



THE EFFECT OF COMPENSATION MANAGEMENT TRANSPARENCY AND FINANCIAL SATISFACTION ON EMPLOYEE PERFORMANCE IN THE ERA OF INCREASING COST OF LIVING

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ABSTRACT

This study aims to analyze the effect of compensation management transparency and financial satisfaction on employee performance in the era of rising living costs. The research was conducted at CV Cipta Putra Service, which employs 61 respondents selected using a saturated sampling method. The study adopts a quantitative approach with data collected through questionnaires and analyzed using SPSS version 27 through multiple linear regression analysis. The results indicate that compensation management transparency has a positive and significant effect on employee performance. This finding implies that the more transparent the company is in managing salary, bonuses, and allowances, the higher the employees' motivation and performance levels. In contrast, financial satisfaction shows a significant but negative effect on employee performance, suggesting that focusing solely on financial rewards may reduce long-term motivation if not balanced with non-financial factors such as career development and recognition. Furthermore, both variables simultaneously have a significant influence on employee performance. These findings highlight the importance of transparent compensation policies and balanced financial and non-financial rewards in maintaining employee performance amid economic challenges. The study is expected to contribute to the development of human resource management, particularly in the field of compensation management and employee performance improvement during periods of economic instability.

Keywords: Compensation Management Transparency, Financial Satisfaction, Employee Performance, Cost of Living, Human Resource Management

A. INTRODUCTION

Human Resources (HR) are the most valuable strategic asset in any organization, as they play a key role in achieving company goals. Effective Human Resource Management (HRM) focuses not only on recruitment and development but also on managing a fair and transparent compensation system to maintain optimal employee performance. Employee performance is the quality and quantity of work achieved by an employee in carrying out their duties in accordance with their assigned responsibilities. This strategic asset is crucial for the company's sustainability and success in achieving its vision, mission, and primary goal of achieving sustainable profits.

The rising cost of living, which began in 2022, has created a complex social phenomenon, with people's purchasing power declining due to inflation and rising prices of basic necessities. This phenomenon not only impacts employees' personal lives but also challenges organizations in maintaining employee satisfaction and performance. The continuously rising cost of living in recent years has significantly impacted the lives of workers in Indonesia. Year-on-year inflation reached 5.28 percent in January 2023, then declined to 2.61 percent in December 2023, before rising again to 2.75 percent in February 2024 and 3.05 percent in March 2024. Rising fuel prices are a major factor driving the rising cost of living. The government announced a price increase for non-subsidized fuel starting November 1, 2024, to adjust to production costs, which has a direct impact on the transportation and distribution sectors. Following the announcement of the fuel price increase, prices for several staple foods also increased, although the Ministry of Trade claimed the price increase would be modest and would not exceed 30 percent.

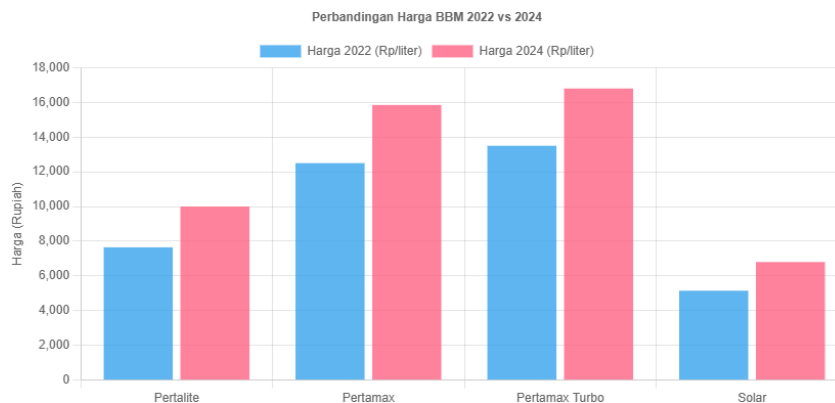


Figure 1.1 Fuel Price Increase 2022-2024

The cumulative impact of inflation and rising living costs has shifted consumption patterns and expenditure allocations among Indonesian working households. Statistics Indonesia (BPS) data shows that retail prices of basic commodities and the wholesale price index experienced significant fluctuations throughout 2023-2024 (BPS, 2024; BPS, 2025), forcing workers to allocate a larger portion of their income to basic needs such as food, transportation, and housing. This situation creates ongoing financial pressure, limiting the ability to save and invest long-term (Effendi et al., 2023; Hartha & Badera, 2015).

B. RESEARCH METHOD

This study employs a quantitative approach with an associative method to analyze the effect of compensation management transparency and financial satisfaction on employee performance in the era of rising living costs. The research was conducted at CV Cipta Putra Service, located in Tabanan, Bali, which was chosen as the research site due to its relevance as a medium-scale service company experiencing the economic impacts of inflation and cost-of-living increases. The population of this study consists of all 61 employees of CV Cipta Putra Service, including staff from various divisions such as marketing, production, administration, finance, HR, and technical operations. The sampling technique used in this study is saturated sampling, in which all members of the population are included as research respondents, considering the relatively small number of employees who meet the criteria of having worked for at least one year and receiving compensation from the company. The study utilizes primary data collected through structured questionnaires and secondary data obtained from academic journals, books, and official company documents. The questionnaire was designed using a Likert scale with five response levels to measure employee perceptions of compensation transparency, financial satisfaction, and performance. Data analysis was carried out using SPSS version 27, employing several stages of analysis including descriptive statistical analysis, validity and reliability testing, multiple linear regression analysis, and classical assumption testing (normality, multicollinearity, and heteroscedasticity tests). Hypothesis testing was performed using t-tests (partial) and F-tests (simultaneous) to determine the significance of the relationships among variables, while the coefficient of determination (R^2) was used to measure how much the independent variables could explain variations in employee performance. This methodological framework aims to ensure that the findings are statistically reliable and capable

of providing empirical evidence regarding how transparency in compensation management and employees' financial satisfaction contribute to enhancing employee performance amid the increasing cost of living.

C. RESULTS AND DISCUSSION

Data Analysis

This study involved 61 respondents who are employees of CV Cipta Putra Service, located in Bongan, Tabanan, Bali. The study used a quantitative approach with data collected through questionnaires and analyzed using SPSS version 27. The research examined the effects of compensation management transparency (X_1) and financial satisfaction (X_2) on employee performance (Y) in the era of rising living costs.

Respondent Characteristics

The majority of respondents were male (39 respondents, 63.9%), while female respondents totaled 22 (36.1%). All respondents were within the 41-50 age range, representing 100% of the sample.

Analysis Results Instrument Testing

a. Validity Test:

The validity All questionnaire items showed a correlation coefficient (r-count) greater than r-table (0.2480) with significance < 0.05 , indicating that all items were valid.

b. Reliability Test:

Reliability testing Cronbach's Alpha values for all variables exceeded 0.600 (Transparency = 0.732; Financial Satisfaction = 0.669; Employee Performance = 0.691), confirming that all instruments were reliable.

Descriptive Statistics

The results of the descriptive analysis show that the average scores for all variables fall into the "good" category, indicating that respondents gave positive assessments of co-branding, brand image, social media marketing, and purchase intention.

- 1) Purchase Intention: Mean = 2.98; highest-rated statement: "I am interested in seeking more information about this product" (Mean = 3.13); lowest-rated: "This product is my main choice compared to similar products" (Mean = 2.82).
- 2) Co-Branding: Mean = 2.98; highest-rated statement: "Promotional information about Le Minerale and the Indonesian National Team is easy to find" (Mean = 3.10); lowest-rated: "Le Minerale with the Indonesian National Team is more appealing than other mineral water brands" (Mean = 2.88).
- 3) Brand Image: Mean = 3.04; highest-rated statement: "I believe that purchasing Le Minerale with the Indonesian National Team will not disadvantage me" (Mean = 3.16); lowest-rated: "The product meets my expectations in terms of quality" (Mean = 2.86).
- 4) Social Media Marketing: Mean = 3.06; highest-rated statement: "Le Minerale presents content relevant to my preferences on social media" (Mean = 3.15); lowest-rated: "I see many people talking about Le Minerale with the Indonesian National Team on social media" (Mean = 2.98).

Classical Assumption Test

- a. Normality: The Kolmogorov-Smirnov test produced a significance value of $0.200 > 0.05$, meaning the data were normally distributed.

Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the effect of compensation management transparency and financial satisfaction on employee performance in the era of rising living costs. Based on the data processing results, the multiple linear regression equation is obtained as follows:

$$Y = 7.021 + 0.363X_1 + 0.319X_2 + e$$

- a. Constant (α) = 7.021 employee performance value when X_1 and $X_2 = 0$.
- b. Co-branding coefficient ($\beta_1 = 0.363$) a one-unit increase in compensation management transparency increases performance by 0.363.
- c. Brand image coefficient ($\beta_2 = 0.319$) a one-unit increase in financial satisfaction decreases performance by 0.319 (unexpected negative effect).

t-Test Results

The t-test was used to examine the partial effect of each independent variable on the dependent variable. Based on the data analysis results, the partial t-test results can be seen in Table 1 below.

Table 1. t-Test Results

Model	B	Standard Error	Beta	Sig.
Constant	7.021	—	—	0.269
Compensation Management Transparency	0.363	—	—	0.003
Financial Satisfaction	0.319	—	—	0.001

Source: SPSS

a. Dependent Variable: Employee Performance

Based on the results of the t-test in Table 1, the partial hypothesis testing results can be described as follows:

b. The Effect of Compensation Management Transparency on Employee Performance

Based on the t-test results, the regression coefficient value is 0.363, with a significance value of $0.003 < 0.05$. These results indicate that compensation management transparency (X_1) has a positive and significant effect on employee performance (Y). Thus, H_0 is rejected and H_1 is accepted, meaning that the higher the transparency in managing compensation, the higher the employee's performance.

c. The Effect of Financial Satisfaction on Employee Performance

Based on the t-test results, the regression coefficient value is -0.319 , with a significance value of $0.001 < 0.05$. These results indicate that financial satisfaction (X_2) has a significant effect on employee performance (Y) but in a negative direction. Thus, H_0 is rejected and H_2 is accepted, meaning that when employees experience lower financial satisfaction—possibly due to increased living costs—their work performance tends to decrease.

F-Test Results

The F-test is used to determine whether all independent variables simultaneously have a significant effect on the dependent variable. Based on the analysis results, the simultaneous F- test results can be seen in Table 2 below.

Table.2 Results of the F test

Varian Analysis

Model	Number of Squares	Df	Average Squares	F	Sig.
Regression	13.627	2	6.814	7.088	0.002 ^b
Residual	55.883	58	0.964		
Total	69.510	60			

Source: SPSS (2025)

- a. Dependent Variabel : Employee Performance
- b. Predictors (Constant) : Financial Satisfaction, Compensation Management Transparency

Based on Table 2 above, it can be seen that the calculated F value is $7.088 > F$ -table 3.15 and the significance value of $0.002 < 0.05$. This means that compensation management transparency (X_1) and financial satisfaction (X_2) simultaneously have a significant effect on employee performance (Y). Therefore, H_0 is rejected and H_3 is accepted, indicating that both independent variables together influence employee performance in the era of rising living costs.

DISCUSSION**The Influence of Compensation Management Transparency on Employee Performance at CV Cipta Putra Service**

The t-test results for compensation management transparency showed a significance value of $0.003 < 0.05$, with a regression coefficient of 0.363, indicating a positive and significant effect on employee performance. This means that the higher the level of transparency in managing compensation, the better the performance demonstrated by employees. These findings align with Adams' Equity Theory (1963), which emphasizes that fairness and transparency in reward distribution directly influence motivation and performance. When employees perceive that compensation is managed openly and equitably, they tend to feel valued and are motivated to perform better. This result is consistent with previous studies by Wicaksono & Rahmawati (2023) and Sari et al. (2022), which state that transparent compensation management improves trust, morale, and work performance among employees. Thus, transparency serves as a crucial factor in enhancing productivity and maintaining a positive organizational climate.

The Influence of Financial Satisfaction on Employee Performance at CV Cipta Putra Service

The t-test results for financial satisfaction showed a significance value of $0.001 < 0.05$, with a regression coefficient of -0.319 , indicating a significant but negative effect on employee performance. This suggests that when employees feel financially dissatisfied—often due to the rising cost of living—their performance tends to decline. This finding is still in line with Adams' Equity Theory, which highlights the importance of perceived fairness between effort and rewards. Even though employees may receive compensation, if their financial satisfaction decreases because of external factors like inflation, their perceived equity and motivation may also decrease, leading to reduced performance. Similar results were found by Putri & Handayani (2024) and Simanjuntak

(2022), who explained that financial stress or dissatisfaction can negatively influence concentration, job commitment, and overall productivity. Therefore, organizations must pay attention not only to salary levels but also to employees' financial wellbeing amid economic pressures.

The Simultaneous Influence of Compensation Management Transparency and Financial Satisfaction on Employee Performance at CV Cipta Putra Service

The F-test results showed an F-value of $7.088 > 3.15$, with a significance value of 0.002

< 0.05 , indicating that both compensation management transparency and financial satisfaction simultaneously have a significant effect on employee performance. This means that improvements in compensation transparency and financial satisfaction together can enhance employee performance, while weaknesses in either aspect may reduce it. Consistent with Adams' Equity Theory, fair and transparent reward systems combined with adequate financial satisfaction create a sense of balance and motivation, leading to higher productivity. These findings are supported by Syardiansah & Rahman (2023) and Yanti & Muzammil (2023), who emphasized that transparent communication and financial well-being are key drivers of employee engagement and performance, especially during periods of economic uncertainty.

D. CONCLUSIONS AND SUGGESTIONS

Conclusions

The results of this study indicate that transparency in compensation management has a positive and significant effect on employee performance, meaning that when compensation is managed openly and fairly, employees are more motivated and perform better. Meanwhile, financial satisfaction shows a significant but negative effect on employee performance,

Suggestions

suggesting that dissatisfaction caused by increasing living costs can reduce employees' focus, motivation, and productivity. Simultaneously, transparency in compensation management and financial satisfaction have a significant joint effect on employee performance at CV Cipta Putra Service. This shows that both factors play complementary roles—transparency builds trust and fairness, while financial satisfaction supports well-being and motivation, leading to better performance outcomes. Based on these findings, companies are advised to maintain transparency in compensation management, provide clear communication regarding salary and benefits, and implement periodic financial reviews to ensure employee satisfaction amid economic challenges. For future research, it is recommended to include additional variables such as employee motivation, organizational commitment, or work engagement, and to use larger or multi-company samples to achieve broader generalization and deeper understanding of employee performance factors.

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