The Effect of Remuneration Policies and Learning Organizations on Employee Satisfaction and Performance in Regional Development Banks of East Java

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Abstract
As a business organization, East Java Regional Development Bank (PT Bank Pembangunan Daerah Jawa Timur Tbk) has a clear landscape in improving its business by emphasizing on the development of its human capital. Therefore, the purpose of this study is to examine how the job satisfaction and performance of banking employees can increase in terms of the role of remuneration policy and learning organization. A total of 202 East Java Regional Development Bank employees who are in the middle managerial position are taken as respondents in this study. This study uses AMOS-based structural equation modeling in analyzing the collected data. The results show that all the effects between the observed variables are accepted. An important finding from this research is that remuneration policy is found to be the most important determinant of satisfaction and performance.

Keywords
Remuneration Policy, Learning Organization, Employee Satisfaction, Employee Performance.

1. INTRODUCTION
The banking industry is a type of financial services industry that has an important role and contribution to economic growth in society (Bhegawati & Utama, 2020). Currently, the banking sector must always be in a 'changing' and 'learning' mode in order to survive and adapt to overcome very challenging market competition. As constant changes in the global economy happened, various industries are struggling and taking more proactive role in developing change management and organizational learning initiatives.

In the banking sector, the emphasis of HRM is on managing employees and maintaining the culture and environment of the organization. The importance of human resource management has multiplied due to the service-oriented nature of the banking industry (Junita et al., 2019). Human resource management is responsible for finding talented and enthusiastic new employees by placing them in the right department and function in the bank (Al-Sayegh et al., 2020). As an industry engaged in financial intermediation for the community, the role of the employees who work in organization is very important. However, the role of human resources is always needed for organizations to achieve strategic advantage and increase competitiveness (Carlson et al., 2006; Coulson-thomas, 2012).
The role of employees in supporting organizational success also applies to the banking industry, with a focus on efforts to build trust for customers as well as stakeholders and shareholders. HRM practices help connect people in the organization and manage people to achieve better performance. In the banking sector which focusing on financial intermediation, the importance of HRM is raising when banks are dealing with financial and economic risks by managing all the challenges within the given timeframe.

Nowadays, many organizations are struggling in order to achieve organizational goals in an environment of high competition and uncertainty for every organization. East Java Regional Development Bank (PT Bank Pembangunan Daerah Jawa Timur Tbk), as one of reputable bank in Indonesia must be able to adapt to any condition that may affect business performance. East Java Regional Development Bank has a vision to become a Regional Champion Bank has changed its vision to become the number one BPD in Indonesia so that it becomes more specific. To achieve this vision, organization focuses on efforts to increase the acceleration of performance growth driven by sustainable transformation so that it remains relevant as an effort to grow above the banking industry average through improving the performance and capabilities of human resources.

Based on effective human resource management, banking organizations need to manage job performance well (Bartel, 2004; Chowdhury, 2013). The importance of job performance in the banking sector is the main point for conceptual review in this study. Previous empirical result have shown that job performance in the banking sector has been widely recognized and tested before (Arif, 2019; Mardiani & Dewi, 2015; Yuniawan et al., 2020), with one of the most important antecedents being job satisfaction (Akbar et al., 2020; Cik et al., 2021; Hira and Waqas, 2012; Lovely et al., 2019; Sopiah, 2013). It has been well argued that greater job satisfaction will lead to greater job performance (Hira & Waqas, 2012; Mishra et al., 2020; Pham, 2016), with various studies have shown about the relationship between satisfaction and performance making it the most stable relationship in a research model.

As a result, an organization’s learning capability considered as one important requirement for increasing organizational competitive advantages (Kiedrowski, 2006). According to Karim & Rahman (2018), three crucial points in organizational learning support an organization’s adaptability: a conducive learning environment, transformational leadership, and appropriate learning processes and practices. The thorough application of organizational learning eventually develops the ability for members of the organization to think dynamically, which will encourage innovation and motivate each individual to support the achievement of goals and business continuity (Anwar & Niode, 2017; Chang and Lee, 2007).

Improving job performance is not always seen as result of satisfied employees. Employee performance can be viewed from other perspective than the theory of job satisfaction or expectations of the factors inherent in one’s work. One of the things that can encourage employee performance is how well the organization applies existing learning to support the job (Garvin et al., 2008). It is widely known that implementing a learning organization in an organization can also support the competitiveness of the organization and business excellence (Senge, 1997). Organizations that implement learning organizations will provide opportunities for their employees to apply continuous learning that can increase satisfaction and encourage performance (Cik et al., 2021; Dekoulou & Trivellas, 2015; Hatane, 2015; Karim and Rahman, 2018). The ability to learn an organization can be source of greater organizational competitive advantages (Kiedrowski, 2006). Thus, as an effort to achieve organizational goals amid conditions of competition and business uncertainty, organizations are able to have the ability to adapt to all changes that can affect the climate and organizational performance.
Various studies on the relationship of remuneration and organizational learning on employee satisfaction in improving job performance both in banking and non-banking industries (Nur Agustiningsih, 2016; Sopiah, 2013; Vosloo et al., 2014). But in contrary, higher remuneration does not always have important effect on job satisfaction and performance among young bankers in Malaysia (Hussain et al., 2014). Furthermore, other research reveals that there is no significant effect of remuneration on employee performance (Mahmud et al., 2018). However, the influence of remuneration policy and learning organizations consisting of process and practice factors still requires proof and becomes an opportunity for further research and understanding.

The problem addressed by this study is the potential for incomplete understanding by scholars, practitioners and organizational leaders of the nature and possible relationship between remuneration policy, organizational learning, employee satisfaction and performance. There are inconsistencies in the previous findings about the relationship between remuneration policy, learning organization and performance irrespective of whether the study pertains to managerial pay. It is believed that new empirical evidence needs to be brought forward in order to provide a better understanding of the issue. The purpose of this study was to perform a quantitative assessment analyzing the relationships among remuneration policy, learning organization, job satisfaction, and job performance in regional development bank employees. Thus, another purpose of this study to determine to what extent, if any, the variables of remuneration policy, learning organization, can predict job satisfaction and performance.

2. LITERATURE REVIEW

The purpose of this section is to provide theoretical and empirical based in building conceptual framework related to this study. The literature review concludes with a theoretical framework and the formulated proposition for this study.

Meanwhile, employee performance in an organization is important to review because it shows the degree to which the achievements of existing individuals can contribute to organizational achievements. Employee performance has a significant impact on organizational management. Employee performance, in general, refers to an employee's contribution and performance concerning the organization's goals (Hatane, 2015; Yuniawan et al., 2020). Studies on the importance of employee performance in the banking sector have been studied previously with an emphasis on how the results can be achieved.

Study on remuneration focused more on managing remuneration for executives in companies, both banking and non-banking companies (Goobey, 2005; McCahery and Renneboog, 2001; Słomka-Golebiowska, 2016), with its remuneration area have mostly focused on executive salaries in nonbank companies. Considering that the executive level should not only be on the board of directors, but also managerial at the middle level, the remuneration should be managed properly. While in the banking sector, there is growing conflicts of interest among stakeholders than in non-banking firms due to issue of debt ratios and asset-liability. This could lead to greater importance concerning the urgency to offer high rewards to directors and executives compared to the non-bank sector.

Previous studies have shown the important points of the existence of a remuneration policy in an organization and how it impacts on employee satisfaction (Jalal and Zaheer, 2017; McCahery and Renneboog, 2001; Sawitri et al., 2018). It is argued that better remuneration policy in banking organization could increase job satisfaction among respondents. It was clear that researchers and practitioners acknowledge that remuneration is important in managing human resources. Remuneration policy acted as a barrier or opportunity for organizations to
perform effectively and efficiently in order to enhance organizational performance and competitiveness.

Organizations that are able to manage employee job satisfaction by paying attention to the factors that influence it will be able to encourage their employees to carry out their duties and contribute more to organizational performance. Employee satisfaction is the level of employee acceptance of the expectations and reality of work (Chang and Lee, 2007; Farooqui and Nagendra, 2014). Various studies on employee satisfaction in the banking industry that have been carried out state that the higher the employee satisfaction, the higher the employee performance in the organization (Hira & Waqas, 2012; Mishra et al., 2020; Pham, 2016).

In addition to remuneration, learning organization is considered as something that can encourage employee satisfaction (Dekoulou and Trivellas, 2015; Hatane, 2015) and performance (Awan & Asghar, 2014; Karim and Rahman, 2018; Pham, 2016). A learning organization is an organization where the people in it continue to develop their capacities with continuous learning through the development of mindsets and so on from all elements of the organization to achieve the goals that have been set (Senge, 2006), where new and expansive thinking patterns are fostered, where collective aspirations are freed, and where each individual is constantly learning to see the whole together. There are three important points in organizational learning that support adaptability, namely a conducive learning environment, transformational leadership, and appropriate learning processes and practices (Karim and Rahman, 2018). The application of organizational learning as a whole ultimately forms dynamic thinking skills for organizational members so that they are able to encourage the creation of innovation and motivate each individual who can support the achievement of goals and business continuity (Chang and Lee, 2007).

If a strong association among the four main factors of remuneration policy, learning organization, job satisfaction and job performance exists in banking organization, such finding could presents an opportunity for managers to create a better environment for employers, employees, and customers. Thus, the explanation above can be further explained according to the conceptual framework developed in this study.

2.1 Hypotheses Development

![Figure 1. Conceptual Framework](image)

Conceptual framework (Figure 1) develops an understanding for the main variables and the relationships between them which is effective for identifying the main findings in the context of
the research problem and also the gaps that need to be filled to address the problems undertaken in this study. Based on the conceptual framework presented above, the following hypotheses can be formulated:

Hypothesis 1: The better remuneration policy and learning organization will make more employees satisfied with their work.

Hypothesis 2: The better remuneration policy and learning organization will make the performance of employees increase in their work.

Hypothesis 3: The more satisfied employees are with their work, the more their performance will increase.

Hypothesis 4: The better remuneration policy and learning organization will make more employees satisfied with their work and then increase their performance.

3. METHODOLOGY

In order to analyze the hypothesized relationships, the study used a cross sectional study with quantitative analysis. Subsequently, primary data concerning the individual perception about company’s remuneration policy, learning organization, employee satisfaction and performance was collected using a electronic survey with a second, larger sample of middle managerial officers or executives in Regional Development Banks of East Java. This job category includes individuals who act as Division Leader, Sub Division Head, Branch Office Head, Sub-Branch Office Leader, and Senior Officer. In the process, 408 people who meet these criteria have been identified as the target sample in this study.

The questionnaire developed in this study uses a Likert scale of 1-5, in which ranging from 1 (disagree) to 5 (strongly agree) items to measure all variables. For each construct, the validity of each respondent’s answers was assessed by examining mean scores, correlations, and reliability. Data collected and analyzed by using structural equation modelling (SEM), that is a a comprehensive statistical approach to test hypotheses about the relationship between observed variables and latent variables. The SEM approach is a more comprehensive and flexible approach to research design and data analysis than any other single statistical model in standard use by management and social scientists.

Therefore, the urgency of this research arises because the potential satisfactory and job performance by officers in banking industry. Based on the conceptual framework and hypotheses proposed in this study, structural equation modeling is used to answer research questions as well as to test each of the proposed hypotheses.

4. RESULT

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Remuneration Policy</td>
<td>3.546</td>
<td>9.073</td>
<td>(.874)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Learning Organization</td>
<td>3.397</td>
<td>8.636</td>
<td>.389**</td>
<td>(.875)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Employee Satisfaction</td>
<td>3.730</td>
<td>16.649</td>
<td>.454**</td>
<td>.396**</td>
<td>(.913)</td>
<td></td>
</tr>
<tr>
<td>4. Employee Performance</td>
<td>4.128</td>
<td>8.401</td>
<td>.373**</td>
<td>.349**</td>
<td>.652**</td>
<td>(.808)</td>
</tr>
</tbody>
</table>
Notes: **p , 0.01; *p , 0.05; Alpha Cronbach for each scale is italicized and shown diagonally.

Table 1 shows the average answers from respondents for each variable observed in this study, as well as the standard deviation value. The average value for the variables found ranged from 3.397 to 4.128. The mean value for remuneration policy is 3.546, which means that there is a tendency for moderate remuneration policy perceived by banking officers. Furthermore, the mean value of learning organization was found 3.397, which means that there is a tendency for learning organization values to be categorized as quite good. Meanwhile, the mean value of employee satisfaction was found to be 3.73, which means that employees perceive satisfaction in their job. While employee performance found to have highest mean value (4.128), which means that banking officers’ performance in their job was good enough. The correlation value between variables can be seen with positive and negative correlation values, ranging from 0.373 to 0.652. Meanwhile, the value of Cronbach's alpha for each variable was found to be above the critical value (greater than 0.60) which ranged from 0.808 to 0.913. These results indicate that all the variables observed in this study have a reliability value that can be confirmed as acceptable.

The result of the goodness of fit test for the overall model are as follows:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Output</th>
<th>Critical Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>148,971</td>
<td>≤ 195,97</td>
<td>Good</td>
</tr>
<tr>
<td>P-Value</td>
<td>0,110</td>
<td>≥ 0,05</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>1,155</td>
<td>≤ 2,00</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0,028</td>
<td>≤ 0,08</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>0,992</td>
<td>≥ 0,95</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>0,924</td>
<td>≥ 0,90</td>
<td>Good</td>
</tr>
</tbody>
</table>

Based on Table 2, it show that the structural model built in this study have been tested and could be used to describe the relationship between the variables observed. The model provides an acceptable level of fit for the data, such as Chi-Square, the root mean square error of approximation (RMSEA), the fit index (GFI) and the adjusted goodness. Model fit is achieved by testing the modification index. The GFI, RMSEA, and Chi-square statistics are the indices commonly used for a measure called the absolute fit measure.

Table 3. Beta Coefficient on The Effect Between Variables

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Beta Coefficient</th>
<th>t-statistic</th>
<th>Sign.</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration Policy → Employee</td>
<td>0,490</td>
<td>6,390</td>
<td>.009</td>
<td>Significant</td>
</tr>
</tbody>
</table>
### Learning Organization → Employee Satisfaction
- \( \beta_1 = 0.310 \)
- \( t = 4.367 \)
- Significance: ***

### Remuneration Policy → Employee Performance
- \( \beta_2 = 0.380 \)
- \( t = 5.212 \)
- Significance: ***

### Learning Organization → Employee Performance
- \( \beta_3 = 0.200 \)
- \( t = 3.123 \)
- Significance: Significance

### Employee Satisfaction → Employee Performance
- \( \beta_4 = 0.320 \)
- \( t = 3.831 \)
- Significance: ***

The table above shows the beta coefficient values for each relationship between the variables observed in this study. The coefficients of the research are shown in the above Table 2. The Beta value of standardised coefficients is considered another most important value in the above critical value.

The effect of remuneration policy on employee satisfaction is significant with a value \( \beta_1 = 0.490 \), with a t-statistic value of 6.390. These results indicate that the better the remuneration policy perceived by employees will be able to encourage greater job satisfaction. The effect of learning organization on employee satisfaction is significant with a value of \( \beta_3 = 0.310 \), with a t-statistic value of 4.367. This finding is in line with previous studies indicating a positive relationship between learning organization and job performance in populations other than bank employees has found. These results indicate that the better the practice of learning organization in the Regional Development Banks of East Java, this will increase employee satisfaction. From the results of the analysis of data, it can be concluded that the first hypothesis in this study can well confirmed. There is a significant and significant effect of remuneration policy and learning organization on employee satisfaction.

The effect of remuneration policy on employee performance was found to be significant with a value of \( \beta_2 = 0.380 \), with a t-statistic value of 5.212. Therefore, it can be deduced that remuneration policy has significant impact on employee performance. This positive relationship has been supported by some studies, although previous findings were inconsistent. These results indicate that the better the practice of remuneration policy in the Regional Development Banks of East Java, this will increase employee performance. The effect of learning organization on employee performance is significant with a beta value of \( \beta_3 = 0.200 \), with a t-statistic value of 3.123. These results indicate that the better the practice of learning organization in the Regional Development Banks of East Java, this will increase employee performance. Based on findings, it can be concluded that the second hypothesis is accepted in this study.

The effect of employee satisfaction on employee performance is significant with a value of \( \beta_4 = 0.320 \), with a t-statistic value of 3.831. These results show that when employees are more satisfied with their work, this will encourage their performance in the Regional Development Banks of East Java. These findings indicate that the third hypothesis in the study can be well confirmed. In a satisfying environment in organization, there were more than expected performance among individuals.

As for the indirect effect value in model, it can be seen that each path between remuneration policy and learning organization on employee satisfaction was found to be significant. Furthermore, the beta coefficient value between employee satisfaction on employee performance was found to be significant. The indirect effect for remuneration policy and learning organization on employee performance through employee satisfaction was found to be significant. So that the fourth hypothesis in this study can be well confirmed.
All of the coefficients of influence on the relationship between variables were found to be significant. This confirms the linearity between the relationships between variables described in the research model.

5. DISCUSSION

![Figure 2. Beta Coefficient](image)

The hypothesized relationships represented in the path model are presented in Table 3 and could be seen in Figure 2. As evidenced from an examination of the path coefficients and their corresponding significance levels, four of the hypotheses proposed in this study is well confirmed.

Research findings reveal that remuneration policy can increase employee satisfaction and performance. This is considered as a form of salary that is in accordance with the workload, employee needs, and is relatively the same as other companies. This form of remuneration is adjusted to the compensation policy that applies in the organization, taking into account that its application must be fair, reasonable, and can be a factor that motivates employees to work optimally. In addition, indirect forms of compensation such as remuneration are believed to increase discipline, commitment, and willingness to learn new things that support the effectiveness of achieving organizational performance. This findings is in line with previous empirical findings which emphasize that remuneration plays an important role in encouraging employee satisfaction (Białas et al., 2015; Jalal & Zaheer, 2017; Nur Agustiningsih, 2016; Sawitri et al., 2018).

For banking industry, learning organization believed to be able in supporting employee satisfaction and performance. The learning organization allows how organizations can apply new approaches to work, offer new products or services, have a clear formal process for creating and evaluating new opinions or ideas. Effectiveness in a learning organization can be seen from how appropriate training is for employees, how training and new forms of training models can be applied to the training. These various kinds of things become the theoretical basis of why it is important to build a learning organization in banking organizations which can further encourage increased employee satisfaction. The findings of this study are in line with some of the results from previous studies (Dirani, 2009; Erdem et al., 2014; Karim & Rahman, 2018) that explain the importance of learning organization in banking industry in increasing job satisfaction.
In banking industry, employee performance can contribute to organizational performance, which includes the quality of work where employees are able to carry out work efficiently, update knowledge about work, and improve job skills. The quantity of work is about employees who are willing to work more than the proper hours, are willing to take work home if it is not finished, and are willing to help other people who need help. The achievement of individual targets includes focusing on work results, taking on more responsibilities and new challenges. Meanwhile, employee satisfaction was found to be one of the most important things observed in the study. This is based on research findings which reveal that employee satisfaction can mediate the relationship between remuneration policy and organizational learning on employee performance. Employee satisfaction is important for the growth of any organization. Employee performance and motivation influences the specific employees’ job satisfaction. From the research findings, it can be revealed that remuneration policy is an important matter to be managed (designed, determined, implemented and evaluated) in Regional Development Banks of East Java. Better remuneration policy proven to increase employee satisfaction, and henceforth can improve employee performance.

Fortunately, the results of this study will provide valuable information to the top managers and leaders in and encourage positive changes within Regional Development Banks of East Java. Top managers and leaders should prioritize how to increase employee work-related performance, especially by focusing on employee remuneration plans and build a better learning organization practice.

As a result, the growing body of knowledge is focused on developing insights into the fundamental impact of remuneration policies in the reward systems developed by banking organizations for employees. In this context, remuneration policy and learning organization are enforced as independent variables as determinants of perceived job satisfaction and performance displayed by employees working at the Bank. The systematic differences in how remuneration policies can be offered in different forms of cultural settings are reflected by how employees can provide intrinsic tips. For example, learning organizations that have collectivist characteristics have a significant focus on equality principles or have a high preference for them, whereas individualists focus on equality principles.

6. CONCLUSION

This study investigates the impact of the remuneration policy and learning organization on the level of satisfaction and performance among middle managerial officers in Regional Development Banks of East Java. Both remuneration policy and learning organization could affect employee satisfaction and performance. An important finding of this study is the role of remuneration policy in the banking industry, which is very important to increase both employee satisfaction and performance.

Remuneration policy can increase employee satisfaction and performance. This is considered as a form of salary that is in accordance with the workload, employee needs, and is relatively the same as other companies. Employee performance can contribute to organizational performance, which includes the quality of work where employees are able to carry out work efficiently.

Examining the results of this study is vital because if supervisors and administrators will understand better about the relationship between remuneration policy, learning organization and employee satisfaction, they could potentially know how it affects their employee performance. The overall results of this study show a need for attention in understanding the Regional Development Banks’s supervisor’s and administrator’s thoughts and feelings in this area.
There is a time situation where competition in the banking world is getting tighter, and there is also an increase in financial services outside the banking world, it is advisable to carry out regular evaluations by paying attention to the implementation of remuneration policy, especially for managerial officers who are well competent and qualified. This study was limited to bank employees in the Regional Development Banks of East Java. Assessment of the constructs in this study were limited to the self-reported responses by the sample.

REFERENCE


