

# THE EFFECT OF COMPENSATION AND WORK DISCIPLINE ON WORK PRODUCTIVITY: THE MEDIATING ROLE OF EMPLOYEE PERFORMANCE AT PT BANK ACEH SYARIAH MAIN BRANCH OFFICE, BANDA ACEH

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## Abstract

This study examines the effects of compensation and work discipline on work productivity through employee performance at PT Bank Aceh Syariah Main Branch Office, Banda Aceh. Using a quantitative survey approach, data were collected from 153 permanent employees selected from a population of 251 employees. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings indicate that compensation and work discipline have positive and significant effects on both employee performance and work productivity. Employee performance also positively influences work productivity and partially mediates the relationships between compensation, work discipline, and work productivity. Work discipline emerged as the strongest predictor of employee performance, while employee performance was identified as the most influential determinant of work productivity. These findings highlight the importance of strengthening compensation systems and promoting work discipline to enhance employee performance and sustain organizational productivity in the Islamic banking sector.

**Keywords:** Compensation; Work Discipline; Employee Performance; Work Productivity; Islamic Banking; PLS-SEM.

## Introduction

Human resources are a vital asset that significantly influences organizational effectiveness, particularly in the banking industry, where employee performance and productivity are closely associated with service excellence, operational efficiency, and competitive advantage. Within the Islamic banking sector, maintaining high levels of employee productivity is essential for achieving organizational goals and sustaining customer confidence. Consequently, identifying the determinants of employee productivity has become an important concern for banking institutions. Among the various factors affecting productivity, compensation and work discipline are frequently highlighted as key drivers. Compensation encompasses both financial and non-financial rewards provided to employees in return for their contributions. An equitable and competitive compensation system can foster employee motivation, commitment, and performance, thereby enhancing productivity. In contrast, work discipline refers to employees' adherence to organizational regulations, attendance standards, and established procedures. Employees who demonstrate strong discipline are generally more capable of performing their responsibilities effectively and achieving organizational objectives.

The significance of compensation and work discipline has been widely acknowledged in both theoretical and practical contexts. Evidence from the Indonesian Financial Services Authority (OJK) suggests that performance-based compensation systems can strengthen employee motivation and improve organizational outcomes. Similarly, studies within the banking sector have reported that institutions implementing effective compensation practices and disciplinary measures tend to achieve higher levels of employee productivity. PT Bank Aceh Syariah Main Branch Office, Banda Aceh, has introduced various compensation and disciplinary policies aimed at enhancing employee welfare and organizational performance. Although preliminary observations indicate that compensation, work discipline, employee

performance, and productivity are generally satisfactory, several challenges remain. Employees continue to express concerns regarding compensation fairness, performance-based incentives, and consistency in work outcomes. Moreover, despite a gradual decline in absenteeism and tardiness rates during the 2023–2025 period, these indicators still highlight opportunities for further improvement in discipline and productivity. Previous research has consistently demonstrated the positive effects of compensation and work discipline on employee performance and productivity. Wulandari and Cahyono (2021) reported that compensation improves employee performance through job satisfaction. Likewise, Saputra et al. (2022) found that compensation and work discipline significantly influence employee performance, while Hidayat et al. (2023) confirmed their positive contribution to employee productivity in Islamic banking institutions. In addition, Nurjanah et al. (2024) revealed that employee-related factors may serve as mediating variables linking compensation and work discipline to organizational outcomes. Despite these contributions, several gaps remain in the existing literature. Most prior studies have concentrated on the direct effects of compensation and work discipline on employee performance or productivity. Research investigating employee performance as a mediating mechanism between compensation, work discipline, and productivity remains limited. Furthermore, empirical evidence from regional Islamic banking institutions, particularly PT Bank Aceh Syariah, is still relatively scarce. To address these gaps, this study investigates the influence of compensation and work discipline on work productivity through employee performance as a mediating variable at PT Bank Aceh Syariah Main Branch Office, Banda Aceh. By examining these relationships, the study extends the human resource management literature and provides empirical evidence regarding the mediating role of employee performance within the Islamic banking context. The findings are expected to contribute both theoretically and practically by offering insights and recommendations for improving employee productivity and organizational performance.

## **Review Of Literature**

### **2.1 Theoretical Foundation**

Human resource management (HRM) is recognized as a strategic organizational function that contributes to the achievement of competitive advantage through the effective utilization and development of human capital. Dessler (2021) defines HRM as a set of activities involving recruitment, training, compensation, performance evaluation, and employee development designed to enhance organizational effectiveness. In the banking industry, where service quality and operational excellence are highly dependent on employee capabilities, human resources represent a critical asset for organizational success. This study is supported by three interrelated theoretical perspectives. The first is Total Reward Theory, which emphasizes that employee attitudes and behaviors are influenced by a combination of financial and non-financial rewards. Armstrong and Taylor (2020) contend that comprehensive compensation systems, including salaries, incentives, benefits, recognition, and career advancement opportunities, can strengthen employee motivation, commitment, and performance. As a result, employees who perceive rewards as equitable and beneficial are more likely to exhibit higher levels of productivity.

The second perspective is Reinforcement Theory, developed by Skinner (1953), which explains that behavior can be shaped through the application of rewards and sanctions. Positive reinforcement encourages the repetition of desired behaviors, whereas corrective measures help reduce undesirable actions. In organizational contexts, reinforcement mechanisms play an important role in fostering work discipline, promoting adherence to organizational regulations, and improving employee performance. The third perspective is Expectancy Theory, proposed by Vroom (1964), which suggests that employee motivation is determined by the belief that effort will lead to desirable performance outcomes and valued rewards. The theory emphasizes the linkage between effort, performance, and rewards. Employees who perceive compensation systems as fair, achievable, and rewarding are more likely to invest greater effort, resulting in improved performance and productivity. Taken together, these theoretical perspectives provide a comprehensive foundation for explaining how compensation and work discipline affect work productivity, both directly and indirectly through employee performance as a mediating variable.

### **2.2 Compensation, Work Discipline, Employee Performance, and Work Productivity**

Compensation encompasses all financial and non-financial benefits provided by organizations as recognition for employees' contributions and services (Dessler, 2021). Beyond fulfilling employees' economic expectations, compensation functions as a strategic mechanism for enhancing motivation, commitment, and work performance. Armstrong and Taylor (2020) argue that equitable and competitive compensation systems can positively influence employee satisfaction and organizational commitment, ultimately leading to improved productivity. In the banking

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industry, where employee performance has a direct impact on service quality and customer satisfaction, compensation plays a crucial role in supporting organizational effectiveness and productivity. Work discipline refers to employees' adherence to organizational regulations, procedures, and established standards (Hasibuan, 2021). A disciplined workforce contributes to greater organizational efficiency through punctuality, regular attendance, accountability, and compliance with operational requirements. Within banking institutions, work discipline is particularly important because banking activities demand accuracy, consistency, and strict compliance with regulations. Employees who maintain high levels of discipline are generally better positioned to perform their duties effectively and contribute to organizational success. Employee performance describes the degree to which employees accomplish assigned responsibilities and organizational objectives. Mangkunegara (2020) suggests that employee performance can be assessed through several dimensions, including work quality, work quantity, timeliness, effectiveness, responsibility, and teamwork. Employees who demonstrate strong performance are more capable of achieving expected outcomes and strengthening organizational competitiveness.

Work productivity refers to the ability of employees to utilize available resources efficiently and effectively to generate optimal outputs (Schermerhorn, 2021). As a key indicator of organizational success, productivity reflects both the effectiveness of resource utilization and the achievement of organizational goals. Previous studies have consistently identified compensation, work discipline, and employee performance as significant factors influencing productivity levels (Mathis & Jackson, 2022). In the Islamic banking sector, enhancing employee productivity is essential for ensuring service excellence, maintaining customer trust, and supporting long-term organizational sustainability. Therefore, examining how compensation and work discipline affect productivity, both directly and through employee performance, is highly relevant from both theoretical and managerial perspectives.

**2.3 Previous Studies and Research Gap**

A growing body of literature has examined the links between compensation, work discipline, employee performance, and work productivity. Overall, prior studies suggest that compensation and work discipline contribute positively to employee performance and productivity. However, variations in organizational contexts, analytical techniques, and the inclusion of mediating variables indicate that further empirical research is still warranted.

**Table 1. Summary of Previous Studies**

Authors	Variables	Method	Findings
Wulandari & Cahyono (2021)	Compensation, Job Satisfaction, Performance	Path Analysis	Compensation positively affects employee performance through job satisfaction
Saputra et al. (2022)	Compensation, Work Discipline, Performance	Multiple Regression	Compensation and work discipline positively affect employee performance
Hisnidah & Solekah (2023)	Compensation, Work Discipline, Performance	Multiple Regression	Compensation and work discipline significantly improve employee performance
Hidayat et al. (2023)	Compensation, Work Discipline, Productivity	Multiple Regression	Compensation and work discipline positively influence work productivity
Nurjanah et al. (2024)	Compensation, Discipline, Motivation, Performance	PLS-SEM	Work motivation mediates the effects of compensation and discipline on performance
Fauzi et al. (2025)	Compensation, Productivity	Regression	Compensation significantly affects productivity

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Azizah et al. (2025)	Compensation, Discipline, Productivity	Multiple Regression	Compensation and discipline improve productivity
Hamdani et al. (2025)	Discipline, Motivation, Performance	Multiple Regression	Work discipline significantly improves employee performance

significant factors influencing employee performance and work productivity. Despite these contributions, several gaps remain in the existing literature. First, prior research has predominantly emphasized the direct effects of compensation, work discipline, performance, and productivity. Second, limited attention has been given to the mediating role of employee performance in explaining how compensation and work discipline affect productivity. Third, empirical studies focusing on regional Islamic banking institutions remain relatively limited, particularly within the context of Indonesian Islamic banks. To fill these gaps, the present study investigates employee performance as a mediating variable in the relationship between compensation, work discipline, and work productivity at PT Bank Aceh Syariah Main Branch Office, Banda Aceh. By examining these relationships, the study aims to provide additional empirical evidence and contribute to a deeper understanding of employee productivity within the Islamic banking sector.

**Table 2. Research Gap and Positioning of the Study**

Previous Research Focus	Limitation	Current Study Contribution
Compensation → Performance	Limited productivity analysis	Incorporates productivity as the final outcome variable
Work Discipline → Performance	Focus on direct relationships	Examines both direct and indirect effects
Compensation and Discipline → Productivity	Limited mediation testing	Uses employee performance as a mediating variable
Studies in commercial banks and private firms	Limited evidence from regional Islamic banking	Focuses on PT Bank Aceh Syariah
Conventional statistical approaches	Limited examination of structural relationships	Employs PLS-SEM for comprehensive analysis

The originality of this study lies in its exploration of employee performance as a mediating mechanism through which compensation and work discipline influence work productivity in the context of regional Islamic banking. This study contributes to the human resource management literature by extending prior empirical findings and offering a more comprehensive understanding of the relationships among compensation, work discipline, employee performance, and productivity.

**Research Methods**

**3.1 Research Design**

The present study employed a quantitative approach with a descriptive and causal explanatory design to examine the relationships among compensation, work discipline, employee performance, and work productivity. Quantitative data were gathered through a structured questionnaire and analyzed to test the proposed relationships among the study variables. The research was conducted at PT Bank Aceh Syariah Main Branch Office, Banda Aceh, Indonesia.

**3.2 Population and Sample**

The population included all permanent employees of PT Bank Aceh Syariah Main Branch Office, Banda Aceh, amounting to 251 employees. Following the Slovin formula with a 5% margin of error, a minimum sample size of 154 respondents was established. Data collection was conducted using a structured online questionnaire distributed through Google Forms. Of the responses received, 153 were deemed valid and subsequently analyzed, accounting for 99.35% of the required sample size. A convenience sampling approach was employed, allowing respondents to be selected based on their accessibility and willingness to participate.

**3.3 Data Collection**

This study employed both primary and secondary data sources. Primary data were gathered through structured questionnaires administered to permanent employees of the organization. Secondary data were obtained from company records, academic books, scholarly articles, and other relevant sources addressing compensation, work discipline, employee performance, and work productivity. The research instrument comprised 27 measurement items, which were evaluated using a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). This scale was used to capture respondents’ perceptions of the variables examined in the study.

**3.4 Measurement of Variables**

The study includes four latent variables: compensation, work discipline, employee performance, and work productivity. Measurement items were adapted from established theories and previous studies to ensure construct validity and reliability. All indicators were measured using a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). Compensation was assessed through indicators of fairness, adequacy, payment timeliness, responsibility alignment, incentives, and benefits. Work discipline was measured using attendance, punctuality, compliance with procedures, responsibility, effective use of working hours, and adherence to organizational regulations. Employee performance was evaluated through quantity, quality, timeliness, effectiveness, service orientation, integrity, commitment, consistency, teamwork, and initiative. Work productivity was measured based on efficiency, output achievement, target attainment, time utilization, and work quality. The operational definitions and measurement indicators are summarized in Table 3.

**Table 3. Operational Definition of Variables**

Variable	Indicators	Source
Compensation	Fairness, adequacy, payment timeliness, responsibility alignment, incentives, and benefits	Dessler (2021)
Work Discipline	Attendance, punctuality, compliance with SOPs, responsibility, effective use of working hours, and adherence to organizational rules	Hasibuan (2021)
Employee Performance	Quantity, quality, timeliness, effectiveness, service orientation, integrity, commitment, consistency, teamwork, and initiative	Robbins and Judge (2022)
Work Productivity	Work efficiency, output achievement, target accomplishment, time utilization, and quality of work	Sinungan (2019)

**Source:** Adapted from Dessler (2021), Hasibuan (2021), Robbins and Judge (2022), and Sinungan (2019).

**Table 4. Measurement Items by Construct**

Construct	Code	Number of Items
Compensation	X1	6
Work Discipline	X2	6
Employee Performance	Z	10
Work Productivity	Y	5
<b>Total</b>		<b>27</b>

**Source:** Research instrument developed by the authors (2026).

**3.5 Data Analysis Technique**

The data were analyzed using IBM SPSS Statistics and SmartPLS 4 software. Descriptive statistical analysis was first conducted to summarize respondent characteristics and provide an overview of the study variables. Hypothesis testing was then performed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The measurement model was evaluated by examining convergent validity, discriminant validity, and construct reliability to ensure the adequacy of the measurement instruments. Subsequently, the structural model was assessed through the coefficient of

determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance ( $Q^2$ ). The significance of the hypothesized relationships was tested using the bootstrapping procedure.

## Results and Discussion

### 4.1 Respondent Profile

The study involved 153 permanent employees of PT Bank Aceh Syariah Main Branch Office, Banda Aceh. The majority of respondents were male (58.8%) and married (87.6%). Most participants were between 40 and 49 years old (43.1%), followed by those aged 30–39 years (31.4%), indicating a predominantly productive workforce. In terms of education, 64.1% held a bachelor’s degree and 18.3% possessed postgraduate qualifications. More than half of the respondents (58.2%) had over 11 years of work experience, while 60.8% were employed in operational divisions and 39.2% in business and financing divisions. These characteristics indicate that the respondents had adequate professional experience and organizational knowledge to provide reliable information for the study.

### 4.2 Descriptive Statistics

Descriptive statistics were used to evaluate respondents’ perceptions of the study variables, as presented in Table 2. Compensation recorded a mean score of 4.18, indicating a positive assessment. Meanwhile, work discipline (4.45), employee performance (4.43), and work productivity (4.36) exhibited very high mean scores. These results suggest that employees perceive the compensation system favorably and demonstrate strong levels of discipline, performance, and productivity. Overall, the findings reflect a supportive organizational environment that may contribute to improved employee effectiveness and organizational performance.

### 4.3 Measurement Model Assessment

The measurement model was evaluated through tests of convergent validity, reliability, and discriminant validity. Convergent validity was assessed using outer loading values, all of which exceeded the recommended threshold of 0.70, ranging from 0.779 to 0.873. These results indicate satisfactory indicator reliability and support the inclusion of all measurement items in the analysis. Detailed outer loading values are reported in Appendix A.

Reliability was assessed using Cronbach’s Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), with the results summarized in Table 5.

**Table 5. Reliability and Convergent Validity**

Construct	Cronbach’s Alpha	Composite Reliability	AVE
Compensation (X1)	0.905	0.927	0.667
Work Discipline (X2)	0.916	0.935	0.706
Employee Performance (Z)	0.952	0.959	0.700
Work Productivity (Y)	0.895	0.923	0.706

Source: SmartPLS 4 Output (2026).

As reported in Table 3, all constructs exhibited Cronbach’s Alpha and Composite Reliability values above the recommended threshold of 0.70, while the Average Variance Extracted (AVE) values exceeded the minimum criterion of 0.50. These results demonstrate adequate internal consistency reliability and provide evidence of convergent validity for all constructs included in the measurement model. To further assess construct validity, discriminant validity was examined using the Fornell–Larcker Criterion and the Heterotrait–Monotrait Ratio (HTMT). The corresponding results are presented in Tables 6 and 7.

**Table 6. Fornell-Larcker Criterion**

Variable	X1	X2	Z	Y
Compensation (X1)	0.817			
Work Discipline (X2)	0.621	0.840		
Employee Performance (Z)	0.704	0.791	0.837	
Work Productivity (Y)	0.697	0.768	0.846	0.840

Source: SmartPLS 4 Output (2026).

**Table 7. Heterotrait-Monotrait Ratio (HTMT)**

Variable	X1	X2	Z	Y
Compensation (X1)	–			
Work Discipline (X2)	0.721	–		
Employee Performance (Z)	0.798	0.851	–	
Work Productivity (Y)	0.784	0.859	0.891	–

Source: SmartPLS 4 Output (2026).

As reported in Tables 6 and 7, all constructs satisfied the established discriminant validity criteria. Specifically, the square roots of AVE were higher than the corresponding inter-construct correlations, while HTMT values remained below the recommended cut-off value of 0.90. These results verify that each construct captures a unique concept and is empirically distinct from the others.

#### 4.4 Structural Model Assessment

The structural model was examined through several key assessment criteria, including the coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance ( $Q^2$ ). These measures were used to evaluate the model's explanatory power and predictive capability. The results are presented in Table 8.

**Table 8. Coefficient of Determination ( $R^2$ )**

Endogenous Variable	$R^2$
Employee Performance (Z)	0.648
Work Productivity (Y)	0.771

Source: SmartPLS 4 Output (2026).

As reported in Table 8, the coefficient of determination ( $R^2$ ) for employee performance is 0.648, indicating that compensation and work discipline explain 64.8% of its variance. Similarly, the  $R^2$  value for work productivity is 0.771, suggesting that compensation, work discipline, and employee performance collectively account for 77.1% of the variance in productivity. These findings indicate that the proposed model possesses moderate explanatory power for employee performance and substantial explanatory power for work productivity.

**Table 9. Effect Size ( $f^2$ )**

Relationship	$f^2$	Category
Compensation → Employee Performance	0.284	Moderate
Work Discipline → Employee Performance	0.417	Large
Compensation → Work Productivity	0.136	Small
Work Discipline → Work Productivity	0.228	Moderate
Employee Performance → Work Productivity	0.463	Large

Source: SmartPLS 4 Output (2026).

The effect size analysis reported in Table 9 reveals that work discipline has a strong influence on employee performance ( $f^2 = 0.417$ ), exceeding the effect of compensation, which is classified as moderate ( $f^2 = 0.284$ ). In the case

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of work productivity, employee performance exhibits the largest effect size ( $f^2 = 0.463$ ), indicating its dominant role in explaining productivity, followed by work discipline ( $f^2 = 0.228$ ) and compensation ( $f^2 = 0.136$ ).

**Table 10. Predictive Relevance ( $Q^2$ )**

Model	$Q^2$
Structural Model	0.919

Source: SmartPLS 4 Output (2026).

The predictive relevance evaluation produced a  $Q^2$  value of 0.919, well above the benchmark value of zero. This result indicates that the structural model exhibits strong predictive accuracy and possesses substantial capability to explain and predict the relationships among compensation, work discipline, employee performance, and work productivity.

**4.5 Hypothesis Testing**

The significance of the proposed relationships was assessed using the bootstrapping method in SmartPLS 4. The results of the direct and indirect effect analyses are provided in Tables 11 and 12.

**Table 11. Direct Effects**

Hypothesis	Relationship	$\beta$	t-value	p-value	Decision
H1	Compensation → Employee Performance	0.314	4.061	0.000	Supported
H2	Work Discipline → Employee Performance	0.563	7.059	0.000	Supported
H3	Compensation → Work Productivity	0.228	2.533	0.012	Supported
H4	Work Discipline → Work Productivity	0.341	3.122	0.002	Supported
H5	Employee Performance → Work Productivity	0.412	4.004	0.000	Supported

Source: SmartPLS 4 Output (2026).

The bootstrapping results indicate that compensation and work discipline significantly and positively affect employee performance and work productivity. Moreover, employee performance exerts a positive and significant influence on work productivity. These findings confirm the validity of all proposed direct-effect hypotheses and support the theoretical relationships specified in the research model.

**Table 12. Indirect Effects**

Hypothesis	Indirect Relationship	B	t-value	p-value	Decision
H6	Compensation → Employee Performance → Work Productivity	0.129	2.742	0.006	Supported
H7	Work Discipline → Employee Performance → Work Productivity	0.232	3.920	0.000	Supported

Source: SmartPLS 4 Output (2026).

The predictive relevance evaluation produced a  $Q^2$  value of 0.919, well above the benchmark value of zero. This result indicates that the structural model exhibits strong predictive accuracy and possesses substantial capability to explain and predict the relationships among compensation, work discipline, employee performance, and work productivity.

## **Discussion**

### **4.6.1 The Effect of Compensation on Employee Performance**

The positive and significant relationship between compensation and employee performance indicates that employees are more likely to achieve higher levels of performance when they perceive compensation as fair, adequate, and aligned with their contributions. This finding lends support to Total Reward Theory, which posits that financial and non-financial rewards can stimulate employee motivation and improve performance outcomes. It also aligns with Expectancy Theory, suggesting that employees are motivated to exert greater effort when they believe that superior performance will be rewarded appropriately. The finding is consistent with previous empirical evidence highlighting the importance of compensation in shaping employee performance. Consequently, compensation should be considered a strategic human resource management practice that not only enhances employee effectiveness but also contributes to the achievement of broader organizational goals.

### **4.6.2 The Effect of Work Discipline on Employee Performance**

The finding that work discipline has the strongest influence on employee performance underscores the critical role of behavioral compliance in achieving organizational objectives. Employees who consistently adhere to organizational regulations, maintain punctuality, and follow established procedures are more likely to perform effectively and produce consistent work outcomes. This suggests that disciplined work behavior serves as a key driver of employee effectiveness. The result is consistent with Reinforcement Theory, which argues that positive workplace behaviors can be reinforced through clear standards, supervision, and organizational control mechanisms. In the context of Islamic banking, where operational accuracy, regulatory compliance, and service quality are essential, fostering a strong culture of discipline can significantly enhance employee performance and support sustainable organizational success.

### **4.6.3 The Effect of Compensation and Work Discipline on Work Productivity**

The positive effects of compensation and work discipline on work productivity indicate that both organizational rewards and employee behavioral compliance are important drivers of productive work outcomes. Employees who receive adequate compensation and consistently adhere to organizational procedures are more likely to utilize their skills and resources effectively, resulting in higher productivity levels. These findings suggest that productivity is influenced not only by the incentives provided by the organization but also by employees' commitment to maintaining disciplined work behavior. Interestingly, work discipline was found to exert a stronger influence on productivity than compensation. This result implies that behavioral factors, such as punctuality, procedural compliance, and responsibility, play a more dominant role in determining employee productivity within the banking sector. Given the highly regulated nature of banking operations, disciplined behavior appears to be a critical prerequisite for achieving sustainable productivity and organizational effectiveness.

### **4.6.4 The Effect of Employee Performance on Work Productivity**

The finding that employee performance exerts the strongest influence on work productivity highlights the pivotal role of employee effectiveness in achieving organizational outcomes. Employees who consistently meet performance targets, maintain high-quality work standards, and perform their responsibilities efficiently are more likely to contribute to higher levels of productivity. This result suggests that productivity is fundamentally dependent on employees' capacity to translate their skills, knowledge, and efforts into tangible work outcomes. The finding is consistent with the performance management literature, which emphasizes that sustainable organizational productivity is driven by employees who consistently deliver superior performance and support the achievement of organizational objectives. From a managerial perspective, these results imply that improving employee performance through appropriate human resource practices should be prioritized as a key strategy for enhancing productivity and overall organizational success.

### **4.6.5 The Mediating Role of Employee Performance**

The mediation analysis confirms that employee performance serves as a significant partial mediator in the relationships between compensation, work discipline, and work productivity. This finding indicates that compensation and work discipline affect productivity not only through direct mechanisms but also indirectly by enhancing employees' performance levels. In other words, improvements in compensation and disciplinary practices can increase productivity by encouraging employees to perform more effectively. Moreover, the stronger mediating effect observed in the work

discipline–productivity relationship suggests that discipline influences productivity primarily through its ability to improve employee performance. Employees who consistently comply with organizational standards, procedures, and work expectations are more likely to achieve superior performance outcomes, which subsequently translate into higher productivity. Therefore, organizations seeking to enhance productivity should adopt a comprehensive human resource strategy that integrates fair compensation systems, effective disciplinary practices, and continuous performance improvement initiatives.

#### **4.7 Research Implications and Limitations**

The findings of this study generate both theoretical and practical implications. Theoretically, the results support the underlying assumptions of Total Reward Theory, Expectancy Theory, and Reinforcement Theory, confirming that compensation and work discipline are important determinants of employee performance and productivity. The study further enriches the human resource management literature by providing evidence of the mediating role of employee performance in explaining productivity outcomes. From a managerial perspective, the findings suggest that PT Bank Aceh Syariah should prioritize performance-oriented compensation practices, reinforce workplace discipline, and invest in employee development programs to achieve sustainable productivity improvements. Several limitations should be acknowledged. First, the study was conducted within a single organizational setting, which may affect the generalizability of the findings. Second, the model examined only four variables and did not consider other factors that may influence productivity, such as leadership style, organizational culture, work environment, and job satisfaction. Third, the cross-sectional design limits causal interpretation over time. Future research should consider broader organizational contexts, additional explanatory variables, and longitudinal designs to strengthen the robustness and applicability of the findings.

#### **Conclusion**

The findings of this study demonstrate that compensation and work discipline are important determinants of employee performance and work productivity at PT Bank Aceh Syariah Main Branch Office, Banda Aceh. Employee performance not only exerts a significant positive effect on productivity but also serves as a partial mediating mechanism through which compensation and work discipline influence productivity. Furthermore, work discipline emerged as the most influential factor affecting employee performance, while employee performance was identified as the strongest predictor of work productivity. These results emphasize the importance of adopting an integrated human resource management approach that combines fair compensation practices, effective disciplinary mechanisms, and continuous performance improvement initiatives. Future research should consider broader samples, additional organizational factors, and diverse research settings to provide more comprehensive insights and enhance the external validity of the findings.

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**Appendix A. Outer Loading Results**

**Table A1. Outer Loading Values of Measurement Indicators**

Construct	Indicator	Outer Loading
Compensation	X1.1	0,812
Compensation	X1.2	0,845
Compensation	X1.3	0,801
Compensation	X1.4	0,779
Compensation	X1.5	0,836
Compensation	X1.6	0,808
Work Discipline	X2.1	0,847
Work Discipline	X2.2	0,859
Work Discipline	X2.3	0,822
Work Discipline	X2.4	0,873
Work Discipline	X2.5	0,811
Work Discipline	X2.6	0,842

**THE EFFECT OF COMPENSATION AND WORK DISCIPLINE ON WORK PRODUCTIVITY: THE MEDIATING ROLE OF EMPLOYEE PERFORMANCE AT PT BANK ACEH SYARIAH MAIN BRANCH OFFICE, BANDA ACEH**

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Employee Performance	Z1	0,853
Employee Performance	Z2	0,817
Employee Performance	Z3	0,841
Employee Performance	Z4	0,829
Employee Performance	Z5	0,856
Employee Performance	Z6	0,873
Employee Performance	Z7	0,861
Employee Performance	Z8	0,847
Employee Performance	Z9	0,824
Employee Performance	Z10	0,809
Work Productivity	Y1	0,821
Work Productivity	Y2	0,847
Work Productivity	Y3	0,835
Work Productivity	Y4	0,812
Work Productivity	Y5	0,868

Source: SmartPLS 4 Output (2026).