The Mediation of Work Motivation on the Effects of Work Discipline and Compensation on Performance Batik MSMEs Employees in Yogyakarta City, Indonesia

Riyanto Efendi¹; Muhamad Nanang Rifa‘i¹; Khairul Bahrun²; Hilyati Milla³; Suharmi³

¹ Graduate Economic Education, Yogyakarta State University, Indonesia
² Faculty of Economics and Business, Muhammadiyah University of Bengkulu, Indonesia
³ Economic Education, Muhammadiyah University of Bengkulu, Indonesia

Abstract

Good employee performance in the era of the industrial revolution 4.0 as it is now is needed so that SMEs can still compete with competitors. MSMEs Batik is a characteristic of culture and culture found in Yogyakarta, Indonesia. So that in managing Batik culture requires good employee performance. The purpose of this study is to determine the mediation of work motivation on the effect of work discipline and compensation on employee performance. The research methodology is ex-post-facto research with a quantitative approach. The population in this study was 98 employees, the sampling technique using total sampling techniques. Data analysis techniques using descriptive analysis and path analysis. The results showed that: 1). Work discipline has a positive and significant effect on employee performance, 2). Compensation has a positive and significant effect on employee performance, 3). Work motivation has a positive and significant effect on employee performance, 4). Work motivation mediates the relationship of work discipline to employee performance, 5). Work motivation mediates the relationship of compensation to employee performance, 6). Work discipline and compensation have a positive and significant influence on employee performance, 7). Work motivation mediates the relationship of work discipline and compensation for employee performance.

Keywords: Work Motivation; Work Discipline; Compensation; Performance; MSMEs.

JEL Classification: J33, J88, O3, O4, M12, M52

1. Introduction

In the era of industrial revolution 4.0 currently has a very big effect on technological development in a country. The development of advanced technology requires that Micro, Small and Medium Enterprises (MSMEs) must have good employee performance in order to compete with competitors. However, some studies show that MSMEs in Indonesia are still said to be not good compared to Large Enterprises (UB) and also compared to SMEs in developed countries (Tambunan, 2012). According to
Egbu et al. (2001) that MSMEs have weaknesses including inability in finance, employee training, and education, marketing, technology. According to Yusuf and Efendi, (2019) that someone starting MSME interests is influenced by entrepreneurship education, income expectations, and self-efficacy. Meanwhile, according to Efendi, Indartono, and Sukidjo (2019) economic literacy and peers mediate self-control over one's impulsive purchases, so that it will have the effect of increasing the performance of MSMEs.

In improving UMKM performance, it must first improve employee performance. According to Kazan & Gümüş (2013), the factors that influence employee performance are as follows: commitment, institutions, work discipline, work motivation, work environment, job satisfaction, compensation, and job promotion. Research conducted by Riyanda (2017) and Rahmayani (2018) shows that work discipline has a positive influence on employee performance. Research Rifa'I, Sukidjo and Efendi (2019), Mardiyanti et al. (2018) and Fitriani, (2018) show that compensation has a positive and significant effect on employee performance. Shahzadi et al. (2014) found that work motivation has a positive and significant effect on employee performance.

Compensation also shows a positive and significant effect on employee performance mediated by work motivation (Safitri, 2018). Research conducted by Sholihin (2019) shows that work discipline and compensation have a positive and significant effect on employee performance mediated by work motivation. By increasing employee performance at an MSME, it will improve the economy of a country so that it can reduce the problem of poverty (Efendi et al, 2019).

Based on the phenomena and findings previously stated that work motivation, work discipline, compensation has a relationship with performance. With the stated basis, this study aims to determine the effect of the variables contained in this study. so the results of this study are able to explain phenomena, theories and empirical findings of mediating work motivation on the influence of work discipline and compensation on performance.

**Performance**

Performance is the quantity and quality of work completed by individuals, groups or organizations (Stoner, 1986). According to Gibson and Donnelly (1994) performance is the desired result of behavior that does a job. Performance according to Robbins (1997) is a measurement of one's results at work. Performance according to Byars and Leslie (2000) is the level of fulfillment of tasks that shape the attitudes of employees.

Performance according to Mathis and Jackson (2006) is what employees do or don't do on a job. Yuliana et al (2017) mention performance is the result of work done by someone in an organization to achieve the goals set by the organization and to minimize losses. Whereas according to Mardiyanti et al (2018) performance is as a result of work both quality and quantity achieved by employees in carrying out the work tasks that have been given to them. Based on the opinion about the performance that has been mentioned, it can be concluded that performance is a result of the implementation of the duties and responsibilities of the work that has been given by the organization.


Work Discipline

Work discipline is an attitude, behavior, and actions that are in accordance with organizational regulations (Nitisemito, 1996). According to Sutrisno et al. (2016) work discipline is an aspect of the work system that must be considered by an organization or company to improve the performance or productivity of an organization. According to Yuliana et al. (2017) is a management action to encourage members of an organization or company to meet various prescribed office regulations. Whereas according to Widodo et al. (2018) work discipline is rules and regulations that regulate and limit every activity and behavior of employees in an organization. Based on the opinions of several that have been explained, it can be concluded that work discipline is individual behavior that complies with the rules and policies set by the organization.

Work discipline is influenced by several factors, according to Helmi (2006), the factors that influence work discipline are as follows: 1). Personality factors, 2). Environmental factor. Whereas according to Hasibuan (2014), the factors that affect work discipline are as follows: 1). Objectives and abilities, 2). Exemplary leadership, 3). Justice, 4). Supervision, 5). Penalty sanctions, 6). Firmness, 7). Reward, 8). Human relations.

Work discipline has several indicators, according to Sinungan (2005), indicators of work discipline are as follows: 1). Attendance, 2). Attitudes and Behavior, 3). Responsible. According to Hasibuan (2014) indicators of work discipline include: 1). Attitude, 2). Norma, 3). Responsibility. While according to Sudarmanto (2009) indicators of work discipline are as follows: 1). Timeliness, 2). How to use work equipment 3). Responsibility 4). Compliance with work rules. Based on the notion of work discipline which is individual behavior that adheres to the rules and policies that have been set by the organization. So that in this research using the indicator Sudarmanto (2009) which includes timeliness, how to use work equipment, responsibility, and adherence to work rules.

Compensation

Compensation is something that is received by employees both in the form of money, various types of services and various other benefits provided by the organization (Burack and Smith, 1982). According to Robbins (1997) compensation is divided into two types, namely: intrinsic reward and extrinsic reward. According to Byars and Leslie (2000) compensation is all extrinsic rewards that employees receive for their work, consisting of basic salary wages, incentives or bonuses, and other additional benefits. According to Sartono et al. (2018) compensation is income received by employees from organizations in the form of money and goods. While Mardiyanti et al (2018) compensation is everything that is received by employees in the form of financial and non-financial compensation. Based on several explanations about compensation, it can be concluded that compensation is anything that is
received by employees of the organization in the form of direct financial compensation, indirect financial, and non-financial compensation.


Compensation has several indicators, according to Mondy et al (1993) compensation indicators are as follows: 1). Financial compensation, 2). Non-financial compensation. While according to Dessler (2000) compensation indicators consist of three, namely: 1). Direct financial compensation, 2). Indirect financial compensation, 3). Non-financial compensation. Based on the understanding of compensation, all types of things received by employees of the organization in the form of direct financial compensation, indirect financial, and non-financial So that the indicators in this research use from Dessler (2000) which includes direct financial compensation, indirect financial compensation, non-financial compensation.

**Work Motivation**

Motivation is a force that encourages, raises and leads an individual (Gibson and Donnelly, 1994). According to Luthans (1995), motivation is a reaction that arises from within a person because of external stimuli that influence. Motivation according to Kreitner et al. (2001) is a psychological process that arouses and directs behavior towards achieving goals. Motivation is also interpreted as the desire in a person that causes must act and achieve certain goals (Mathis and Jackson, 2006). According to Safitri (2018), motivation is someone's special readiness to carry out or continue a series of activities aimed at achieving several goals. According to Sholihin (2019), motivation is a gift of driving force that creates work morale, works together, works effectively and is integrated to achieve goals. Motivation is the willingness of someone to work due to the impulse from within a person as a result of the integration of personal needs, the influence of the physical environment and social environment (Mulyadi and Syafitri, 2019).

Motivation is divided into two types, namely: 1). The motivation that comes from within, 2). Motivations that come from outside ourselves (Adeoye and Elegunde, 2014). According to Pradita, (2017) motivation is an important factor to improve employee performance in an organization. According to Primandarur et al, (2018) motivation is something that raises enthusiasm or encouragement to work, so that the strong or weak work motivation of employees determines performance. Based on several explanations about work motivation, it can be concluded that work motivation is an encouragement from the company to improve performance and meet the needs of an employee.

Work motivation is influenced by several factors, factors that influence work motivation are behavior that comes from internal and external factors. Internal factors, namely those that can affect from within employees such as individual characteristics, while external factors that can influence from outside the employee such as the social environment and organizational environment (Steers et al, 1996). According to Gibson and Donelly, (1994) motivation is influenced by new knowledge and learning opportunities. Whereas according to Murgianto and Suhermin (2016) work motivation is influenced by several factors, namely as follows: 1). Organizational commitment, 2). Competence, 3). Job satisfaction.
Work motivation has several indicators, according to Hasibuan (1996) indicators of work motivation are as follows: 1) Need for achievement, 2) Need for affiliation, 3) Need for power. According to George et al (2005), work motivation indicators include; 1) Direction of behavior, 2) Level of effort, 3) Level of persistence. Whereas according to Ivancevich et al. (2014) motivation indicators are as follows: 1) Psychological need, 2) Safety need, 3) Social need, 4) Esteem need, 5) Need for self actualization. Based on the understanding of work motivation, which is an encouragement from the company to improve performance and meet the needs of an employee, then in this research using indicators from Ivancevich et al. (2014) which includes: Psychological need, Safety need, Social need, Esteem need, and Need for self actualization.

Research Framework and Hypothesis

This research framework is influenced by work discipline and compensation for employee performance mediated by work motivation (Figure 1). In this research model, we will explain the theoretical background of the relationship between variables contained in this research.

Relationship of Work Discipline on Employee Performance

Work discipline is one of the important factors that influence employee performance, where the better the work discipline, the better the performance of employees. Work discipline has a positive and significant influence on employee performance (Kahsifa and Nugraheni, 2016). Research conducted by Putri (2017) and Riyanda (2017) shows that work discipline has a positive and significant influence on employee performance. While research conducted by Rahmayani (2018) shows that work discipline has a positive influence on employee performance.

H1: Work discipline had a positive and significant influence on employee performance.

Relationship of Compensation on Employee Performance

Compensation is one of the reasons employees serve and improve performance in the organization. Previous research shows that compensation has a positive and significant influence on employee performance (Aisha et al. 2013; Sopiah, 2013; Sulistiantio, 2018; Idris et al, 2017; Mardiyanti et al. 2018; Fitriani, 2018). Research conducted by House (1971), Podsakoff et al. (1982), and Feldman & Arnold (1988) found that compensation has a significant effect on employee performance. While research conducted by Aktar et al (2012) and Gohari et al (2013) found that compensation has a positive influence on employee performance.

H2: Compensation had a positive and significant influence on employee performance

Relationship of Work Motivation on Employee Performance


H3: Work motivation had a positive and significant influence on employee performance.
The Mediation of Work Motivation on the Relationship of Work Discipline on Employee Performance

One organization's success is influenced by employee work discipline, employee work discipline must require motivation. Research conducted by Rahmayani (2018), Pradipto and Rahardja (2015), and Sholihin (2019) found that work discipline has a positive and significant influence on employee performance mediated by work motivation.

H4: work motivation mediate the effect of work discipline on employee performance

The Mediation of Work Motivation on the Relationship of Compensation on Employee Performance

Compensation is one of the factors that influence the work motivation of an employee in the organization. Research conducted by Hardiyana et al. (2013), Moempuny (2005), Dito and Lataruva (2010), Safitri (2018), and Sholihin (2019) found that compensation has a positive and significant influence on employee performance mediated by work motivation.

H5: work motivation mediate the effect of compensation on employee performance.

Relationship of Work Discipline and Compensation on Employee Performance

Work discipline and compensation are important variables in an organization. Research conducted by Kazan and Gumus (2013) shows that one of the factors that influence employee performance is work discipline and compensation. Research conducted by Rahmayani (2018) shows that work discipline has a positive and significant influence on employee performance, while research conducted by Fitriani (2018) shows that compensation has a positive and significant influence on employee performance.

H6: work discipline and compensation had a positive and significant influence on employee performance.

The Mediation of Work Motivation on the Relationship of Work Discipline and Compensation on Employee Performance.

Work discipline and compensation in influencing employee performance must require a stimulus in the form of motivation. Research conducted by Pradipto and Rahardja (2015), Rahmayani (2018), and Sholihin (2019) show that work discipline has a positive and significant influence on performance mediated work motivation. While the research conducted by Moempuny (2005), Dito and Lataruva (2010), Hardiyana et al (2013), Safitri (2018), and Sholihin (2019) shows that compensation has a positive and significant effect on employee performance mediated by work motivation.

H7: work motivation mediates the effect of work discipline and compensation on employee performance.
2. **Methodology**  
**Research Design, Population, Sample, And Procedure**

In this research using the type of ex-post facto research with a quantitative approach, According to Sugiyono (2015), ex-post facto is a research conducted to examine events that have occurred and then trace back to find out the factors that can cause the occurrence that is. The population in this research amounted to 98 respondents, sampling in this research using total sampling techniques or all populations used as research samples. The data analysis technique in this research used descriptive analysis and path analysis to test the hypothesis.

**Item And Construct Validation**

Validation of items (Table 1) and constructs are reliable (Table 2), showing some items removed from loading <0.40 based on the theory from Sharma, (1996). While reliable between variables shows a value of 0.86 which indicates that the Cronbach alpha value is reliable.
### Table 2. Mean, standard deviation, reliable (Cronbach's alpha)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean±SD</th>
<th>Reliability (Cronbach’s Alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>40.00±8.00</td>
<td>0.809</td>
</tr>
<tr>
<td>Work Discipline</td>
<td>34.50±7.10</td>
<td>0.748</td>
</tr>
<tr>
<td>Compensation</td>
<td>25.00±5.00</td>
<td>0.799</td>
</tr>
<tr>
<td>Work Motivation</td>
<td>37.50±7.50</td>
<td>0.854</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed 2019

### 3. Results and Discussion

**Results**

The research data analysis was carried out using descriptive statistics (Table 3) and path analysis (Table 4) with the help of SPSS version 22 for windows. The results of data analysis in this research are as follows:

**Table 3. Characteristics of Respondents**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>28</td>
<td>28.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>70</td>
<td>71.4</td>
</tr>
<tr>
<td>Age</td>
<td>21-30 years</td>
<td>48</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>31-40 years</td>
<td>15</td>
<td>15.3</td>
</tr>
<tr>
<td></td>
<td>41-50 years</td>
<td>12</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>51-60 years</td>
<td>20</td>
<td>20.4</td>
</tr>
<tr>
<td></td>
<td>61-70 years</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>71-80 years</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Personal Status</td>
<td>Single</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>63</td>
<td>64</td>
</tr>
<tr>
<td>Education</td>
<td>Elementary School</td>
<td>10</td>
<td>10.2</td>
</tr>
<tr>
<td></td>
<td>Junior High School</td>
<td>6</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>Senior High School</td>
<td>68</td>
<td>69.4</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>5</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>Undergraduate</td>
<td>8</td>
<td>8.2</td>
</tr>
<tr>
<td></td>
<td>Postgraduate</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Work experience</td>
<td>1-9 years</td>
<td>69</td>
<td>70.4</td>
</tr>
<tr>
<td></td>
<td>10-19 years</td>
<td>17</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>20-29 years</td>
<td>6</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>30-39 years</td>
<td>5</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>40-49 years</td>
<td>1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed 2019.
Based on the results of table 3, it is clear that there are more women than men who took part in this research, 70 (71.4%) women and 28 (28.6%) men. The age of respondents was dominated by 21-30 years as many as 48 (49%) respondents and 51-60 years as many as 20 (20.4%). 63 (64%) of respondents were married and 35 single (36%). Respondent's education was dominated by senior secondary schools with 65 (69.4%) and 10 elementary schools (10.2%). In terms of work experience dominated by 1-9 years as many as 69 (70.4) and 10-19 years as many as 17 (17.3%).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1 (β)</th>
<th>Model 2 (β)</th>
<th>Model 3 (β)</th>
<th>Model 4 (β)</th>
<th>Model 5 (β)</th>
<th>Model 6 (β)</th>
<th>Model 7 (β)</th>
<th>Model 8 (β)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>-0.135</td>
<td>-0.090</td>
<td>-0.053</td>
<td>-0.042</td>
<td>-0.033</td>
<td>-0.014</td>
<td>-0.035</td>
<td>-0.008</td>
</tr>
<tr>
<td>Age</td>
<td>-0.037</td>
<td>-0.025</td>
<td>-0.063</td>
<td>-0.084</td>
<td>0.071</td>
<td>-0.087</td>
<td>-0.053</td>
<td>-0.078</td>
</tr>
<tr>
<td>Education</td>
<td>0.095</td>
<td>0.058</td>
<td>0.042</td>
<td>0.072</td>
<td>0.057</td>
<td>0.042</td>
<td>0.026</td>
<td>0.033</td>
</tr>
<tr>
<td>Work experience</td>
<td>0.175</td>
<td>0.164</td>
<td>0.252</td>
<td>0.189</td>
<td>0.182</td>
<td>0.239</td>
<td>0.236</td>
<td>0.232</td>
</tr>
<tr>
<td>Work Discipline</td>
<td>0.312*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.477*</td>
<td>**</td>
<td>0.340*</td>
<td>**</td>
<td>0.421**</td>
<td>0.324*</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>Work motivation</td>
<td>0.459*</td>
<td>0.397*</td>
<td>0.311*</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td></td>
<td>**</td>
</tr>
<tr>
<td>Work Discipline + Compensation</td>
<td>0.613*</td>
<td>0.436</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.061</td>
<td>0.155</td>
<td>0.274</td>
<td>0.261</td>
<td>0.280</td>
<td>0.348</td>
<td>0.307</td>
<td>0.358</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>0.021</td>
<td>0.109</td>
<td>0.235</td>
<td>0.221</td>
<td>0.233</td>
<td>0.305</td>
<td>0.261</td>
<td>0.308</td>
</tr>
</tbody>
</table>

***p < 0.001; **p < 0.01; *p < 0.05

Source: Primary Data Processed 2019

Discussion

Relationship of Work Discipline on Employee Performance

Based on the results of data analysis it can be seen that the coefficient of beta (β) is 0.312 and $p = 0.002$. This shows that the first hypothesis (H1) is accepted, where work discipline has a positive and significant effect on employee performance. The contribution of the influence of work discipline on employee performance can be seen from the adjusted r square value of 0.109 or 10.9%, while the remaining 89.1% is influenced by other variables.

The coefficient value of beta (β) of 0.312 means that if the work discipline increases by one level, then employee performance will increase by one level of 0.312. Based on the results of this study support the findings of Ivo (2009), Tolo et al (2016), and Khasifah & Nugraheni, (2016) which show that work discipline has a positive influence on employee performance. While research conducted by Putri (2017), Riyanda (2017), Vellayati (2018) and Rahmayani (2018) found that work discipline had a positive and significant effect on employee performance.

Relationship of Compensation on Employee Performance

Based on the results of data analysis, it can be seen that the coefficient of beta (β) is 0.477 and $p = 0.000$. This shows that the second hypothesis (H2) is accepted, where compensation has a positive and significant effect on employee performance. The contribution of compensation to employee performance
The coefficient value of beta (β) of 0.477 means that if compensation increases by one level, employee performance will increase by one level of 0.477. Based on the results of this study support the findings of Ali & Akram (2012), Aisha et al. (2013), Sopiah (2013), Sulistiantio, (2018), Idris et al (2017), Mardiyanti et al. (2018), Fitriani (2018), and Rifa’i et al (2019) show that compensation has a positive and significant effect. While the findings of Adeoye (2019) show that compensation has a weak and not significant effect on employee performance.

Relationship of Work Motivation on Employee Performance

Based on the results of data analysis, it can be seen that the coefficient of beta (β) is 0.459 and p = 0.000. This shows that the third hypothesis (H3) is accepted, where work motivation has a positive and significant effect on employee performance. The contribution of the influence of work motivation on performance can be seen from the adjusted r square value of 0.221 or 22.1%, while the remaining 77.9% is influenced by other variables.

The coefficient value of beta (β) of 0.459 means that if work motivation increases by one level, then employee performance will increase by one level of 0.459. Based on the results of this study support the findings of Putri (2017), Antaka (2018), Sulistiantio (2018), Fauzi, (2018) and Fitriani (2018) show that work motivation has a positive and significant effect on employee performance. While the findings of Adeoye (2019) show that work motivation has a weak and not significant effect on employee performance.

The Mediation of Work Motivation on the Relationship of Work Discipline on Employee Performance

Based on the results of data analysis it can be seen that the coefficient of beta (β) is 0.156 and p = 0.119. The contribution of mediating work motivation to the relationship of work discipline to employee performance can be seen from the adjusted r square value of 0.233 or 23.3%. This shows that the fourth hypothesis (H4) is accepted, where work motivation successfully mediates the relationship of work discipline to employee performance.

Based on the results of this study support the findings of Rahmayani (2018), Pradipto and Rahardja (2015), and Sholihin (2019) which show that work motivation mediates the relationship of work discipline to employee performance. The results of this study also support the opinions of Hasibuan (1996), Martoyo (2007) and Primandaru et al (2018) where work motivation as mediation can improve the relationship of work discipline on employee performance.

The Mediation of Work Motivation on the Relationship of Compensation on Employee Performance

Based on the results of data analysis it can be seen that the coefficient of beta (β) is 0.340 and p = 0.000. The contribution of mediating work motivation to the compensation related to employee performance can be seen from the adjusted r square value of 0.305 or 30.5%. This shows that the fifth hypothesis (H5) was accepted, where work motivation succeeded in mediating the compensation relationship on employee performance.

Based on the results of this study support the findings of Moempuny (2005), Hardiyana, et al (2013), Dito & Lataruva (2010), Safitri (2018), and Sholihin (2019) which show that work motivation
mediates the relationship of compensation to employee performance. This result also supports the opinion of Hasibuan (2014) that compensation can increase employee motivation to work. According to Primandaru et al (2018) where motivation is a factor that fosters enthusiasm at work.

**Relationship of Work Discipline and Compensation on Employee Performance**

Based on the results of data analysis, it can be seen that the beta coefficient (β) is 0.613 and p = 0.042. This shows that the sixth hypothesis (H6) is accepted, where work discipline and compensation have a positive and significant influence on employee performance. The contribution of the influence of work discipline and compensation on performance can be seen from the adjusted r square value of 0.261 or 26.1%.

Based on the results of this study support the findings of Kahsifa & Nugraheni (2016), Putri (2017), Riyanda (2017), Rahmayani (2018) which shows that work discipline has a positive and significant effect on employee performance. While research conducted by Anis (2015), Sulistiantio (2018), Fitriani (2018) shows that compensation has a positive and significant effect on employee performance. The results of this study also support the findings of Kazan & Gumus (2013) showing employee performance is influenced by commitment, institutions, work discipline, work motivation, work environment, job satisfaction, compensation, and job promotion.

**The Mediation of Work Motivation on the Relationship of Work Discipline and Compensation on Employee Performance.**

Based on the results of data analysis it can be seen that the coefficient of beta (β) is 0.436 and p = 0.242. The contribution of mediating work motivation to the relationship of work discipline and compensation to employee performance can be seen from the adjusted r square value of 0.308 or 30.8%. This shows that the seventh hypothesis (H7) is accepted, where work motivation successfully mediates disciplinary relationships and compensation for employee performance.

Based on the results of this study support the findings of Pradipto & Rahardja (2015), Rahmayani (2018) and Sholihin (2019) which show that work discipline has a positive and significant effect on performance that is mediated by work motivation. While research conducted by Moempuny (2005), Dito and Lataruva (2010), Hardiyana et al (2013), Safitri (2018) and Sholihin (2019) showed that compensation had a positive and significant effect on employee performance mediated by work motivation. The results of this study also support the opinion of Hasibuan (1996) and Martoyo (2007) which states that work motivation as mediation can improve the relationship of work discipline to employee performance, whereas according to Primandaru et al (2018) where motivation is a factor that fosters one's morale at work.

**Conclusion**

Based on the findings found in the study, it can be concluded that: 1). Work discipline has a positive and significant effect on employee performance, 2). Compensation has a positive and significant effect on employee performance, 3). Work motivation has a positive and significant effect on employee performance, 4). Work motivation mediates the relationship of work discipline to employee performance, 5). Work motivation mediates the relationship of compensation to employee performance, 6). Work discipline and compensation have a positive and significant influence on employee performance, 7). Work motivation mediates the relationship between work discipline and compensation for employee performance. With the limitations of this research can provide suggestions for further research, so that it can contribute more broadly to MSMEs and the economy of a country.
References


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