

THE EFFECT OF ISLAMIC COMPENSATION ON EMPLOYEE PERFORMANCE THROUGH ISLAMIC WORK ETHICS IN ISLAMIC BOARDING SCHOOL BUSINESS IN GERBANGKERTASUSILA

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Abstract

The Kopontren business unit is still not performing well, so it is necessary to explore factors that can improve Kopontren's performance, especially at the individual level. Related to this, this research aims to analyze the effect of Islamic compensation on Islamic work ethics, Islamic work ethics on employee performance, and Islamic compensation on employee performance in business ventures managed by Islamic boarding schools in Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan. The research method used is explanatory research in 15 Islamic boarding schools in Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, and Lamongan. The sample consisted of 131 respondents. The independent variable used in the results of this study is given the notation X, namely: Islamic compensation (X). The intervening variable is Islamic work ethics (Z). Dependent variable employee performance (Y). Data collection techniques using questionnaires. The analysis technique used in this study is Structural Equation Modeling with the Smart PLS (Partial Least Square) program. The results show that financial compensation has a significant effect on Islamic work ethics, likewise, Islamic work ethics has a significant effect on employee performance for Kopontren employees, while financial compensation has no significant effect on the performance of Kopontren employees in GERBANGKERTASUSILA.

Keywords: Islamic compensation; Islamic work ethics; employee performance; Islamic boarding school cooperatives

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INTRODUCTION

Islamic boarding schools play a large role in society, especially in empowering society and being agents of change. This is related to the noble

mission of Islamic boarding schools, which is to provide the benefit of the people so that it becomes a consequence for Islamic boarding schools to respond to the demands of change in the surrounding community. However, in carrying out this role, Islamic boarding schools are required to contextualize without having to sacrifice their original character as educational, religious, and social institutions (Zubaedi, 2007:21). This condition becomes a burden for Islamic boarding schools because in carrying out this role, they are also required to carry out reforms and improvements in their internal environment. Islamic boarding schools improve their weaknesses, including by implementing educational management, especially in accordance with modernization demands, every educational institution, including Islamic boarding schools, must rely on the community.

Apart from educational management, Islamic boarding schools also need to make community development efforts. Some of the roles of Islamic boarding schools in community development can be seen from the diversification of Islamic boarding school fields, which originally focused on Islamic education, and expanded to other fields, including economic, clinical, and social businesses. There are various types of businesses run by Islamic boarding schools, but if you look at their size, Islamic boarding school businesses are included in the small and medium enterprise (SME) category. The Ministry of Religious Affairs in 2002 stated that there were 8,289 Economic, Clinical, and Social Business Units.

One of the Islamic boarding school economic businesses is the Islamic boarding school cooperative business unit (Kopontren). In the case of East Java, in terms of numbers, Kopontren grew quite significantly during the 2002-2009 period. Data from the East Java Provincial Cooperatives and MSME Agency in 2009 reported that there were 1,462 Kopontren, which means there was an increase of 1,001 cooperative units or 217% from 2002. However, of this number, 661 Kopontren, or 45% were inactive, as indicated by no Annual Member Meeting (RAT). This fact shows that Kopontren's performance is not appropriate, or even just in name only, meaning that activities in empowering members are not working.

Many Kopontren business units do not perform well, although it cannot be concluded that overall the economic businesses managed by Islamic boarding schools have failed. Several Islamic boarding schools have succeeded in developing economic businesses that can contribute income to help the Islamic boarding school's internal funding and improve community welfare, at least for their employees. Several examples of Islamic boarding schools that have succeeded in running economic businesses can be mentioned, including Sidogiri-Sukorejo Pasuruan Islamic Boarding School, which has succeeded in developing BMT-UGT and a bottled drinking water (AMDK) business (<http://jurnal.diskopjatim.go.id>, April 29, 2008), the Ash-Shiddiqiyah Islamic Boarding School under the care of KH Noer Muhammad Iskandar SQ, which started a supermarket business, and developed into a repair shop, water refill, material shop, restaurant and cargo business (Republika Online, July 28, 2006),

and Maslahul Huda Pati Islamic Boarding School under the care of KH. Sahal Mahfudz, succeeded in empowering the community through established NGOs and developing conventional BPR which then switched to Sharia BPR (Zubaedi, 2007:24). There are many other examples of Islamic boarding schools that are successful in managing economic businesses. The weak performance of Kopontren cannot be separated from the weak performance of its managers, in this case, the employees. This weak employee performance is an interesting basis for looking for determining factors.

The compensation aspect for employees is also a crucial issue in managing the Kopontren business. The cooperative's operational activities are supposed to improve the welfare of its members, but some of the cooperative's members work without being paid. Compensation is related to efforts to achieve employee welfare. Islam has regulated the working relationship between employees and employers or companies, to ensure the fulfillment of employee rights. From an Islamic perspective, the compensation purpose is as a form of appreciation for the performance contributed and as a way to motivate employees to carry out their duties efficiently (Hashim, 2008: 12), which is based on principles, the existence of a contract, appropriateness of wages, timely payment, various forms of compensation (not just money), and the agreement of both parties.

Although compensation is a factor determining performance. However, various studies among Muslim companies indicate that work ethics is a factor that also determines performance. Islam has taught Muslims to work hard and be serious in every job they carry out, whether in the position of owner, leader, or subordinate. The weak work ethic in Muslim society is due to an understanding of religion, especially those related to seeking sustenance, affected by traditional values and types of religious understanding that do not support efforts to seek a prosperous life in the world (Asry, 2008). According to Tasmara (2005:12), several traditional values that hinder the work ethics of Muslims include the strong khurofat and superstitions; alon-alon jargon from jokes; a fatalistic attitude; and the opinion that manual labor is despicable.

Work ethics as an embodiment of ideal norms that are believed to be true by community groups is considered to play an important role in the progress of society, so in this study, it is also important to know the factors that influence work ethics in economic businesses managed by Islamic boarding schools. Theoretically, the work ethics of community groups is rooted in two sources, namely sources of human thought, such as culture, and sources of non-human thought, namely religion (Nadjib, 2006:3). Religion has been identified as an important source of work ethics that drives the progress of society. (Weber 1958)

In connection with this problem, this research will take the location of Islamic boarding schools in the Regencies of Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan (GERBANGKERTASUSILA) one of the reasons is that these areas are areas that still have strong religious nuances. Apart from that, several areas have graves of saints that have become symbols of their own for the

area concerned, such as Gresik, Lamongan, and Surabaya. The aim formulated in this research is to analyze the effect of Islamic compensation on Islamic work ethics, Islamic work ethics on employee performance, and Islamic compensation on employee performance in business ventures managed by Islamic boarding schools in Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan (GERBANGKERTASUSILA).

RESEARCH METHOD

This research is explanatory. The population in this study was employees of Islamic boarding school cooperative business units (Kopontren) in Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan (GERBANGKERTASUSILA). A sample of some employees in 15 Islamic boarding schools in Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, and Lamongan totaled 131 respondents. The independent variable used in the results of this study is given the notation X, namely: Islamic compensation (X). The intervening variable is Islamic work ethics (Z). The dependent variable is employee performance (Y). The data collection technique used in this research is a survey using a questionnaire. Measurements in the questionnaire use a five-point Likert scale consisting of 1: very bad, 2: not good, 3: quite good, 4: good, and 5: very good. The analysis technique used in this research is Structural Equation Modeling with the Smart PLS (Partial Least Square) program.

RESEARCH RESULTS

Research on employees at 15 Islamic boarding schools in Gatekertasusila has been carried out. The sample of employees studied was 131 employees. Next, the results of data collection from the questionnaire will be analyzed. The data was processed using the PLS-SEM test.

Outer Model Testing Stage

PLS testing was carried out in two stages, namely the outer model and the inner model. Testing the outer model in the first stage is the value of convergent validity, then construct validity, discriminant validity, and construct reliability.

Convergent Validity

For convergent validity of the variables Islamic compensation, Islamic work ethics, and employee performance. The results of convergent validity can be seen from the loading factor value. The loading factor value is said to be valid, it must be more than 0.5. Following are the complete convergent validity test results in Table. 1

Table 1.
Convergent Validity Testing

Indicator	Islamic Compensation	Indicator	Islamic work ethics	Indicator	Employee Performance
KOMP.I1	0.909	EKI01	0.866	KIN01	0.874
KOMP.I2	0.888	EKI02	0.852	KIN02	0.892
KOMP.I3	0.887	EKI03	0.859	KIN03	0.887
KOMP.I4	0.748	EKI04	0.843	KIN04	0.849
KOMP.I5	0.849	EKI05	0.839	KIN05	0.848
		EKI06	0.883	KIN06	0.879
		EKI07	0.885	KIN07	0.879
		EKI08	0.870	KIN08	0.889
		EKI09	0.817	KIN09	0.872
		EKI10	0.893	KIN10	0.900
		EKI11	0.893	KIN11	0.857
		EKI12	0.908	KIN12	0.867
		EKI13	0.917	KIN13	0.869
		EKI14	0.862	KIN14	0.863
		EKI15	0.872	KIN15	0.861
				KIN16	0.858
				KIN17	0.827
				KIN18	0.859

Source: PLS data processing results

The calculation results show that the Islamic compensation variable has a factor loading value that is greater than 0.5. Islamic work ethics and employee performance variables have a factor loading value of more than 0.5. With these results, all variables have convergent validity that meets the standards.

Contract Validity

The next measurement model is the Average Variance Extracted (AVE) value, namely the value indicating the magnitude of the indicator variance contained by the latent variable. An AVE value greater than 0.5 also indicates good validity for the latent variable.

Table 2
Testing Construct Validity

Variable	Average Variance Extracted (AVE)
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Islamic Work ethics	0.759
Employee performance	0.754
Islamic Compensation	0.736

Source: PLS data processing results

The calculation results show that all research variables constructs show that all variables have an AVE value of more than 0.5. With these results, all latent variables and dimensions have good validity.

Discriminant Validity

Discriminant validity can be measured using the cross-loading value. The high cross-loading value (0.5) on the dimensions of certain variables compared to the dimension values of other variables means that the construct validity of the latent variables and dimensions is good. Here are the full cross-loading values:

Table 3
Discriminant Validity Testing

	Islamic Work Ethics	Employee Performance	Islamic Compensation
EKI01	0.866	0.812	0.310
EKI02	0.852	0.809	0.242
EKI03	0.859	0.760	0.191
EKI04	0.843	0.773	0.264
EKI05	0.839	0.796	0.211
EKI06	0.883	0.810	0.216
EKI07	0.885	0.785	0.167
EKI08	0.870	0.789	0.209
EKI09	0.817	0.760	0.258
EKI10	0.893	0.807	0.207
EKI11	0.893	0.795	0.286
EKI12	0.908	0.828	0.317
EKI13	0.917	0.868	0.322
EKI14	0.862	0.817	0.307
EKI15	0.872	0.775	0.208
KIN01	0.835	0.874	0.304
KIN02	0.871	0.892	0.295
KIN03	0.859	0.887	0.341
KIN04	0.865	0.849	0.237
KIN05	0.792	0.848	0.268
KIN06	0.834	0.879	0.297
KIN07	0.794	0.879	0.362

KIN08	0.787	0.889	0.352
KIN09	0.759	0.872	0.309
KIN10	0.788	0.900	0.308
KIN11	0.784	0.857	0.135
KIN12	0.746	0.867	0.188
KIN13	0.783	0.869	0.276
KIN14	0.739	0.863	0.232
KIN15	0.773	0.861	0.206
KIN16	0.800	0.858	0.288
KIN17	0.729	0.827	0.266
KIN18	0.782	0.859	0.289
KOMP.I1	0.290	0.330	0.909
KOMP.I2	0.236	0.267	0.888
KOMP.I3	0.250	0.246	0.887
KOMP.I4	0.244	0.247	0.748
KOMP.I5	0.196	0.261	0.849

Source: PLS data processing results

Table 3 shows that the cross-loading for each variable of Islamic compensation, Islamic work ethics, and employee performance has a loading value that is greater than the columns between the other variables. This means that the variable meets the requirements of discriminant validity.

Reliability

Construct reliability is measured by the composite reliability value, the construct is reliable if the composite reliability value is above 0.70 then the indicator is called consistent in measuring its latent variables. Here are the complete results:

Table 4
Contract Reliability Testing

Variable	Cronbach's Alpha	Composite Reliability
Islamic Work ethics	0.977	0.979
Employee performance	0.981	0.982
Islamic Compensation	0.909	0.933

Source: PLS data processing results

The test results show that the construct (variable) of all variables has Cronbach alpha values and composite reliability greater than 0.7. So all variables are declared as reliable.

Hypothesis test

After ensuring that all variables meet the requirements for validity and reliability, the next stage is to test the hypothesis.

Testing Stage of Inner Model or Structural Model

The structural stage of this model aims to determine whether there is an effect between variables. Testing was carried out using the t-test. The variable is said to have an effect if the significance value of t is less than 0.05. The calculation results can be seen in Figure 1.

Figure 1.
Inner Test / Structural Model

The following is the estimated value of each relationship between research variables:

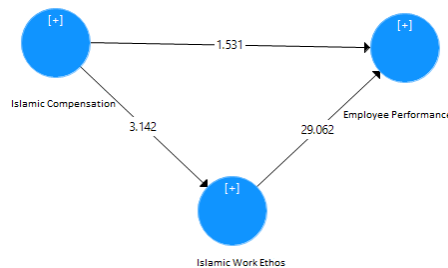


Table 5
Hypothesis test

Relations Between Variables	Coefficient	T Statistics	P Values	R ²	R ² Adjusted
Direct Effect					
Islamic Compensation → Islamic Work Ethics	0.286	3.142	0.002	0.082	0.075
Islamic Work Ethics → Employee Performance	0.901	29.062	0.000	0.846	0.844

Islamic Compensation → Employee Performance	0.060	1.531	0.126		
Indirect Effect					
Islamic Compensation → Islamic Work Ethics → Employee Performance	0.258	3.253	0.001		

Source: PLS data processing results

Testing the direct effect shows that all coefficient values of the direction of the relationship are positive. A coefficient with a positive sign means that the relationship is in the same direction, that is, as the exogenous variable increases, the endogenous variable also increases. And conversely, the lower the exogenous variable, the lower the endogenous variable. Islamic compensation has a significant positive effect on Islamic work ethics with a significance value of 0.002 ($p < 0.05$). Islamic work ethics also have a significant positive effect on employee performance with a significance value of 0.000 ($p < 0.05$). Meanwhile, Islamic compensation has a positive and insignificant effect on employee performance with a significance value of 0.126 ($p > 0.05$).

Apart from testing the direct effect, this research also tested the indirect effect. The results of the indirect effect test show that Islamic compensation has an indirect effect on employee performance through Islamic work ethics with a significance value of 0.001 ($p < 0.05$).

Based on direct and indirect effect testing, it can be determined whether the type of relationship is full mediation or partial mediation. Full mediation if the indirect effect between variables is significant, while the direct effect is not significant. Meanwhile, partial mediation occurs when the direct and indirect effects are significant. The calculation results show that the direct effect of Islamic compensation does not directly affect employee performance. However, the indirect effect is significant. So the type of indirect effect is full mediation.

The results show that the magnitude of the effect of Islamic compensation on work ethics is 0.082 or 8.2%. Meanwhile, the effect of Islamic compensation and Islamic work ethics on employee performance is 0.846 or 84.6%.

Goodness of Fit

The predictive relevance value is symbolized by Q^2 . The value of Q^2 can be calculated using the following calculation: $Q^2 = 1 - (1 - 0.082) (1 - 0.846) = 0.589$. Based on the results of the Q^2 calculation, it can be seen that the Q^2 value is 0.589. Because the Q^2 value > 0 , it can be concluded that the model is fit or that the data and the model are in agreement.

The second is to find the value of Goodness of Fit (GoF). The result of calculating the average AVE value is 0.749, while the average R^2 is 0.464, so the GoF value is 0.5898.

DISCUSSION

The Effect of Islamic Compensation on Islamic Work Ethics

The results of hypothesis testing show that Islamic compensation has a significant effect on Islamic work ethics. These results indicate that with the right compensation policy, work ethics will increase. These results are in line with research conducted by Sunaryo (2018), which explains that compensation has a positive and significant effect on work motivation which can also be interpreted as a work ethic. Another study by Febrianti (2020) concluded that compensation has a positive and significant effect on work ethics. By starting to apply the wage scale and structure so that there are no gaps in the distribution of employee compensation, and starting to implement overtime in accordance with the calculations of the Labor Law. The right compensation can foster employee love and a sense of belonging both to the job and the company.

The financial compensation provided by Islamic boarding school cooperatives in the form of salaries and allowances has an effect and can encourage better morale, behavior, and work performance. Providing compensation to Islamic boarding school cooperative operations employees has several effects on work morale, job satisfaction, motivation, and work productivity as well as the welfare of the employees themselves. So that the purpose of providing financial compensation is one of the implementation of human resource management (HRM) functions related to all types of individual awards in exchange for carrying out organizational tasks that ultimately aim at achieving organizational performance through managing human resources or workforce which is realized through an ethics employee work. Giving rewards or awards is also alluded to in the Qur'an as an integral part of when someone has completed fulfilling an obligation. The following are verses in the Qur'an that emphasize the importance of rewards or rewards as one of the management functions.

The understanding from the interpretation of the two verses of the Qur'an mentioned above is the demand for quality in the field of employment which has become a hot issue nowadays requiring employees to have a high work ethic. This work ethic is closely related to the performance of human resources. The existence of a high work ethic can make an organization consciously place elements of human resource work motivation to the surface and can be ascertained to be the most important part of human resource management.

The Effect of Islamic Work Ethics on Employee Performance

The results of hypothesis testing prove that Islamic work ethics affects employee performance. These results show that the higher the Islamic work ethic, the higher the employee performance. These results are in accordance with research conducted by Romi (2020) and Saban (2020) who conducted research and concluded that Islamic work ethics has a positive and significant effect on employee performance. However, this research contradicts research by Sapada (2017) which shows that there is no effect of work ethics on employee performance.

The application of Islamic work ethics plays an important role in encouraging employees to do interesting work, enjoy accepting work challenges, excel, and get awards and promotions in carrying out work to improve employee performance. Islamic work ethics for employees are very necessary because they have a direct and indirect effect on employee performance. Thus, Islamic work ethic motivation needs to be specifically instilled in every employee because the motivation to work is not only due to material factors but also because of spiritual encouragement or working for worship. Islam places work as a noble activity and an obligation that is equivalent to worship in the eyes of Allah SWT.

Tasmara (2002:16) believes that with a work ethic that originates from the belief in the Qu'ran, there is a kind of very strong calling from the bottom of the heart, to show the quality results of one's hard work. The process of working seriously, perfectly (quality), and consistently in Islam is known as itqon. One of the characteristics inherent in the human work ethics is an emanation of the owner's basic attitude towards work. The nature of Islamic boarding school culture is due to its ability to create a view of Islamic boarding school life as a value system which is then adopted by the majority of rural communities. The Islamic boarding school's view of life which is still quite strong today is the willingness to live simply and avoid consumer lifestyles, the strength to make sacrifices to pursue one's dreams, a life orientation that relies more on one's abilities, a strong willingness to help each other and live collectively in accordance with the teachings of the Islamic religion. The socio-economic values of Islamic boarding schools are very parallel to the socio-economic values of cooperatives which are the most common form of business used by Islamic boarding schools..

The Effect of Islamic Compensation on Employee Performance

The results of hypothesis testing show that Islamic compensation has no significant effect on employee performance. This means that the size of Islamic compensation. The results of this research are in line with research conducted by Bagus (2020) which shows that there is no effect of compensation on the performance of employees of educational institutions. However, these results are different from research by Darma (2017), Hadjri (2019), Sidabutar (2020), and Saban (2020) which shows that compensation has a significant positive effect on employee performance. Compensation is expressed as a network of various sub-processes to provide compensation to employees for job performance and motivate employees to achieve desired levels of achievement. More work compensation and service rewards in the form of salaries, incentives, benefits, and work facilities, can encourage employees to continue their work in improving and maintaining good performance so that prospective employees will feel appreciated and are willing to stay at the company.

Inconsistency in the results of previous research can occur because the higher financial compensation provided by Islamic boarding school cooperatives in the form of salaries and allowances does not necessarily result in higher

employee performance or vice versa. This can be explained by several conditions. First, the performance of employees who have been at Kopontren has not been fully measured clearly. So whether performance is proven to have increased or decreased, employees themselves still cannot determine. Second, that what employees do is completely their job. Employees see work as a service to the Islamic boarding school. So the amount of money given will still make employee performance good because money is still not everything that will make employee performance increase. If they completely depend on compensation, it will be counterproductive with the current understanding that work must be based on sincerity. The performance of Kopontren employees is influenced precisely by the leadership of the Islamic boarding school leader, who incidentally is a kyai.

CONCLUSIONS

Based on the research that has been carried out, the conclusions that can be drawn are:

1. Financial compensation has a significant effect on the Islamic work ethics of Kopontren employees in GERBANGKERTASUSILA, which means that there is an effect of an increase in the amount of compensation received by Kopontren employees on the increase in Islamic work ethics
2. Islamic work ethics have a significant effect on the performance of Islamic boarding school cooperative employees in GERBANGKERTASUSILA, which means that the Islamic work ethics possessed by Islamic boarding school cooperative employees are affected by compensation factors.
3. Financial compensation does not have a significant effect on the performance of Kopontren employees in GERBANGKERTASUSILA, which means that the increase in the amount of compensation received by Kopontren employees does not affect increasing employee performance.

SUGGESTIONS

While practical suggestions can be submitted regarding the conclusions that have been obtained, it is expected that the government, in this case represented by the Ministry of Cooperatives and SMEs, needs to issue rules for implementing Islamic boarding school cooperatives. The absence of formal rules has resulted in cooperative operations in Islamic boarding schools not running properly, giving rise to an understanding and implementation that is different from other types of cooperatives. Theoretically, this study shows that the results of financial compensation do not affect employee performance, leaving room for further research, with a qualitative approach to better recognize and understand this linkage in the context of businesses managed by Islamic boarding schools..

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