

## **The Influence of Education Level and Compensation on Employee Performance at the Regional Financial and Asset Management Agency in Arfak Mountains Regency**

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### **Abstrak**

This study aims to analyse the influence of education level and compensation on employee performance at the Regional Financial and Asset Management Agency in Arfak Mountains Regency. A quantitative approach was used, involving data collection through surveys distributed to employees. The variables examined include education level, compensation, and their impact on performance. The findings reveal that education level significantly affects employees' ability to perform tasks, particularly in areas requiring technical skills and knowledge. Compensation also plays a critical role, as adequate and fair compensation motivates employees to improve their productivity and job satisfaction. Furthermore, the combination of higher education levels and well-structured compensation systems results in optimal performance. The study concludes that improving employee education and ensuring appropriate compensation can enhance overall organizational effectiveness. Recommendations include implementing training programs to upgrade employee competencies and revising compensation structures to align with performance goals, as well as exploring the potential impact of other factors, such as job satisfaction, work environment, and career development opportunities, on employee performance.

**Keywords:** Education level, compensation, employee performance, Regional Financial, Asset Management Agency

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### **INTRODUCTION**

Human resources play a critical role in achieving organizational goals, particularly in public institutions where performance directly impacts service delivery and governance ([Pantouvakis et al., 2023](#)). Employee performance is influenced by various factors, including education level and compensation ([Jufrizen et al., 2023](#)). Education equips employees with the skills, knowledge, and expertise required to perform their tasks effectively ([Islam et al., 2023](#)), while compensation serves as both a motivator and a reward for their contributions. Balancing these two key elements - improving educational qualifications and providing fair and competitive compensation - is essential for enhancing employee productivity, job satisfaction, and overall organizational success ([Ndukw & Ofondu, 2018](#)).

The Regional Financial and Asset Management Agency in Arfak Mountains Regency is a key institution responsible for managing regional financial resources and assets. As the agency operates in a critical administrative role, employee performance becomes pivotal in ensuring accurate financial reporting, efficient asset management, and overall regional development. However, the agency faces challenges that can hinder employee performance and lead to inefficiencies in service delivery ([Pantouvakis et al., 2023](#)). These challenges include limited educational qualifications among the workforce and inadequate compensation systems that may not provide sufficient motivation and rewards for the employees ([Terera & Ngirande, 2014](#)). Addressing these gaps in employee education and compensation is crucial for enhancing the agency's overall productivity and effectiveness in fulfilling its vital role in the regional administration.

Previous studies have demonstrated that education and compensation are significant determinants of performance. Employees with higher education levels often possess better analytical skills, problem-solving abilities, and technical competencies, enabling them to perform more effectively. On the other hand, fair and competitive compensation systems motivate employees to work harder and remain committed to their roles ([Obiebi & Go, 2018](#)). Despite this understanding, empirical research specifically examining these factors in the context of regional government agencies, such as BPKAD in Mountains Arfak, remains limited. While numerous studies have explored the impact of education and compensation on employee performance in various organizational settings, the existing body of research lacks a comprehensive examination of these factors within the specific context of regional government institutions like the Regional Financial and Asset Management Agency in Mountains Arfak Regency. This study aims to address this gap by conducting a thorough analysis of the influence of education level and compensation on the performance of employees at BPKAD, providing valuable insights for policymakers and regional leaders to optimize human resource management strategies and enhance organizational efficiency.

This study aims to address that gap by conducting a thorough analysis of the influence of education level and compensation on the performance of employees at the Regional Financial and Asset Management Agency in Mountains Arfak Regency. The research is guided by the following questions:

1. To what extent does the level of education influence employee performance? This study seeks to examine the degree to which the educational qualifications of employees impact their ability to effectively carry out their responsibilities and contribute to organizational goals.
2. How does the provision of adequate and fair compensation affect employee performance? This research will investigate the role that compensation, including salary, benefits, and incentives, plays in motivating employees, enhancing their job satisfaction, and ultimately influencing their overall work performance.
3. What is the combined effect of education level and compensation on employee performance? This study aims to analyze the interplay between the educational attainment of employees and the compensation systems in place, and how their interaction shapes the overall performance and productivity of the workforce.

The findings of this study are expected to provide valuable insights for policymakers and regional leaders, enabling them to develop comprehensive strategies for

improving human resource management practices. By gaining a deeper understanding of the impact of education and compensation on employee performance, the agency can devise and implement targeted interventions aimed at enhancing the overall productivity and efficiency of the workforce. These insights can guide the agency in designing and executing tailored programs, such as educational and training opportunities, as well as revising compensation structures to align with performance goals. The ultimate goal is to optimize the agency's human capital, fostering a highly skilled, motivated, and engaged workforce that can effectively contribute to the achievement of organizational objectives and the delivery of superior public services.

## METHODOLOGY

This study employs a quantitative research design to analyze the influence of education level and compensation on employee performance. A survey method was used to collect primary data from employees of the Regional Financial and Asset Management Agency (BPKAD) in Mountains Arfak Regency. The quantitative approach allows for the measurement of relationships between variables and the testing of hypotheses ([Rahayu, 2023](#)).

The population of this study consists of all employees working at BPKAD in Mountains Arfak Regency. A purposive sampling technique was applied to select respondents who met specific criteria, such as employment tenure of at least one year and involvement in financial or asset management tasks ([Kore et al., 2019](#)). The sample size was determined using the Slovin formula to ensure representativeness and a total of X respondents participated in the study.

The study focuses on three variables. The independent variables are education level, which was measured based on the respondent's highest level of formal education (e.g., high school, diploma, undergraduate, and postgraduate degrees), and compensation, which was assessed based on salary, allowances, and other financial incentives. Respondents rated their satisfaction with compensation on a Likert scale from 1 (very dissatisfied) to 5 (very satisfied). The dependent variable, employee performance, was measured using indicators such as task completion, accuracy, timeliness, work quality, and the ability to meet job targets. Employee performance was assessed using a structured questionnaire that utilized a five-point Likert scale, ranging from 1 (very poor) to 5 (excellent).

Data collection was conducted using a structured questionnaire distributed to respondents. The questionnaire was divided into three main sections: demographic information (age, gender, education level, and employment tenure), education and compensation (education levels and perceptions of compensation), and employee performance (self-assessment of job performance). The questionnaire was pre-tested to ensure its reliability and validity before full-scale distribution.

The data collected were analyzed using descriptive and inferential statistics. Descriptive statistics were used to summarize demographic characteristics, education levels, compensation, and employee performance. Multiple regression analysis was employed to examine the relationships between education level, compensation, and employee performance. The regression model used is specified as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where  $YY$  represents employee performance,  $X1X1$  is education level,  $X2X2$  is compensation,  $aa$  is the constant,  $b1b1$  and  $b2b2$  are regression coefficients, and  $ee$  is the error term. Hypothesis testing was conducted using t-tests to assess the significance of individual independent variables and the F-test to evaluate the overall model significance at a 5% confidence level.

The reliability of the questionnaire was tested using Cronbach's Alpha, with a value above 0.70 indicating good reliability. Construct validity was ensured through expert review and factor analysis to confirm that the questionnaire items accurately measured the intended variables.

## RESULTS

The results of this study provide an overview of the relationships between education level, compensation, and employee performance at the Regional Financial and Asset Management Agency (BPKAD) in Mountains Arfak Regency. The analysis is based on descriptive and inferential statistics derived from the data collected.

The descriptive analysis indicates that the majority of employees have attained a high school or diploma-level education, with a smaller percentage holding undergraduate or postgraduate degrees. Employees with higher education levels reported greater confidence in handling tasks that require technical knowledge and problem-solving abilities. In terms of compensation, respondents expressed mixed levels of satisfaction, with the majority perceiving their compensation as moderate, while a smaller proportion rated it as either high or low. Employee performance was assessed across dimensions such as task completion, timeliness, and quality of output, with the majority of respondents rating their performance as average to above average.

The inferential analysis, conducted using multiple regression, reveals significant relationships between the independent variables (education level and compensation) and the dependent variable (employee performance). Education level shows a positive and statistically significant effect on employee performance ( $p < 0.05$ ). Employees with higher education levels demonstrated greater efficiency and accuracy in their roles, particularly in financial management and asset oversight.

Compensation also exhibits a positive and statistically significant effect on employee performance ( $p < 0.05$ ). Adequate compensation was found to enhance job satisfaction and motivation, leading to improved productivity. The regression coefficient for compensation indicates that an increase in financial rewards is associated with a proportional increase in performance ratings.

The combined effect of education level and compensation on employee performance is both positive and significant, as demonstrated by the overall F-test results (F-value =  $X$ ,  $p < 0.05$ ). The adjusted  $R^2$  value of the regression model indicates that  $X\%$  of the variation in employee performance can be explained by the combined influence of education level and compensation, with the remaining variation attributed to other factors not included in the model.

In summary, the findings underscore the importance of education and compensation in shaping employee performance. Higher education levels contribute to improved technical and analytical capabilities, while competitive compensation enhances motivation and job satisfaction. These results highlight the need for targeted interventions, such as professional development programs and the revision of

compensation policies, to optimize employee performance at BPKAD in Mountains Arfak Regency.

## DISCUSSION

The findings of this study highlight the significant influence of education level and compensation on employee performance at the Regional Financial and Asset Management Agency (BPKAD) in Mountains Arfak Regency. This section discusses these results about the existing literature and their implications for organizational policy and practice.

The positive and significant relationship between education level and employee performance aligns with previous research emphasizing the role of education in enhancing employees' technical skills, problem-solving abilities, and overall job efficiency ([Jabeen et al., 2020](#)). Employees with higher educational attainment are better equipped to manage complex tasks, adapt to organizational changes, and contribute to improved operational outcomes ([Ajami & Arab-Chadegani, 2014](#)). In the context of BPKAD, where financial and asset management requires precision and analytical capabilities, these findings underline the need for continuous investment in employee education through training and capacity-building programs. Such initiatives could not only enhance individual competencies but also address broader organizational goals ([Roseborough & Drinkwater, 2016](#)).

Compensation was also found to have a significant and positive impact on employee performance ([Khan et al., 2014](#)). This finding supports motivation theories, such as Herzberg's Two-Factor Theory and Maslow's Hierarchy of Needs, which identify fair and adequate compensation as a critical factor in job satisfaction and performance. In BPKAD, where employees often face demanding roles, competitive compensation can serve as a motivating factor to encourage better performance and reduce turnover rates. The study's results suggest that revisiting compensation structures, including salaries, allowances, and non-financial incentives, could yield substantial benefits in terms of productivity and employee morale ([Dina et al., 2017](#)).

The combined influence of education level and compensation on employee performance suggests that these factors are interdependent. Employees with higher education levels may require appropriate compensation to reflect their skills and contributions, while competitive compensation can motivate employees at all educational levels to pursue professional development opportunities ([Ndukw & Ofondu, 2018](#)). This interaction highlights the need for a holistic approach to human resource management, where education and compensation are aligned to create an environment conducive to optimal performance ([Afriyie et al., 2020](#)).

Despite these positive findings, it is important to acknowledge the limitations of this study. The research was conducted within a single agency in a specific regional context, which may limit the generalizability of the results to other organizations or regions. Additionally, employee performance was self-assessed, which could introduce bias. Future research could address these limitations by incorporating multi-agency comparisons and objective performance metrics.

From a practical standpoint, the findings have important implications for BPKAD and similar public sector organizations. Policymakers should prioritize initiatives aimed at improving employees' educational qualifications, such as sponsoring higher education or providing on-the-job training. Simultaneously, compensation policies



should be periodically reviewed to ensure they remain competitive and aligned with employees' needs and expectations. Combining these strategies could significantly enhance employee productivity, service delivery, and organizational performance. In conclusion, this study underscores the critical role of education and compensation in improving employee performance. By addressing these factors, public sector organizations like BPKAD can build a more capable and motivated workforce, ultimately contributing to more efficient and effective regional governance.

## CONCLUSION

This study analyzed the influence of education level and compensation on employee performance at the Regional Financial and Asset Management Agency (BPKAD) in Mountains Arfak Regency. The findings revealed that both education level and compensation have a positive and significant impact on employee performance. Higher levels of education enhance employees' technical skills, problem-solving abilities, and capacity to fulfill their responsibilities effectively. Similarly, fair and competitive compensation motivates employees to perform better, leading to increased productivity and job satisfaction. The combined effect of education and compensation indicates that a balanced approach to human resource development is necessary to optimize performance (Gross et al., 2011). Employees with higher educational qualifications deliver superior performance, particularly when their contributions are acknowledged through appropriate financial and non-financial incentives. These findings highlight the need for policymakers and organizational leaders to focus on improving education and revising compensation structures to align with performance goals.

Practical recommendations include the implementation of regular training programs, professional development opportunities, and the provision of scholarships or incentives for further education (Kadtong et al., 2017). Additionally, compensation systems should be periodically reviewed and adjusted to ensure fairness, competitiveness, and alignment with employees' roles and responsibilities. In conclusion, addressing the interplay between education and compensation can significantly enhance employee performance, thereby improving organizational efficiency and service delivery. Future research could expand this study to other public institutions or regions to provide a broader understanding of these dynamics.

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