteristics of Respondents Based on Education

Table 5 Karakteristik Responden Berdasarkan Pendidikan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	8	7.2	7.2	7.2
	JUNIOR HIGH SCHOOL	9	8.1	8.1	15.3
	SENIOR HIGH SCHOOL	53	47.7	47.7	63.1
	S1	34	30.6	30.6	93.7
	S2	7	6.3	6.3	100.0
	Total	111	100.0	100.0	

Descriptive Statistics of Respondents' Answers

Descriptive statistics from the answers of 111 respondents can be explained as follows:

Descriptive Statistical Results of Motivation Variable Questionnaire Answers (X) 1

Table 6 Descriptive Statistics of Motivation Variable Questionnaire Answers (X) 1

No.	Questionnaire Statement	Code	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
1	I earn enough to fulfill my basic needs.	X101	3.829	4.000	1.000	5.000	0.994	0.670	-0.874	0.000
2	My comfortable work environment supports my productivity.	X102	4.072	4.000	1.000	5.000	0.768	1.215	-0.730	0.000
3	The salary I receive motivates me to work with enthusiasm.	X103	4.009	4.000	1.000	5.000	0.875	0.824	-0.754	0.000
4	I feel healthy and fit while working at my current workplace.	X104	3.973	4.000	1.000	5.000	0.832	1.600	-0.899	0.000
5	I feel mentally safe from physical harm at my workplace	X105	4.036	4.000	1.000	5.000	0.805	2.221	-1.013	0.000
6	I have peace of mind because I am guaranteed a job if something happens to me.	X106	4.000	4.000	1.000	5.000	0.870	1.460	-0.999	0.000
7	I feel my agency provides adequate protection from future uncertainties.	X107	3.838	4.000	1.000	5.000	0.926	0.193	-0.568	0.000
8	I feel at peace working in this Agency.	X108	4.081	4.000	1.000	5.000	0.784	2.956	-1.168	0.000
9	I feel accepted as part of my work group.	X109	4.117	4.000	1.000	5.000	0.744	4.395	-1.391	0.000
10	I have ample opportunities for social interaction with my coworkers.	X110	4.243	4.000	1.000	5.000	0.713	5.986	-1.607	0.000
11	I feel satisfied with the relationships I have with my coworkers.	X111	4.162	4.000	1.000	5.000	0.717	5.213	-1.442	0.000
12	I feel there is a sense of family in my workplace.	X112	4.207	4.000	1.000	5.000	0.724	2.686	-1.062	0.000
13	I feel appreciated by my coworkers.	X113	4.072	4.000	1.000	5.000	0.813	1.099	-0.847	0.000
14	I often receive praise for my work achievements.	X114	4.054	4.000	1.000	5.000	0.721	2.092	-0.814	0.000
15	I feel that I was given higher responsibilities in recognition of my contribution.	X115	3.676	4.000	1.000	5.000	0.840	-0.245	0.031	0.000
16	My leaders show confidence in my ability to perform my duties	X116	3.829	4.000	1.000	5.000	0.869	0.493	-0.494	0.000
17	I have the opportunity to use my skills to the fullest at work.	X117	4.045	4.000	1.000	5.000	0.821	1.918	-0.976	0.000
18	I am often involved in challenging projects or activities.	X118	3.739	4.000	1.000	5.000	0.898	0.136	-0.365	0.000
19	I feel that employees who show achievement get promotion opportunities at my workplace.	X119	3.838	4.000	1.000	5.000	0.926	0.193	-0.568	0.000

Source: SmartPLS 4 SEM Output

The survey data shows that employees' perceptions of their work environment are generally positive. The mean and median of almost all statements are around 4.0, indicating favorable perceptions and consistent data distribution. The low standard deviation (less than 1) indicates little variation in respondents' answers, signaling uniformity of perception. Positive excess kurtosis indicates a data distribution that tends to have high peaks and thick tails, while negative skewness indicates that answers tend to be skewed towards positive values. Cramér-von Mises p-values of 0.000 across all statements indicate data distributions that are statistically significantly different from the normal distribution.

Statistical Descriptive Results of Questionnaire Answers Compensation Variables (X) 2

Table 7 Descriptive Statistics of Compensation Variable Questionnaire Answers (X) 2

No.	Questionnaire Statement	Code	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
1	I feel that the salary I receive is in accordance with the efforts I make to achieve the agency's goals.	X201	3.748	4.000	1.000	5.000	0.925	1.275	-0.997	0.000
2	I feel that the process of providing salaries at this agency is transparent.	X202	4.072	4.000	1.000	5.000	0.719	2.689	-0.993	0.000
3	I feel that my salary reflects my performance at work.	X203	3.847	4.000	1.000	5.000	0.892	1.353	-0.925	0.000
4	I feel that the wages I receive are fair based on the number of hours I work.	X204	3.802	4.000	1.000	5.000	0.889	0.624	-0.690	0.000
5	The wages I receive are in accordance with the workload I do	X205	3.775	4.000	1.000	5.000	0.946	1.089	-0.955	0.000
6	The wages I receive give me job satisfaction.	X206	3.865	4.000	1.000	5.000	0.963	0.618	-0.828	0.000
7	I receive financial incentives for the good service I provide.	X207	3.757	4.000	1.000	5.000	1.033	0.362	-0.737	0.000
8	The incentives I receive motivate me to provide better service.	X208	3.883	4.000	1.000	5.000	0.975	0.444	-0.767	0.000
9	The incentives I receive reflect my performance.	X209	3.829	4.000	1.000	5.000	0.919	0.869	-0.780	0.000
10	I receive adequate benefits from the Agency	X210	3.775	4.000	1.000	5.000	1.037	0.128	-0.713	0.000
11	I am satisfied with the insurance benefits provided by Nongsa Sub-district.	X211	3.703	4.000	1.000	5.000	0.886	0.245	-0.398	0.000
12	The benefits provided encourage me to work better.	X212	3.910	4.000	1.000	5.000	0.895	0.957	-0.702	0.000

SmartPLS 4 SEM Output

The survey data on employee perceptions of salaries, incentives and benefits showed generally positive views. Mean scores ranged from 3.7 to 4.1, with the median consistently at 4.0, indicating a moderately positive view of the aspects surveyed. Standard deviations between 0.719 and 1.037 indicate reasonable variation in responses. Some statements, such as pay transparency (X202), have high excess kurtosis, showing higher peaks and thicker tails than a normal distribution. The negative skewness of all statements indicates a positively skewed distribution of responses. The Cramér-von Mises p value of 0.000 on all statements indicates a statistically significant distribution of data different from the normal distribution.

Descriptive Statistical Results of the Loyalty Variable Questionnaire Answers (Z)

Table 8 Descriptive Statistics of Loyalty Variable Questionnaire Answers (Z)

No.	Questionnaire Statement	Code	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
1	I remained loyal to working in Nongsa Sub-district even though the organization was facing problems.	Z01	4.081	4.000	1.000	5.000	0.784	2.956	-1.168	0.000
2	I will continue to support Nongsa Sub-district under any circumstances.	Z02	4.180	4.000	1.000	5.000	0.738	4.569	-1.395	0.000
3	I have a strong sense of responsibility to stay with Nongsa Sub-district.	Z03	4.144	4.000	1.000	5.000	0.746	4.067	-1.301	0.000
4	I feel proud to be part of Nongsa Sub-district, regardless of the situation.	Z04	4.144	4.000	1.000	5.000	0.721	4.936	-1.396	0.000
5	I am willing to work overtime to complete important tasks.	Z05	3.892	4.000	1.000	5.000	0.831	1.266	-0.747	0.000
6	I feel that working overtime is part of my responsibility as an employee of Nongsa Sub-district.	Z06	3.910	4.000	1.000	5.000	0.789	1.697	-0.730	0.000
7	I feel that working overtime is one of the ways I show loyalty to the organization.	Z07	3.973	4.000	1.000	5.000	0.843	1.191	-0.771	0.000
8	I am willing to sacrifice my personal time to complete urgent office tasks.	Z08	3.901	4.000	1.000	5.000	0.838	1.009	-0.648	0.000
9	I feel responsible for maintaining the confidentiality of Nongsa Sub-district's internal information data.	Z09	4.243	4.000	1.000	5.000	0.797	3.183	-1.337	0.000
10	I understand the importance of maintaining confidentiality for the sake of Nongsa Sub-district's reputation.	Z10	4.261	4.000	1.000	5.000	0.768	4.114	-1.458	0.000
11	I feel that keeping information confidential is part of my loyalty to Nongsa Sub-district.	Z11	4.189	4.000	1.000	5.000	0.800	3.172	-1.321	0.000
12	I strive to give a positive image of Nongsa Sub-district in the community.	Z12	4.234	4.000	1.000	5.000	0.747	4.615	-1.468	0.000
13	I feel proud to share positive information about Nongsa Sub-district with others.	Z13	4.225	4.000	1.000	5.000	0.756	4.260	-1.420	0.000
14	I feel that promoting Nongsa Sub-district is part of my responsibility as an employee.	Z14	4.153	4.000	1.000	5.000	0.796	2.685	-1.153	0.000
15	I always comply with the rules that apply in Nongsa Sub-district.	Z15	4.126	4.000	1.000	5.000	0.761	3.487	-1.214	0.000
16	I feel it is important to abide by the organization's policy rules.	Z16	4.144	4.000	1.000	5.000	0.758	3.689	-1.258	0.000
17	I consider it important to adhere to the work schedule set deadlines.	Z17	4.162	4.000	1.000	5.000	0.730	4.738	-1.393	0.000
18	I feel that obeying the rules is a form of my commitment to Nongsa Sub-district.	Z18	4.180	4.000	1.000	5.000	0.725	5.021	-1.441	0.000
19	I am ready to sacrifice additional time to complete the work in Nongsa Sub-district.	Z19	3.955	4.000	1.000	5.000	0.787	1.934	-0.818	0.000
20	I am willing to take on additional tasks if needed to help Nongsa Sub-district achieve their goals.	Z20	3.928	4.000	1.000	5.000	0.802	1.518	-0.717	0.000
21	I feel that personal sacrifice is part of my commitment to Nongsa Sub-district.	Z21	3.919	4.000	1.000	5.000	0.773	2.078	-0.808	0.000
22	I believe that my sacrifice for Nongsa Sub-district will provide long-term benefits for me and the organization.	Z22	3.991	4.000	1.000	5.000	0.777	2.333	-0.919	0.000

Source: SmartPLS 4 SEM Output

The survey data on employee loyalty in Nongsa Sub-district shows that respondents have a very positive view of their loyalty. The mean scores for all statements ranged from 3.748 to 4.261 with the median consistent at 4.0. Standard deviations between 0.721 to 1.037 indicate reasonable variation in responses. High excess kurtosis on some statements, such as supporting Nongsa Sub-district under any conditions (Z02) with a value of 4.569, indicates a distribution of answers concentrated around peaks. Negative skewness on all statements indicates the distribution of answers is skewed towards high values, indicating a positive view. The Cramér-von Mises p value of 0.000 indicates a data distribution that is significantly different from the normal distribution.

Descriptive Statistical Results of Employee Performance Variable Questionnaire Answers (Y)
Table 9 Descriptive Statistics of Employee Performance Variable Questionnaire Answers (Y)

No.	Questionnaire Statement	Code	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
1	The work I do in Nongsa Sub-district always meets the set quality standards.	Y01	3.973	4.000	1.000	5.000	0.765	3.159	-1.179	0.000
2	I consider the quality of my work to be a top priority in carrying out my duties in Nongsa Sub-district.	Y02	4.081	4.000	1.000	5.000	0.737	3.953	-1.226	0.000
3	I always strive to make continuous improvements in the quality of my work in Nongsa Sub-district.	Y03	4.153	4.000	1.000	5.000	0.750	3.987	-1.302	0.000
4	I feel that the quality of my work contributes greatly to the overall success of Nongsa Sub-district.	Y04	4.081	4.000	1.000	5.000	0.761	3.222	-1.134	0.000
5	I consistently produce enough work to meet the targets in Nongsa Sub-district.	Y05	4.009	4.000	1.000	5.000	0.741	3.372	-1.091	0.000
6	I strive to achieve or even exceed the set work quantity target.	Y06	3.919	4.000	1.000	5.000	0.773	2.078	-0.808	0.000
7	I always strive to increase my productivity by producing more in the same amount of time in Nongsa Sub-district.	Y07	4.000	4.000	1.000	5.000	0.771	2.517	-0.956	0.000
8	I feel that achieving or exceeding quantity targets is my responsibility as an employee of Nongsa Sub-district.	Y08	3.964	4.000	1.000	5.000	0.734	3.303	-1.050	0.000
9	I always complete my work on time in accordance with the time limit set in Nongsa Sub-district.	Y09	4.072	4.000	1.000	5.000	0.732	4.520	-1.373	0.000
10	I managed my time well to ensure all tasks were completed on time in Nongsa Sub-district.	Y10	4.063	4.000	1.000	5.000	0.739	3.784	-1.189	0.000
11	I prioritize my work to ensure more important tasks are completed on time in Nongsa Sub-district.	Y11	4.072	4.000	1.000	5.000	0.719	4.502	-1.288	0.000
12	I feel that cooperation with colleagues in Nongsa Sub-district is very important to achieve common goals.	Y12	4.297	4.000	1.000	5.000	0.766	4.407	-1.543	0.000
13	I enjoy working within the team at Nongsa Sub-district and contributing to our mutual success.	Y13	4.207	4.000	1.000	5.000	0.724	5.252	-1.495	0.000
14	I try to build good relationships with colleagues in Nongsa Sub-district to create a harmonious work environment.	Y14	4.225	4.000	1.000	5.000	0.731	5.111	-1.503	0.000
15	I believe that good cooperation with colleagues in Nongsa Sub-district is a key factor in achieving organizational success.	Y15	4.252	4.000	1.000	5.000	0.777	3.789	-1.413	0.000
16	I always consider cost efficiency in every activity or project that I handle in Nongsa Sub-district.	Y16	3.793	4.000	1.000	5.000	0.840	0.769	-0.515	0.000
17	I consider cost management an integral part of my responsibilities as an employee in Nongsa Sub-district.	Y17	3.856	4.000	1.000	5.000	0.781	1.624	-0.660	0.000
18	I understand the importance of limiting expenses to stay within the budget in Nongsa Sub-district.	Y18	3.892	4.000	1.000	5.000	0.798	1.668	-0.771	0.000
19	I believe that good cost management can provide long-term benefits for Nongsa Sub-district.	Y19	4.009	4.000	1.000	5.000	0.777	2.423	-0.951	0.000
20	I feel that the supervision in this workplace helps me to be responsible for my work.	Y20	4.099	4.000	1.000	5.000	0.735	4.141	-1.265	0.000
21	I find supervision helpful in making corrections and improvements if mistakes are made in my work.	Y21	4.054	4.000	1.000	5.000	0.757	3.168	-1.100	0.000
22	This workplace supervision helps in achieving work objectives more effectively.	Y22	4.108	4.000	1.000	5.000	0.752	3.653	-1.215	0.000
23	I feel that supervision improves work efficiency in the workplace environment.	Y23	4.090	4.000	1.000	5.000	0.730	4.253	-1.271	0.000

Source: SmartPLS 4 SEM Output

The data presented are the results of statistical descriptions of the answers to questionnaires measuring various aspects of employee performance in Nongsa Sub-district. Each statement in the questionnaire was rated using a scale from 1 to 5, with mean values between 3.793 and 4.297. The median for all statements was 4, indicating that the middle value of the data distribution tends to be stable. The standard deviation ranged from 0.719 to 0.840, signifying the variation in responses given by respondents to each statement. The skewness of some variables indicates that most of the data tends to be skewed towards high values on the rating scale, while the negative excess kurtosis indicates a flatter distribution of data compared to a normal distribution. The Cramér-von Mises test results showed that the data distribution was statistically significant. Overall, the questionnaire results show that the majority of Nongsa sub-district employees responded positively to aspects of work quality, productivity, time management, cooperation, cost management, and supervision in their work environment.

Hypothesis Test Results
 Convergent Validity Test

Table 10 Outer Loading/Loading Factor Value

VARIABLES	INDICATOR	OUTER LOADING VALUE	DESCRIPTION	VARIABLES	INDICATOR	OUTER LOADING VALUE	DESCRIPTION	VARIABLES	INDICATOR	OUTER LOADING VALUE	DESCRIPTION
MOTIVATION	X102	0.796	Valid	EMPLOYEE PERFORMANCE	Y01	0.843	Valid	LOYALTY	Z01	0.866	Valid
	X104	0.860	Valid		Y02	0.898	Valid		Z02	0.840	Valid
	X105	0.833	Valid		Y03	0.915	Valid		Z03	0.874	Valid
	X106	0.714	Valid		Y04	0.895	Valid		Z04	0.907	Valid
	X108	0.871	Valid		Y05	0.900	Valid		Z05	0.839	Valid
	X109	0.875	Valid		Y06	0.890	Valid		Z06	0.853	Valid
	X110	0.849	Valid		Y07	0.896	Valid		Z07	0.840	Valid
	X111	0.853	Valid		Y08	0.887	Valid		Z08	0.877	Valid
	X112	0.786	Valid		Y09	0.893	Valid		Z09	0.860	Valid
	X113	0.869	Valid		Y10	0.903	Valid		Z10	0.868	Valid
	X114	0.897	Valid		Y11	0.898	Valid		Z11	0.879	Valid
	X115	0.705	Valid		Y12	0.871	Valid		Z12	0.921	Valid
X116	0.753	Valid	Y13	0.911	Valid	Z13	0.889	Valid			
X117	0.858	Valid	Y14	0.908	Valid	Z14	0.867	Valid			
X118	0.759	Valid	Y15	0.902	Valid	Z15	0.864	Valid			
COMPENSATION	X201	0.836	Valid	Y16	0.832	Valid	Z16	0.889	Valid		
	X202	0.766	Valid	Y17	0.859	Valid	Z17	0.907	Valid		
	X203	0.860	Valid	Y18	0.874	Valid	Z18	0.887	Valid		
	X204	0.868	Valid	Y19	0.854	Valid	Z19	0.867	Valid		
	X205	0.850	Valid	Y20	0.903	Valid	Z20	0.868	Valid		
	X206	0.898	Valid	Y21	0.905	Valid	Z21	0.880	Valid		
	X207	0.790	Valid	Y22	0.887	Valid	Z22	0.873	Valid		
	X208	0.787	Valid	Y23	0.883	Valid					
	X209	0.809	Valid								
	X210	0.826	Valid								
	X211	0.836	Valid								
	X212	0.834	Valid								

Source: SmartPLS 4 SEM Output

All indicators on the four variables meet the convergent validity criteria with an outer loading value above 0.7, motivation all indicators are valid (outer loading value: 0.714 - 0.897), compensation all indicators are valid (outer loading value: 0.787 - 0.898), employee performance all indicators are valid (outer loading value: 0.832 - 0.906), loyalty all indicators are valid (outer loading value: 0.840 - 0.921).

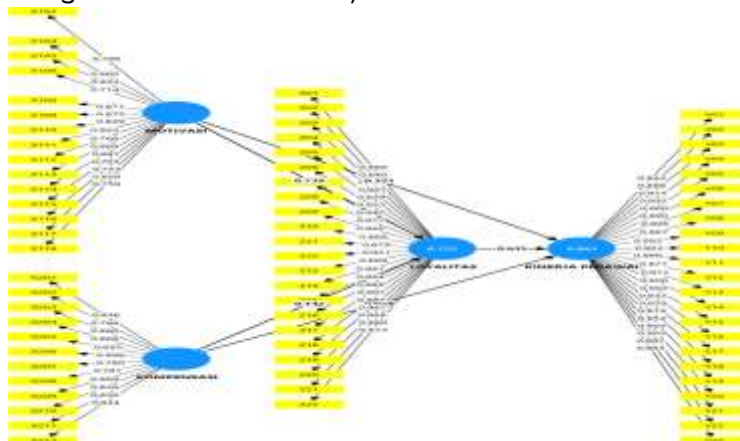


Image 1 Outer Loading and Composite Reliability

Source: SmartPLS 4 SEM Output

Construct validity was evaluated using Average Variance Extracted (AVE). The results show that all constructs in this study have good reliability and validity based on the standards of Hair et al. (2019). High Cronbach's alpha and composite reliability values indicate that the measurement items are consistent in measuring the same construct. The high AVE value also

indicates that most of the variance of the measurement items can be explained by the construct in question, confirming convergent validity.

Table 11 Construct reliability and validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)	Description
EMPLOYEE PERFORMANCE	0,988	0,988	0,988	0,788	Reliable
COMPENSATION	0,959	0,963	0,964	0,692	Reliable
LOYALTY	0,985	0,985	0,986	0,763	Reliable
MOTIVATION	0,965	0,968	0,969	0,674	Reliable

Source: SmartPLS 4 SEM Output

Based on the results of Table 11, it shows good reliability and construct validity. Cronbach's Alpha All values are above 0.7, indicating excellent internal reliability. Employee Performance 0.988, Compensation 0.959, Loyalty 0.985, Motivation 0.965, Composite Reliability (rho_a and rho_c) All values are above 0.7, indicating high internal consistency Employee Performance 0.988, Compensation 0.963 (rho_a), 0.964 (rho_c), Loyalty 0.985 (rho_a), 0.986 (rho_c), Motivation 0.968 (rho_a), 0.969 (rho_c). Average Variance Extracted (AVE) All values are above 0.5, indicating good convergent validity, Employee Performance 0.788, Compensation 0.692, Loyalty 0.763, Motivation 0.674. It can be concluded that all constructs have good reliability and validity, meeting the standards of Hair et al. (2019).

Discriminant Validity

Table 12 Discriminant Validity Fornell-Larcker criterion

	EMPLOYEE PERFORMANCE	COMPENSATION	LOYALTY	MOTIVATION
EMPLOYEE PERFORMANCE	0,887			
COMPENSATION	0,688	0,832		
LOYALTY	0,813	0,691	0,874	
MOTIVATION	0,865	0,744	0,844	0,821

Source: SmartPLS 4 SEM Output

Based on the Fornell-Larcker criteria, discriminant validity is achieved if the Average Variance Extracted (AVE) value for each construct is greater than the squared correlations between that construct and the other constructs. From the data, it was found that Employee Performance has an AVE of 0.788 with a root AVE (0.887), which is greater than the largest squared correlation with other constructs, namely Loyalty ($0.813^2 = 0.661$). Similarly, Compensation has an AVE of 0.692 and AVE root (0.832), which is greater than the largest squared correlation with Motivation ($0.744^2 = 0.554$), and Loyalty has an AVE of 0.763 and

AVE root (0.874), which is greater than the largest squared correlation with Motivation ($0.844^2 = 0.712$). In addition, Motivation had an AVE of 0.674 with an AVE root (0.821), which was greater than the greatest squared correlation with Employee Performance ($0.865^2 = 0.748$). Overall, discriminant validity for all constructs in this model was achieved, indicating that each construct is sufficiently distinct from one another and does not overlap. This indicates that the discriminant validity in the model can be considered good.

Table 13 HTMT Discriminant Criteria

	<i>Heterotrait-monotrait ratio (HTMT)</i>
COMPENSATION <-> EMPLOYEE PERFORMANCE	0,694
LOYALTY <-> EMPLOYEE PERFORMANCE	0,825
LOYALTY <-> COMPENSATION	0,700
MOTIVATION <-> EMPLOYEE PERFORMANCE	0,883
MOTIVATION <-> COMPENSATION	0,763
MOTIVATION <-> LOYALTY	0,861

Source: SmartPLS 4 SEM Output

Based on the HTMT criteria, discriminant validity is achieved if the value is below 0.85 or 0.90. From the data, most of the construct pairs meet this criterion, with values below 0.85, indicating good discriminant validity. Two construct pairs, namely Motivation <-> Employee Performance (0.883) and Motivation <-> Loyalty (0.861), are slightly above 0.85 but still below 0.90, making them acceptable. Overall, the constructs in this model have fairly good discriminant validity.

Formative Measurement Model

Furthermore, the second check is multicollinearity between items whose outer VIF size is less than 5 (five). See the table below.

Table 14 Collinearity statistics (VIF)

	EMPLOYEE PERFORMANCE	COMPENSATION	LOYALTY	MOTIVATION
EMPLOYEE PERFORMANCE				
COMPENSATION	2,310		2,237	
LOYALTY	3,595			
MOTIVATION	4,199		2,237	

Source: SmartPLS 4 SEM Output

Based on the VIF values presented in the table above, it can be concluded that there is no significant collinearity problem between the constructs of EMPLOYEE PERFORMANCE, COMPENSATION, LOYALTY, and MOTIVATION. All VIF values are below the limit of 5, which is an indicator that the constructs have sufficient independence from each other and there is no excessive collinearity in the model. This indicates that the model has good validity and can be interpreted more accurately.

Structural Model (Inner Model)

Path Coefficient of Research Hypothesis

Table 15 Path Coefficient of Research Hypothesis

Hypothesis	Relationship	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values <0,05	Decision
H1	COMPENSATION -> EMPLOYEE PERFORMANCE	0,207	0,209	0,087	2,379	0,017	Significant
H2	COMPENSATION -> LOYALTY	0,442	0,445	0,090	4,892	0,000	Significant
H3	LOYALTY -> EMPLOYEE PERFORMANCE	0,517	0,510	0,098	5,265	0,000	Significant
H4	MOTIVATION -> EMPLOYEE PERFORMANCE	0,238	0,242	0,087	2,724	0,006	Significant
H5	MOTIVATION -> LOYALTY	0,428	0,427	0,098	4,379	0,000	Significant
H6	MOTIVATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,221	0,216	0,061	3,634	0,000	Significant
H7	COMPENSATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,228	0,228	0,067	3,421	0,001	Significant

Source: SmartPLS 4 SEM Output

This study examines the relationship between compensation, loyalty, motivation, and employee performance using in-depth statistical analysis. The results show that compensation is significantly related to employee performance ($T = 2.379$, $p = 0.017$) and loyalty ($T = 4.892$, $p < 0.001$). In addition, loyalty also has a significant relationship with employee performance ($T = 5.265$, $p < 0.001$). Motivation is also proven to significantly influence employee performance ($T = 2.724$, $p = 0.006$) and loyalty ($T = 4.379$, $p < 0.001$). Furthermore, motivation affects loyalty, which in turn affects employee performance ($T = 3.634$, $p < 0.001$). In addition, the combination of compensation, loyalty, and employee performance also showed a significant relationship ($T = 3.421$, $p = 0.001$). Thus, the results of this study support the hypothesis that compensation, loyalty, and motivation sequentially play an important role in improving employee performance in organizations.

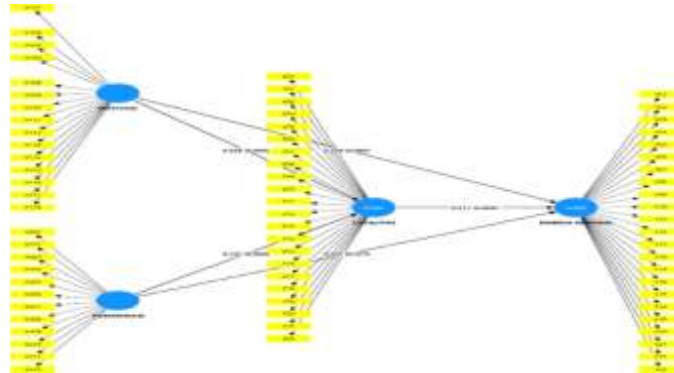


Image 2 Structural Model (Path Coefficient and P value)

Source: SmartPLS 4 SEM Output

Coefficient of Determination (R²)

Table 16 R-Square Value

	R-square	Criteria
EMPLOYEE PERFORMANCE	0,808	Strong
LOYALTY	0,684	Strong

Source: SmartPLS 4 SEM Output

Table 16 shows the R-Square values for the two variables of employee performance and loyalty. The R-Square value of 0.808 for employee performance indicates that the model can explain about 80.8% of the variation in employee performance, indicating a strong level of explanation of the factors that influence performance. Similarly, the R-Square value of 0.684 for loyalty, which indicates that the model can explain about 68.4% of the variation in respondents' loyalty levels, also illustrates a strong explanation of the variability in the factors affecting loyalty. Thus, the results of this study provide strong evidence for the effectiveness of the model-regression in explaining both variables in the context under study.

Effect Size

Effect size is a statistical measure that describes the extent of the difference or relationship between variables in the data analysis. The effect size will give an idea of the extent to which a particular exogenous latent variable has a relative effect on endogenous latent variables (or more than one) through changes in the R value², and if the value of the F2 measure is 0.02, 0.15, or 0.35, respectively, it indicates that the exogenous latent variable has a small, medium, or large effect (Fehan & Aigbogun, 2021;91)

Table 17 F-Square Value of Endogenous Latent Variables

	f-square	Value
COMPENSATION -> EMPLOYEE PERFORMANCE	0,063	great
COMPENSATION -> LOYALTY	0,213	great
LOYALTY -> EMPLOYEE PERFORMANCE	0,439	great
MOTIVATION -> EMPLOYEE PERFORMANCE	0,085	great
MOTIVATION -> LOYALTY	0,200	great

Source: SmartPLS 4 SEM Output

Table 17 shows the F-square value to measure the effect size of endogenous latent variables in the relationship between compensation, loyalty, motivation, and employee performance. This F-square value shows how much influence exogenous variables have on endogenous variables. The results show that compensation has a large influence on employee performance (F-square = 0.063) and loyalty (F-square = 0.213). Loyalty also has a huge influence on employee performance (F-square = 0.439). Motivation, on the other hand, has a large influence on both employee performance (F-square = 0.085) and loyalty (F-square = 0.200). From this data, it can be concluded that all the relationships studied have a large effect, with loyalty on employee performance showing the largest effect. This confirms the importance of improving employee loyalty and motivation as a strategy to improve overall performance.

Predictive Relevance (Q²)

The Q-square value is used to determine whether a model has predictive relevance or not. In this context, the Q-square value is an indication of the predictive relevance of endogenous variables such as employee loyalty and performance. A Q-square value higher than 0.35 indicates that exogenous variables have strong predictive relevance to certain endogenous variables (Rahman et al., 2022:12). A Q-square value above zero indicates that the model is able to reconstruct the data well and has predictive relevance (Anisah et al., 2023:941). Thus, a Q-square value above 0 indicates that the model has predictive relevance. It is important to evaluate the extent to which the model is able to predict the data correctly.

Table 18 Q-Square Value

	Q ² predict	RMSE	MAE
EMPLOYEE PERFORMANCE	0,710	0,549	0,411
LOYALTY	0,667	0,589	0,441

Source: SmartPLS 4 SEM Output

Table 18 shows the Q-Square, RMSE, and MAE values for employee performance and loyalty. The high Q²predict values (0.710 for employee performance and 0.667 for loyalty) indicate that the model has strong predictive ability. The low RMSE and MAE values (0.549 and 0.411 for employee performance; 0.589 and 0.441 for loyalty) indicate low prediction error. Overall, the model is effective in explaining and predicting employee performance and loyalty in Nongsa Sub-district, Batam City.

Model Fit Test (Goodness of Fit of the Model / GoF)

Standardized Root Mean Square Residual (SRMR) is a metric used to assess model fit by comparing the root mean square difference between the correlations observed in the data and the correlations predicted by the model (Hair et al., 2022:323). Generally, SRMR values below 0.10 are considered to indicate a good model fit (Yew et al., 2022:14).

Tabel 19 Hasil Uji Model Fit

	Saturated model <0,10	Estimated model <0,10	Results
SRMR	0,074	0,074	Model Fit

Source: SmartPLS 4 SEM Output

Table 19 displays the results of the model fit test using the Standardized Root Mean Square Residual (SRMR) metric. The SRMR values for the saturated model and the estimated model are both 0.074, which is below the threshold of 0.10. This indicates that the root mean square difference between the observed correlation and the correlation predicted by the model is small. With the SRMR value being below 0.10, it can be concluded that the model used in this study has a good fit, in accordance with the standards set by the literature (Hair et al., 2022; Yew et al., 2022).

Testing the Effect of Mediation

Testing the effect of mediation is done to help identify the mediating role of loyalty in explaining how independent variables, such as motivation and compensation, affect the dependent variable, namely employee performance.

Table 20 Bootstrap Test Results of Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
MOTIVATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,221	0,216	0,061	3,634	0,000
COMPENSATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,228	0,228	0,067	3,421	0,001

Source: SmartPLS 4 SEM Output

Table 20 shows the results of the bootstrap test to see the indirect effect of motivation and compensation on employee performance through loyalty. From the bootstrap test results, it is known that the indirect effect of motivation on employee performance through loyalty has an original sample (O) of 0.221 with a statistical T value of 3.634 and a p-value of 0.000. This shows that the indirect effect is significant at the 0.05 significance level. This means that motivation can improve employee performance indirectly through increased employee loyalty. Furthermore, the indirect effect of compensation on employee performance through loyalty has an original sample (O) of 0.228 with a statistical T-value of 3.421 and a p-value of 0.001. This also shows that the indirect effect is significant at the 0.05 significance level. Thus, compensation provided to employees can improve employee performance indirectly by increasing their loyalty first. Overall, these results show that both motivation and compensation have a significant indirect effect on employee performance through loyalty, which confirms the important role of loyalty as a mediator in this relationship.

Table 21 Confidence Interval of Bootstrap Test Results Indirect Effect

	Original sample (O)	Sample mean (M)	2.5 %	97.5 %
MOTIVATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,221	0,216	0,104	0,342
COMPENSATION -> LOYALTY -> EMPLOYEE PERFORMANCE	0,228	0,228	0,108	0,370

Source: SmartPLS 4 SEM Output

Table 21 displays the confidence intervals from the bootstrap test results to estimate the indirect effects of motivation and compensation on employee performance through loyalty. For the indirect effect of motivation on employee performance through loyalty, the original sample value (O) is 0.221. The confidence interval shows that with a 95% confidence level, this indirect effect ranges from 0.104 to 0.342, with a sample mean (M) of 0.216. This indicates that there is variability in the indirect effect of motivation on employee performance through loyalty, but overall, the effect is positive and significant.

Meanwhile, for the indirect effect of compensation on employee performance through loyalty, the original sample (O) is 0.228. The confidence interval shows that with a 95% confidence level, this indirect effect ranges from 0.108 to 0.370, with a sample mean (M) that is the same as the original value, which is 0.228. This suggests that the indirect effect of compensation on employee performance through loyalty is also statistically significant with a relatively wider variation compared to the indirect effect of motivation. Overall, these confidence intervals provide information about the range of possible values of the indirect effects of motivation and compensation on employee performance through loyalty, which is important for understanding how strong or weak these effects are in the context of the study.

Table 22 Significance Analysis of Direct and Indirect Effects of Motivation and Compensation on Employee Performance

	Direct Effect (p<0.05)	95% Confidence Interval of the Direct Effect	support	Indirect Effect (Loyalty) p<0.05)	95% Confidence Interval of Indirect Effect	Support
Motivation -> Employee Performance	0,017	(0.117-0.384)	support ed	0,000	(0.104-0.342)	Support ed
Compensation -> Employee Performance	0,006	(0.115-0.356)	support ed	0,001	(0.108-0.370)	Support ed

Source: SmartPLS 4 SEM Output

Table 22 presents the results of the significance analysis of the direct and indirect effects of motivation and compensation on employee performance, as well as the 95% confidence interval for each effect. For the direct effect of motivation on employee performance, the p value is 0.017, which indicates that this effect is significant at the 0.05 significance level. The 95% confidence interval for the direct effect of motivation ranges from 0.117 to 0.384, indicating that this effect is positive and significant. In addition, the indirect effect of motivation on employee performance through loyalty is also significant, with a p value of 0.000. The 95% confidence interval for this indirect effect ranges from 0.104 to 0.342, which confirms that loyalty is a strong mediator in the relationship between motivation and employee performance.

Similarly, the direct effect of compensation on employee performance has a p-value of 0.006, which indicates significance at the 0.05 level. The 95% confidence interval for the direct effect of compensation ranges from 0.115 to 0.356, which also indicates a positive and significant effect. The indirect effect of compensation on employee performance through loyalty showed a p value of 0.001, with a 95% confidence interval between 0.108 to 0.370. This indicates that loyalty also acts as a significant mediator in the relationship between compensation and employee performance. Overall, these results indicate that both motivation and compensation have significant direct and indirect effects on employee performance, with loyalty as an important mediator in the relationship. This confirms the importance of strategies that enhance motivation and compensation to improve loyalty and, ultimately, employee performance.

Discussion Results

Effect of Motivation on Employee Performance in Nongsa Sub-district, Batam City

Based on the results of statistical analysis of the effect between motivation and employee performance, it can be concluded that there is a statistically significant relationship between the two variables, indicating that high motivation has a positive impact on employee performance. The results of this study reinforce previous findings which show that work motivation has a significant effect on employee performance (Muhammad Iqbal 'Sofyanureza, 2019: 1; Sammy Firwish & Suhardi, 2020: 275; Ali & Suarni 2021: 10) Overall, this study underscores the importance of efforts to increase motivation in order to improve employee performance in the work environment.

Effect of Motivation on Loyalty in Nongsa Sub-district, Batam City

Based on the results of the statistical analysis of the influence between employee motivation and loyalty, it can be concluded that there is a highly statistically significant relationship between the two variables. Overall, these findings emphasize that efforts to increase employee motivation can significantly increase their loyalty, which in turn can contribute to the long-term stability and performance of the organization. The results of this study reinforce previous findings by Ni Putu Eka Rosi Febby Diana et al., (2022), (Novi DwiAstuti1 & Beta Asteria, 2022:15; Bulang Witari & Heryenzus; 2022:6)

The Effect of Compensation on Employee Performance in Nongsa Subdistrict, Batam City

Based on the results of statistical analysis indicates that increasing compensation tends to contribute positively to improving employee performance in the Nongsa sub-district of Batam City. it is concluded that there is a statistically significant influence between the two variables. The results of this study strengthen previous findings (Lusi Puji Oktaviani & Anton, 2020: 1097; Asniwati, 2021: 1161; Putri Maimunah Selandra & Resista Vikaliana, 2023: 294). . Overall, this study confirms that providing adequate and appropriate compensation can encourage improved employee performance, so it is important for organizations to continue to pay attention to their compensation policies in order to achieve optimal work results.

The Effect of Compensation on Employee Loyalty in Nongsa Subdistrict, Batam City

The results of statistical analysis of the influence between compensation and employee loyalty, it can be concluded that there is a highly statistically significant relationship between the two variables. This conclusion indicates that increasing compensation has great potential to increase the level of employee loyalty to the organization, so that the strategy of increasing compensation can be used as an effort to strengthen employee loyalty in the organizational environment. The findings are in accordance with previous research studies Ni Putu Eka Rosi Febby Diana et al., (2022), (Novi Dwi Astuti1 & Beta Asteria, 2022: 15; Bulang Witari & Heryenzus; 2022: 6).

The Effect of Loyalty on Employee Performance in Nongsa Sub-district, Batam City

Based on statistical analysis of the influence between employee loyalty and their performance, it can be concluded that there is a highly statistically significant relationship between the two variables. These findings corroborate previous research that employee loyalty can lead to improved employee performance Ilham (Rizki Al Tarom & Ahyar Yuniawan, 2019: 12). This conclusion indicates that employees who show a high level of loyalty tend to have better performance. Therefore, it is important for organizations to consider strategies that can increase employee loyalty as part of efforts to improve overall performance within the organization.

The Effect of Motivation on Employee Performance with Loyalty as an Intervening Variable

Based on the results of statistical analysis of the effect between motivation and loyalty, which in turn affects employee performance, it can be concluded that there is a highly statistically significant relationship between this set of variables. Corroborating previous studies (Rizki Al Tarom & Ahyar Yuniawan, 2019: 12), Ni Putu Eka Rosi Febby Diana et al., (2022) this effect shows that high motivation not only contributes directly to employee performance, but also through an intermediary effect through loyalty. That is, when employee motivation is high, they tend to become more loyal to the organization. This strong loyalty then has a positive impact on employee performance, creating a productive and committed work environment. Therefore, organizations can take steps to improve employee motivation as a strategy to not only strengthen loyalty, but also improve overall performance in the long run.

The Effect of Compensation on Employee Performance with Loyalty as an Intervening Variable

Regarding the relationship between compensation and loyalty, which then affects employee performance, it can be concluded that there is a highly statistically significant relationship between this set of variables. Corroborating previous studies (Rizki Al Tarom & Ahyar Yuniawan, 2019: 12). This conclusion shows that adequate compensation has a strong positive impact on employee loyalty to the organization. This high loyalty then has a positive impact on employee performance, creating a productive and committed work environment. Therefore, a strategy to increase compensation appropriately can be an effective way to not only retain but also increase employee loyalty, which in turn will contribute to improving overall organizational performance.

CONCLUSIONS

Based on the results of the study, it is concluded that motivation, compensation, and employee loyalty have a significant influence on their performance in Nongsa Sub-district, Batam City. High motivation contributes directly to improved performance, while adequate compensation also plays an important role in improving employee performance and loyalty. Employee loyalty itself has a significant positive impact on their performance, emphasizing the importance of strategies to maintain loyalty as a key factor in improving overall organizational performance. It is recommended to develop more intensive motivation programs, strengthen fair compensation policies, and improve strategies to strengthen employee loyalty with a holistic approach. Further research with larger samples and in-depth understanding of the psychological factors that influence motivation and loyalty is expected to make a better contribution to understanding the dynamics of employee performance and loyalty.

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