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The Effect of Compensation and Work Environment on Employee Performance at PT Adira Finance Palopo Branch

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Abstract: This study aims to investigate how compensation and work environment conditions affect employee performance at PT Adira Finance, Palopo Branch. Using quantitative methods, data were obtained through a well-designed questionnaire. The study population was 50 employees at the branch. By applying the Slovin formula and random sampling techniques, we selected 50 respondents for analysis. Data management was carried out using SPSS version 25 software, which included partial checks through t-tests. The main findings indicate that compensation and work environment have a positive impact on employee performance. This study also enriches the literature with empirical evidence on the influence of these two factors on employee performance at PT Adira Finance, Palopo Branch, while providing valuable insights for company leaders to improve how to manage human resources more effectively.

Introduction

In a company, human resources are the greatest treasure and the main key to surviving in today's business competition. Every business, especially those engaged in financial services such as PT Adira Finance, relies heavily on employee performance as the core to achieve maximum productivity and maintain long-term competitive advantage (Kartika & Khadapi, 2023). Great and productive human resources help companies achieve strategic targets in an efficient and targeted manner. Therefore, understanding the factors that influence employee performance, such as compensation and working conditions, is crucial for improving human resource management.

Compensation is a form of appreciation from the Company to employees in return for their contributions, whether in the form of money such as salary, bonuses, or incentives, or non-money such as facilities and moral recognition (Sari, 2023) . Research has shown that appropriate and fair compensation not only increases job satisfaction but also directly raises employee motivation and enthusiasm, which ultimately has a positive

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impact on their performance (Sebastian & Andani, 2020) . In short, providing the right compensation can build employee loyalty and dedication to work harder, so that the Company can benefit greatly from increased productivity.

Besides compensation, the work environment also plays a vital role in shaping employee performance. This environment encompasses physical aspects such as equipment and room layout, as well as non-physical aspects such as work atmosphere, interactions with colleagues, and a supportive leadership style (Sebastian & Andani, 2020) . A supportive and pleasant atmosphere can make employees more comfortable and efficient, ultimately resulting in optimal work output. Even if compensation is adequate, these non-economic factors remain important because they can strengthen employee motivation and bond with the company.

Besides compensation, the work environment is also a crucial element influencing employee performance. This includes physical aspects such as equipment and room setup, as well as non-physical aspects such as atmosphere, interactions between colleagues, and a supportive leadership style (Sebastian & Andani, 2020) . A supportive and pleasant atmosphere can make employees feel more at home and productive, ultimately resulting in maximum work output. Even if compensation is adequate, these non-monetary factors remain vital because they can increase employee motivation and a sense of commitment to the company (Rahayu et al., 2024) .

Previous studies have shown a positive and meaningful relationship between compensation, work environment, and employee performance across various organizational settings. For example, research (Wonda et al., 2022) at the Karubaga Branch of Bank Papua found that both factors had a positive impact. However, these findings cannot be directly applied to all branches or companies due to differences in their characteristics and work cultures. PT Adira Finance's Palopo Branch, with its unique social and cultural context, has not been frequently the focus of academic study. This presents a valuable opportunity for more contextual and relevant research.

Conducting a comprehensive study at the branch or work unit level is crucial, as local dynamics such as corporate culture, management practices, and socioeconomic factors can influence the effectiveness of compensation policies and working conditions (Wonda et al., 2022) . Therefore, specific research on PT Adira Finance's Palopo branch is urgently needed to fill the existing knowledge gap and provide more appropriate advice to leaders. This research is expected to significantly assist in developing human resources at the company's operational level.

This study aims to explore in-depth how compensation and the work environment affect employee performance at PT Adira Finance's Palopo branch. It not only examines the impact of each factor individually but also analyzes their combined influence to provide a more comprehensive picture of what influences employee performance at the branch. These findings can help the company develop more accurate HR management strategies tailored to employee needs.

Furthermore, this research is expected to bring practical benefits to PT Adira Finance's Palopo Branch, particularly in efforts to increase motivation and performance through effective compensation arrangements and continuous improvement of working conditions. The strategies resulting from this research are crucial for boosting productivity and strengthening the company's competitive position in the increasingly exciting and challenging financing industry.

From an academic perspective, this research makes a significant contribution to enriching the literature on human resource management, particularly in financing companies in Indonesia. It not only adds insight into the link between compensation, working conditions, and performance, but also provides a solid empirical foundation for further studies focusing on local contexts with specific business characteristics. Therefore, this research is expected to serve as a useful and credible scientific reference for future HR researchers and practitioners.

Compensation

Compensation is an external factor that significantly influences employee performance. According to (Arufurahman et al., 2021) , compensation encompasses not only salary but also various rewards provided by the company based on employee contributions. Fair and appropriate compensation increases employee motivation, loyalty, and job satisfaction. Research (Sari, 2023) shows a positive relationship between compensation and performance, where employees who feel financially valued tend to perform better to achieve company targets.

However, several studies have found that compensation is not the only factor that can improve performance. (Wonda et al., 2022) revealed that although compensation significantly influences performance, its effect can weaken if not accompanied by a favorable work environment. This indicates that compensation plays a significant role, but it must be combined with other factors for maximum impact. Based on previous research, it is suspected that there is a significant influence between compensation and employee performance at PT Adira Finance, Palopo Branch.

Work environment

The work environment plays a crucial role in shaping employee behavior and productivity as they carry out their responsibilities. (Saharuddin et al., 2019) explain that the work environment involves various physical and non-physical aspects that can influence employees, such as room layout, equipment, lighting, and social dynamics in the workplace. Research conducted by (Collins et al., 2021) revealed that pleasant working conditions can increase employee motivation, enthusiasm, and ability to complete tasks effectively. This finding aligns with the results of a study by (Ni Made Ari Kusuma Dewi et al., 2024) , which confirmed that a supportive work environment has a significant influence on improving employee performance.

However, research findings are not consistent across studies. (Aulliya, 2022) explains that the work environment does not always have a significant impact on performance, as its effects can be influenced by other factors such as job satisfaction or leadership style. This indicates variation in the findings, necessitating further verification in various settings, such as at PT Adira Finance, Palopo Branch. Therefore, we suspect that the work environment has a significant influence on employee performance at this company.

Employee performance

Employee performance is an individual's achievement, both in terms of quality and quantity, as assessed by individual performance. According to (Haedar et al., 2016), performance is influenced by the employee's abilities, motivation, and opportunities to perform their work. Research (Arista & Nurlaila, 2022) shows that both individual characteristics and external factors, such as the work environment, influence performance.

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This means that performance is determined not only by personal factors but also by company policies and conditions that support employee productivity.

Research (Riza & Fazri, 2023) found that compensation and the work environment simultaneously significantly influence employee performance. This finding suggests that to improve performance, companies must focus more than just one factor; they must also address welfare aspects through compensation and create a conducive work environment. Based on previous research, it is suspected that the combination of compensation and the work environment positively contributes to improving employee performance at PT Adira Finance, Palopo Branch.

Research Method

Method study This was held at PT Adira Finance Palopo Branch , located at Jl. Andi Kambo , District East Wara , with use approach quantitative through method descriptive causal for analyze influence compensation (X1) and environment work (X2) against performance employees (Y). Population study covers all 50 employees active , and because the amount relatively small so used saturated sampling technique (total sampling), so that all over population made into sample . A total of 50 questionnaires distributed and all return in condition complete For processed . The data used consists of from the primary data obtained through distribution questionnaires and secondary data sources from document companies , literature , journals scientific , as well as study previous . Instrument study in the form of questionnaire with five- level Likert scale (1 = very much agree up to 5 = strongly agree) which is distributed online through WhatsApp application and filled in based on perception respondents related variables research . Data analysis was carried out in a way quantitative using SPSS version 25 with validity test stages (Pearson Product Moment), reliability test (Cronbach's Alpha ≥ 0.60), normality test , and analysis multiple linear regression with the equation model Y = a + b1X1 + b2X2 + e, where Y is performance employee , a is constants , b1 and b2 are coefficient regression , X1 is compensation , X2 is environment work , and e is error.

Results and Discussion

Validity Test

The description of the validity results for each variable indicator used in this study is shown in the following table:

Table 1. Validity Test

Variables	Instrument	R Count	R table	Information
Compensation (X1)	Statement X1.1	0.576	0.284	Valid
	Statement X1.2	0.554	0.284	Valid
	Statement X1.3	0.595	0.5	Valid
	statement X1.4	0.284	0.284	Valid
	Statement X1.5	0.448	0.284	Valid
	Statement X1.6	0.452	0.284	Valid
	Statement X1.7	0.66	0.284	Valid
	Statement X1.8	0.637	0.284	Valid
Work Environment (X2)	Statement X2.1	0.627	0.284	Valid
	Statement X2.2	0.608	0.284	Valid
	Statement X2.3	0.591	0.284	Valid

	Statement X2.4	0.374	0.284	Valid
	Statement X2.5	0.551	0.284	Valid
	Statement X2.6	0.647	0.284	Valid
	Statement X2.7	0.521	0.284	Valid
	Statement X2.8	0.658	0.284	Valid
Employee Performance (Y)	Statement Y1	0.666	0.284	Valid
	Statement Y2	0.453	0.284	Valid
	Statement Y3	0.537	0.284	Valid
	Statement Y4	0.699	0.284	Valid
	Statement Y5	0.662	0.284	Valid
	Statement Y6	0.571	0.284	Valid

Source: SPSS Data Processing Results (2025)

Based on the results of the validity test in the previous table, it is known that all statement items in the Compensation (X1), Work Environment (X2), and Employee Performance (Y) has a calculated r value that is greater than the table r (0.284).

Reliability Test

After the data has passed the validity test, the next step is to conduct a reliability test to assess the consistency of each statement in the questionnaire. A questionnaire is considered reliable if its statements demonstrate stability or consistency. Data are considered reliable if the Cronbach's Alpha value exceeds 0.60. A summary of the reliability test results for the research variables can be seen in the table below:

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Reliability limits Information	
Compensation	0.676	0.60	Reliable
Work environment	0.701	0.60	Reliable
Employee performance	0.641	0.60	Reliable

Source: SPSS Data Processing Results (2025)

Based on the reliability test results presented in the table above, it can be seen that all variables have Cronbach's Alpha values that exceed the minimum reliability limit of 0.60. The Cronbach's Alpha values for each variable, namely 0.676, 0.701, and 0.641, indicate that all variables in this study are classified as reliable.

Multiple Linear Regression Analysis Test

The results of the multiple linear regression analysis test on the variables used in this study can be seen in the following table:

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Table 3. Regression Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,372	2,424		2,216	0.032
	Compensation (X1)	0.270	0.090	0.374	2,985	0.004
	Work Environment (X2)	0.309	0.086	0.447	3,567	0.001

a. Dependent Variable: Employee Performance

SPSS Data Processing Results (2025).

Based on table 3. Regression Test Results, it can be seen that the constant value (α) is 5.372, Compensation is 0.270 and Work Environment is 0.270. of 0.309.
So that the multiple linear regression equation can be obtained as follows:

$$Y = 5.372 + 0.270\ X_1 + 0.309\ X_2$$

Which can be interpreted as:

1. A constant value of 5.372 indicates that employee performance remains at that figure even though compensation and the work environment do not change.
2. The compensation variable has a positive and significant effect on employee performance (β = 0.270; Sig. = 0.004). This means that the higher the compensation, the higher the employee performance.
3. The work environment variable also has a positive and significant effect on employee performance (β = 0.309; Sig. = 0.001). The better and more comfortable the work environment, the higher the resulting performance.

Persian test (T test)

Based on table 4. Results of the Perential Test (T).

H_1: Does compensation have a significant effect on employee performance?
Test Results: Compensation (X_1) has a t-value The calculated t-value is 2.985, which is greater than the t-table of 2.011, with a significance level of 0.004 < 0.05.

H_2: Does the work environment have a significant effect on employee performance?
Test Results **:** The work environment variable (X_2) has a calculated t value = 3.567 > t table = 2.011 with a significance value (Sig.) **=** 0.001 < 0.05. Based on these results, it can be concluded that H_2 is accepted, which means that the work environment has a positive and significant effect on employee performance.

Table 4. Test (t)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,372	2,424		2,216	0.032
	Compensation (X1)	0.270	0.090	0.374	2,985	0.004
	Work Environment (X2)	0.309	0.086	0.447	3,567	0.001

a. Dependent Variable: Employee Performance

Source: SPSS Data Processing Results (2025)

Discussion

Influence Compensation on Employee Performance

Research result show that compensation own significant influence to performance employees at PT Adira Finance Palopo Branch . This proven with mark coefficient of 0.270 and the value significance < 0.05, which indicates existence influence positive and significant . Findings This indicates that the more Good system compensation given to employees , then the more the resulting performance is also high . Impact This seen from increasing motivation work , responsibility answer , and productivity employee in operate his/her task . Research results This in line with Lestari's findings (2022) in his research entitled " The Influence Compensation on Employee Performance in Private Companies in Indonesia", which proves that compensation own influence significant to improvement performance employees . Research the show that fair and reasonable compensation capable increase satisfaction work that ultimately impact on increasing performance employee .

Influence Environment Work on Employee Performance

Research result show that environment Work own significant influence to performance employees at PT Adira Finance Palopo Branch . This proven with mark coefficient of 0.309 and the value significance < 0.05, which indicates existence influence positive and significant . Findings This indicates that environment comfortable , safe and conducive work can increase performance employees . Impact This reflected from increasing Spirit work , comfort in work , and effectiveness in finish assignment . Research results This in line with study Goddess (2023) in his study entitled " The Influence Environment Work on Employee Performance in the Service Sector ", which shows that environment Work own influence positive and significant to performance employees . Research the explain that environment good job will create atmosphere supportive work , so that employee can Work optimally and achieve better performance tall .

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Conclusion

Companies are advised to continuously improve their compensation systems to be fair, transparent, and commensurate with employees' responsibilities and work results, as this can boost their motivation, satisfaction, and loyalty to the company. Furthermore, companies need to pay attention to creating a safe, comfortable, and supportive work environment, both in terms of physical aspects such as facilities and cleanliness, and social aspects such as communication and cooperation between employees. With adequate compensation and a conducive work environment, it is hoped that employees will work more productively, enthusiastically, and contribute optimally to achieving company goals.

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