The Influence of Compensation and Work Discipline on Employee Performance: A Case Study of Employees at the Muhammadiyah Zakat Management Organization (LAZISMU)

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Abstract: The Muhammadiyah Amil Zakat Organization (LAZISMU) stands as a beacon among Indonesia's official zakat bodies, dedicated to the noble task of gathering and disbursing zakat, infaq, and sadaqah (ZIS) from the generous hearts of the community. Within its halls, LAZISMU employees are the artisans shaping the destiny of their organization, tasked not only with collecting funds but also with igniting flames of hope through empowerment initiatives, thereby kindling the welfare of society. In the verdant landscapes of East Java, a study unfolds, seeking to unravel the intricate dance between compensation, work discipline, and the performance of LAZISMU employees. Surveying fifty dedicated souls, the study's findings unveil intriguing truths. Compensation, it seems, holds no sway over the performance of these diligent stewards of charity. Yet, amidst this revelation, a beacon of hope emerges: the torchbearer of work discipline. Here lies the key, for as discipline tightens its grip, so does the flame of performance blaze brighter. It is a testament to the power of dedication, the fuel that propels LAZISMU forward on its noble quest to uplift the community it serves.

Introduction

Employee performance is one of the most important factors in achieving organizational goals. Employees with high performance significantly contribute to the improvement of the organization's productivity, efficiency, and effectiveness. According to (Duha 2020), performance is often associated with results, achievements, and accomplishments. Performance is also considered as an ability or proficiency in performing routine tasks. Employee performance greatly influences the success and sustainability of an organization. Employees are a crucial asset in an organization, including in the Muhammadiyah Zakat Management Organization (LAZISMU).

The Muhammadiyah Amil Zakat Organization (LAZISMU) is a benevolent force dedicated to the noble cause of gathering and disbursing zakat, infaq, and sadaqah (collectively known as ZIS) within the compassionate embrace of Muhammadiyah, a cornerstone of Indonesia's Islamic community. It stands as a beacon of altruism under the expansive canopy of Muhammadiyah.
diligently ensuring the equitable distribution of charitable contributions to those in need. Established in 1993, Lazismu has a network spanning all of Indonesia, from the provincial level to the regency/city level (Lazismu.org). LAZISMU plays a role in collecting and distributing zakat, infaq, and sadaqah (ZIS) from the community. The performance of LAZISMU employees is crucial in achieving the organization's goals, which are to improve the welfare of the community through empowerment programs. One of the factors that can enhance employee performance is compensation and work discipline.

Compensation and work discipline are two important factors that can affect employee performance. Compensation is the reward given by a company to its employees for their contributions in achieving the company's goals. According to (Duha 2020), compensation encompasses the various or entire rewards received by individuals for dedicating themselves to working within an organization. Compensation varies due to factors such as position, type of work, job risk, length of service, and various other considerations. Work discipline refers to the attitudes and behaviors of employees in adhering to the rules and norms that apply within the company. Therefore, this study will investigate the influence of compensation and work discipline on employee performance at the Muhammadiyah Amil Zakat Organization (LAZISMU).

According to (Steel 2020), compensation encompasses everything a company provides to its employees in return for their contributions to the organization. The Patents Act of 1997 in the UK, specifically in Article 41, similarly defines compensation as everything an employee receives as a reward for their contributions to the company. This compensation can take various forms, including monetary payments, benefits, or other perks.

Generally, compensation can be categorized into two distinct types, as outlined by (Steel 2020): Financial compensation refers to rewards or payments given in the form of money. This type of compensation encompasses various forms, such as: (a) Salary or Wages represent the fundamental compensation provided to employees on a regular basis, typically determined by time (hourly, daily, monthly, or yearly) or by performance (commissions or bonuses). (b) Incentives are additional payments granted to employees as motivation to achieve specific targets or as recognition for exceptional performance. (c) Allowances are supplementary payments given to employees to assist them in covering living expenses. These can include health allowances, transportation allowances, meal allowances, and housing allowances. (d) Retirement compensation is the payment provided to employees upon their retirement, acknowledging their years of service. Non-financial compensation refers to rewards and benefits given in forms other than money. This type of compensation includes a variety of incentives, such as: (a) Leave: This is the time allocated for employees to rest and unwind. It includes various types of leave such as annual leave, sick leave, and maternity leave, allowing employees to recharge and balance their personal and professional lives. (b) Work Facilities: These are the amenities provided by the company to ensure employees can perform their tasks comfortably and efficiently. Examples include laptops for remote work, company cars for business travel, and well-designed workspaces to foster a productive environment. (c) Training and Development: These opportunities are offered to employees to enhance their skills and knowledge. Through workshops, courses, and seminars, employees can stay updated with the latest industry trends and advance their careers. (d) Recognition and Rewards: Acknowledgment of outstanding employee performance comes in various forms such as awards, praise, or promotions. These incentives are designed to motivate and appreciate employees for their hard work and dedication.

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Work discipline is the manifestation of an individual's attitude, behavior, and actions that align with the rules and norms established by an organization or company. It reflects a person's adherence to and compliance with the prescribed regulations and procedures. According to (Afandi 2018), discipline is the degree of obedience to the prevailing rules, along with the willingness to accept sanctions or punishments if those rules are violated. High levels of discipline, therefore, are directly linked to enhanced performance, as individuals who are more disciplined tend to exhibit better productivity and efficiency in their work.

In the 2021 study, Vonny found that workplace discipline has a positive and significant impact on employee performance at PT. Samagata Panen Sejahtera. High levels of discipline not only boost productivity but also enhance employee enthusiasm, leading to superior performance outcomes. When employees adhere to strict discipline, they are more likely to be engaged and motivated, ultimately contributing to the company's success.

In the insightful words of (Srimulyani et al. 2023), employee performance unfurls as a tapestry of endeavors formally acknowledged within the realms of their duties, all weaving together towards the grand design of organizational triumph. It's a multifaceted gem, split into the realms of task mastery and contextual finesse. Through the prism of their actions, employee performance gleams with the outcomes achieved, showcasing their adeptness in navigating diverse scenarios. It encompasses the completion of assigned tasks within the designated time frame, in alignment with the employee's competencies, as well as the effectiveness and efficiency in executing their duties.

Three main factors influence performance within an organization: organizational support, the capacity or productivity of management, and the work of each individual within the organization (Sonnentag and Frese 2002).

(Goleman 2018) defines performance as an individual's ability to carry out activities that contribute to the development of organizational capabilities.

According to (Duha 2020), several factors influence performance, including the following: The cascade of responsibility; the cascade of responsibility is the transfer of tasks, obligations, authority, power, and influence from superiors to subordinates; Robust positive relationships; Mastery of work materials; Hope; Opportunities for growth; Work environment.

In the enactment of Law Number 38 of 1999, a significant milestone was marked in Indonesia, heralding the inception of Zakat Management Organizations (ZMO). These organizations comprise the Zakat Amil Body (ZAB) and Zakat Amil Organization (ZAO). While ZAB is established by the government, ZAO is formed by the community and subsequently validated by governmental authority. The primary duty of ZAO is to facilitate the collection, distribution, and utilization of zakat funds.

In Indonesia, a shining beacon of philanthropy emerges in the form of the Muhammadiyah Zakat Organization (Lazismu). Lazismu isn't just another charity; it's a national force committed to uplifting communities through the strategic deployment of zakat, infaq, wakaf, and other benevolent contributions from diverse sources such as individuals, corporations, and organizations. Born under the auspices of the Central Leadership of Muhammadiyah in 2022, Lazismu swiftly gained recognition from the Minister of Religious Affairs of the Republic of Indonesia, earning the prestigious title of National Zakat Organization No. 90 of the year 2022.

Over time, Indonesia's handling of zakat has undergone a dynamic transformation, reaching its zenith with the introduction of Law Number 23 of 2011 dedicated to the Governance of Zakat. This milestone was followed by the intricate specifications outlined in Government Regulation
Number 14 of 2014, delving deeper into the execution of Law Number 23 of 2011 concerning Zakat Management. Within these regulations, Zakat Management Organizations are obliged to report on the implementation of Zakat, Infaq, and Sadaqah (ZIS) funds, as well as other religious social activities. They are also required to publish annual balance sheets as part of their efforts to establish a professionally Organizational zakat administrator with principles of trustworthiness, utility, justice, legal certainty, integration, and accountability. Ultimately, these measures aim to enhance the effectiveness and efficiency of zakat management services.

According to the fatwa of the Indonesian Ulema Council No. 8 of 2011, an amil zakat is defined as an individual or a group appointed by the government or the community, sanctioned by the government, to manage the implementation of the zakat ritual. This decree outlines that an amil zakat must meet certain criteria: being a practicing Muslim, mentally mature (having reached the age of reason and puberty), trustworthy, possessing knowledge of the laws of zakat and other relevant aspects of the duties of an amil zakat (Pemerintah 2011).

In the Fatwa of the Indonesian Council of Ulama No. 8 of 2011, the caretakers of zakat are entrusted with the noble responsibility of gathering the alms, encompassing: (a) the mandatory registration of zakat, determination of zakat-obligated assets, zakat nisab thresholds, zakat rates, and specific criteria for each zakat-obligated asset. (b) the upkeep of zakat which encompasses the inventory of assets, maintenance, and security of zakat assets. (c) the distribution of zakat involves the dissemination of zakat assets to reach zakat recipients in a proper and righteous manner, including reporting.

In that decree, there's a provision stipulating that the government (ulil amri) shoulders the financial burden of managing zakat's day-to-day operations. Regarding the operational expenses of the zakat management organization, as outlined in Law Number 23 of 2011, they encompass various facets including salaries, allowances for staff directly engaged in zakat affairs, health coverage, social security for organization employees, office utilities, program expenditures, and sundry operational outlays. However, in scenarios where government funding falls short or is unavailable, the onus of zakat management operational costs shifts to the amil, who may tap into zakat funds, the fisabilillah fund within reasonable bounds, or other designated resources in accordance with applicable regulations.

According to the National Zakat Agency (2023), there are 11 fundamental values that must be upheld by zakat administrators, encompassing: Fear of Allah SWT; Loyalty and obedience to Pancasila and the Constitution of the Republic of Indonesia of 1945; Compliance with Islamic Sharia and legal regulations; Prioritizing the interests of religion, nation, and state over personal or group interests, Professionalism, neutrality, and high morality; Spirit of Nationalism; Respect for fellow human beings; Non-discriminatory and Spirit of togetherness and camaraderie

Research Method

This research uses quantitative research methods. This quantitative research was conducted to measure and test empirically the influence between the variables used. This study uses primary data from the Zakat Organisation in East Java, Indonesia. The total population of this study was 122 people, with an error rate of 0.5%. The sample taken was 52 respondents. (Roscoe 1975) proposes the following rule of thumb for determining sample size: sample sizes greater than 30 and less than 500 are appropriate for most research (Sakaran and Bougie 2016, P. 264). Data was obtained through an online questionnaire with a total of 48 statement items.
This study examines three variables, namely Compensation (KS) with seven measurements, namely (1) benefit administration, (2) pay structure, (3) pay level, (4) benefit level, (5) benefit determination, (6) pay raise, (7) pay procedures (Williams et al. 2008). The second variable is work discipline, with measurements, namely (1) goals and abilities, (2) exemplary leadership, (3) rewards, (4) justice, (5) inherent supervision, (6) rewards, (7) firmness, (8) human relations (Prayogi and Taufik 2019). The third variable is individual performance with three measuring indicators, namely (1) task performance, (2) contextual performance, (3) counter productive work behaviour (Koopmans et al. 2014). From these variables, the following hypothesis is formulated.

H1. Compensation has a positive effect on individual performance

H2. Work discipline has a positive effect on individual performance

To estimate the relationship model, this research uses SEM-PLS. PLS is a composite-based approach to SEM that relaxes the strong assumption that common factors explain all the covariance between indicator blocks (Schlagel and Sarstedt 2016). SEM-PLS analysis generally consists of two sub models: the measurement model, often called the outer model, and the structural model, often called the inner model (Ghozali and Latan 2015). The measurement model is used to assess the validity and reliability of the model (Kistyanto et al. 2022). Measurement models with reflexive indicators are evaluated through convergent validity (outer loadings and average variance extracted values (AVE)) or discriminant validity of indicators forming latent constructs, as well as composite reliability (CR) and Cronbach's alpha (CA) for the indicator blocks (Ghozali and Latan 2015). Meanwhile, the structural model shows the estimation strength between latent variables or constructs. The structural model aims to predict the relationship between latent variables. The structural model is evaluated by looking at the percentage of variance explained by looking at the R-Square value for the endogenous latent predictive relevance determine the effect the bootstrapping Latan 2015).

**Figure 1: Research Model**

**Result and Discussion**

The research object used as a sample in this study was employees in Zakat Organization in East Java, Indonesia. The reason the researchers chose Zakat Organization as research objects is
based on observations, in which zakat Organization are the social organization that is oriented towards the welfare of the community. The willingness of Zakat Organization management to provide information, description, and data needed during the study was also the reason for the researchers to use commercial banks as samples. The data needed for independent variables are Compensation and Work Discipline. The dependent variable is Employee Performance. These three variables are analyzed by using a questionnaire whose scale in filling uses the Likert scale.

Measurement Model

Table 4 presents the results of the measurement model (outer model). Based on this table presents the outer loadings of all items, CR, CA, AVE of all constructs. Specifically, all items with outer loadings above 0.50; CR of each construct ranged from 0.832 to 0.897 and above 0.70; CA of each construct ranged from 0.694 to 0.869 and above 0.60; AVE of each construct ranged from 0.526 to 0.627 and above 0.50. These results indicate that the measures have good convergent validity. In addition, the Variance Inflation Factor (VIF) values range from 1.146 to 2.880 (below 10), which indicates the absence of multicollinearity. When the data was entered into SmartPLS 3, where convergent validity was performed, no data errors were detected.

Based on the criteria for selecting Likert scale answers from respondents, then interpreted using the three-box method. Three ranges were obtained as follows; 1.33 (1.00-2.33 low; 2.34-3.67 medium; and 3.68-5.00 high) and then used as the basis for interpreting the mean value of the variable (Ferdinand 2006). Based on the respondents' assessment of the research variables, the results obtained, namely Compensation 3.950, are included in the high category; Work Discipline 4.142 is in the high category; Employee Performance 3.545 is in the medium category.

Structural Model

This study assesses the structural model (inner model) by looking at the R-square and Q-square values. The results of the R-square calculation between the KS, DS, KJ variables have relatively different values and show a relationship that is classified as moderate and weak. R-square value of KS is 0.128. This value indicates that the relationship between the KS construct and KJ is 12.8%. R-square value for DS is 0.667. This value indicates that the relationship between the DS variable and KJ is 66.7%.

Based on the calculation of the Q-square value, it can be stated that the model has a predictive relevance value of 0.461135 or 46.11%. This indicates that the research model has a strong predictive relevance value. The formulation of predictive relevance above:

\[ Q_p^2 = 1 - (\sqrt{1 - R_i^2}) \times (\sqrt{1 - R_j^2}) \]
\[ Q_p^2 = 1 - (\sqrt{1 - 0.128_i^2}) \times (\sqrt{1 - 0.667_j^2}) \]
\[ Q_p^2 = 1 - (\sqrt{0.872_i}) \times (\sqrt{0.333_j}) \]
\[ Q_p^2 = 0.461135 \]
Assess the inner model also by looking at the significant value to determine the effect between variables through the bootstrapping procedure. Hypothesis testing is carried out using the T test (T-statistics) on each direct influence path and indirect influence path. Table 5 presents the results of hypothesis testing of direct effects and indirect effects.

Table 1. Specified Measurement Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Loading Factor</th>
<th>CR</th>
<th>AVE</th>
<th>CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation (X1)</td>
<td>X1.1</td>
<td>0.594</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>0.667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>0.659</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.4</td>
<td>0.812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.5</td>
<td>0.800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.6</td>
<td>0.778</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.7</td>
<td>0.812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Discipline (X2)</td>
<td>X2.1</td>
<td>0.777</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>0.832</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>0.711</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.4</td>
<td>0.696</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.5</td>
<td>0.823</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>X2.6</td>
<td>0.660</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.7</td>
<td>0.724</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>X2.8</td>
<td>0.531</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>individual performance (Y)</td>
<td>Y1.1</td>
<td>0.841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.2</td>
<td>0.869</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.3</td>
<td>0.646</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KJ has no effect on KK with a p-value of 0.369 (>0.05) with a coefficient value of 0.369 and a t-count value of 0.128 (<1.96). Hypothesis 1 states that KS has no influence on KJ, so H1 is rejected.

Table 2. Hypothesis Test

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Coefficient</th>
<th>T-stats</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>KS =&gt; KJ</td>
<td>0.128</td>
<td>0.898</td>
<td>0.369</td>
</tr>
<tr>
<td>DS =&gt; KJ</td>
<td>0.667</td>
<td>4.685</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Note(s): Significant level (5%); t-statistics ≥ 1.96; p-value ≤ 0.05
DS has a positive effect on KK with a p-value of 0.000 (<0.05) with a coefficient value of 0.667 and a t-count value of 4.685 (>1.96). A positive coefficient means that the higher the DS, the higher the KJ and conversely. Hypothesis 2 states that DS has an effect on KJ, so H2 is accepted.

The effect of compensation on employee performance

The results of the analysis show that compensation has no effect on employee performance. This means that the size of compensation will not affect employee performance at the Zakat Organization. The results of this study are also supported by the results of research conducted by (Rojikinnor et al. 2023). The study concluded that compensation has no direct effect on employee performance. The compensation obtained by employees of the Zakat Organization is the basic salary without any additional provision in the form of incentives or part of the salary received through the rights of amil (Effendi et al. 2023). Zakat organizations are social welfare organizations, so employees who work as distributors of zakat funds are doing good to the community and getting blessings. This is something that cannot be assessed materially.

Zakat organizations do not aim at the profits earned by the organization or its employees. Zakat organizations conduct operational work with the aim of community welfare. As a distributor of zakat, the organization does not take advantage of any zakat proceeds received by the organization. Zakat will be channelled to people who have the right to receive it. So that employees of zakat organizations only receive a salary from the basic salary as amil in accordance with the regulations. Therefore, the compensation received by employees at zakat organizations will not affect the performance of employees. This supports the results of research stating that compensation has no effect on employee performance.

The effect of work discipline on employee performance

The results of the analysis show that work discipline affects employee performance. These results mean that the higher the level of work discipline of employees, the higher the performance shown by employees. When employees feel that the organization is fair and consistent in enforcing discipline, they are more likely to be engaged and committed to their role (Sampe et al. 2024). Organizations that implement a fair and transparent disciplinary system will establish an organizational culture of accountability and responsibility for their employees. This culture will create a harmonious work environment that can improve individual performance. Work discipline built by individuals in each employee forms a sense of responsibility for the work done. Employees who do work with discipline can work according to the given target. It will build higher employee performance.

The results of this study are also supported by the results of research conducted by (Noviyanti et al. 2023). The results of this study state that work discipline affects employee performance. High work discipline in employees at zakat organizations will improve the performance of these employees. This has implications for the receipt and distribution of zakat in zakat organizations. High work discipline shown by employees in zakat organizations refers to honesty and responsibility for the management of zakat in these organizations. Then the work discipline will improve employee performance at the zakat organization.

Conclusion

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Based on the results of the research analysis conducted, the following conclusions can be drawn: the results of data analysis show that compensation has no effect on employee performance. This can be interpreted that the size of the compensation received by employees in the Zakat Organization has no effect on the performance carried out by these employees. The results showed that work discipline affects employee performance. This can be interpreted that the higher the work discipline shown by employees, it will improve the performance of these employees.

This study has several limitations. First, the scope of the research sample used is still narrow, which is only limited to the Muhammadiyah Zakat Organization (LAZISMU) in East Java, so it cannot describe the overall performance of employees working in the Indonesian Zakat Organization. Second, this study only looks at the variables of compensation and work discipline in testing employee performance, while there are still many other factors that affect employee performance variables. Therefore, it is recommended to conduct further research by expanding the research sample to all Zakat Organizations in Indonesia, then adding other variables that affect employee performance in general such as leadership, organizational culture, job satisfaction, and employee loyalty.

References


