

# THE IMPACT OF COMPENSATION AND TRANSFORMATIONAL LEADERSHIP ON CAREER SATISFACTION IN A BANKING INSTITUTION

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## Abstract

This study aims to examine the effect of compensation and transformational leadership on employees' career satisfaction in a banking institution. The research is motivated by the growing importance of sustainable human resource management in the highly competitive and performance-driven banking sector. A quantitative approach was employed using a survey method with structured questionnaires. The sample consisted of 100 employees selected as respondents. Compensation was measured using 10 items, transformational leadership using 8 items, and career satisfaction using 14 items, all assessed through a five-point Likert scale. Data analysis was conducted using multiple linear regression, preceded by classical assumption tests, including normality, heteroscedasticity, and multicollinearity tests. The results indicate that compensation and transformational leadership have a positive and significant effect on employees' career satisfaction. Compensation was found to be the most dominant factor influencing career satisfaction compared to transformational leadership. These findings suggest that fair and transparent compensation systems, along with inspirational and supportive leadership practices, play a crucial role in enhancing employees' perceptions of career satisfaction. This study provides practical implications for banking management in developing sustainable human resource policies that support long-term career development and employee well-being.

**Keyword:** Compensation; Transformational Leadership; Career Satisfaction; Banking

## 1. Introduction

The banking industry is a financial services sector that relies heavily on the quality of human resources to maintain institutional stability, competitiveness, and sustainability. Rapid digital transformation, increasing regulatory compliance demands, and intensifying competition among financial institutions require banks to employ individuals who are not only technically competent but also demonstrate strong organizational commitment and long-term career orientation. In this context, employee career satisfaction becomes a strategic issue, as it is closely associated with workforce retention, sustainable performance, and the quality of services delivered to customers (De Vos et al., 2021; Akkermans & Kubasch, 2023).

Career satisfaction reflects the extent to which individuals feel satisfied with the achievements, progress, and career prospects they attain throughout their employment. Empirical studies over the past five years indicate that career satisfaction contributes significantly to employee loyalty, work engagement, and sustained long-term contributions to organizations (Ng et al., 2020; Spurk et al., 2021). Conversely, low career satisfaction has been shown to increase turnover intentions and reduce employee performance and psychological well-being, which may ultimately disrupt organizational operational stability, including within the banking sector (Rofcanin et al., 2022).

One of the key factors influencing employee career satisfaction is work compensation. In the banking industry, compensation functions not only as a financial reward but also as a symbol of organizational recognition of employees' contributions and career development potential. Recent research suggests that fair, transparent, and competitive compensation positively affects career satisfaction by enhancing perceptions of organizational justice and long-term career security (Kim & Beehr, 2020; Abdullah et al., 2021). Empirical studies in the financial services sector further indicate that performance-based compensation plays a significant role in shaping career satisfaction and employee commitment (Putra et al., 2023; Khan et al., 2023). Nevertheless, many existing studies continue to

emphasize compensation as a determinant of short-term job satisfaction rather than as a strategic factor influencing sustainable career satisfaction.

In addition to compensation, transformational leadership is widely recognized as an important determinant of employee career satisfaction. Transformational leadership is characterized by leaders' ability to articulate a clear vision, provide inspirational motivation, and support individual development. Studies conducted over the past five years demonstrate that transformational leadership has a significant positive effect on career satisfaction through enhanced career adaptability, clearer career development direction, and stronger perceptions of organizational support (Alshammari et al., 2021; Ng, 2022). Within the banking sector, which is experiencing rapid change driven by digitalization and sustainability demands, transformational leadership has become increasingly crucial in helping employees adapt and build long-term career prospects (Lee et al., 2020; Khan et al., 2023).

Despite the growing body of research on compensation and transformational leadership, studies that simultaneously examine the effects of both variables on employee career satisfaction particularly within the banking sector remain relatively limited. Most prior research has focused on job satisfaction as a short-term outcome, whereas career satisfaction represents a long-term dimension that is more closely aligned with issues of human resource sustainability and financial institutional stability (De Vos et al., 2021; Akkermans & Kubasch, 2023). This limitation highlights a research gap that needs to be addressed through empirical studies integrating compensation and transformational leadership within a single analytical framework.

Based on the foregoing discussion, this study is important in examining the effects of work compensation and transformational leadership on employee career satisfaction in a banking institution. The findings are expected to contribute theoretically by enriching the human resource management literature particularly in relation to career satisfaction in the banking sector and to provide practical implications for banking management in designing compensation systems and leadership practices that support sustainable employee careers and long-term institutional continuity.

## 2. Research Methodology

### 2.1. Research Object, Time, and Location

This study was conducted at a private banking institution, anonymized as PT XYZ, to maintain confidentiality and adhere to research ethics. The object of the study consisted of active employees of PT XYZ who were involved in banking operational and administrative activities. The research was carried out during the period of October 2025 within the working environment of PT XYZ. A total of 100 employees participated as respondents, which is considered representative for multiple linear regression analysis.

### 2.2. Data Collection Technique

This study employed a quantitative approach with data collected through a structured questionnaire. The research instrument comprised 10 items measuring work compensation (X1), 8 items measuring transformational leadership (X2), and 14 items measuring employee career satisfaction (Y). All items were assessed using a five-point Likert scale. Primary data were obtained from the questionnaire responses, while secondary data were collected through a review of relevant literature.

### 2.3. Data Analysis Technique

Data analysis was conducted using multiple linear regression analysis. Prior to hypothesis testing, classical assumption tests were performed, including the normality test using the Kolmogorov–Smirnov test and Normal P–P Plot, the heteroscedasticity test using the Glejser test, and the multicollinearity test using the Variance Inflation Factor (VIF). Hypothesis testing was carried out using t-tests and F-tests at a 5 percent significance level.

## 3. Results and Discussion

### 3.1. Results

#### a. Descriptive Statistics

Descriptive statistical analysis is used to provide an overview of the characteristics of the research data based on respondents' perceptions of each variable examined. This analysis is presented in the form of frequency distributions and percentages to illustrate respondents' assessment tendencies across variable categories. The results of the categorical descriptive statistical analysis are presented in Table 1.

Table 1. Distribution of Respondents Based on Research Variable Categories

Variable	Category	Frequency	Percentage (%)
Work Compensation (X1)	Moderate	16	16
	High	84	84
Transformational Leadership (X2)	Moderate	21	21
	High	79	79
	Low	1	1
Employee Career Satisfaction (Y)	Moderate	33	33
	High	66	66

Source: Processed Data Using SPSS 26.0 (2026)

Based on Table 1, the distribution of respondents indicates that the majority of employees perceive work compensation to be at a high level, accounting for 84% of respondents, while the remaining 16% rate it as moderate. No respondents categorized work compensation as low, suggesting that the compensation system implemented by the organization is generally perceived positively by employees.

Regarding transformational leadership, most respondents (79%) rate the leadership style as high, while 21% perceive it as moderate. This distribution suggests that the leadership practices applied are considered effective in providing direction, inspiration, and consistent support to employees.

Meanwhile, for employee career satisfaction, the majority of respondents fall into the high category (66%), followed by the moderate category (33%), with only 1% categorized as low. These findings indicate that employees generally experience a favorable level of career satisfaction, although a small proportion still perceives their career satisfaction as relatively low.

#### b. Classical Assumption Tests

##### Normality Test

The normality test was conducted to determine whether the residual data follow a normal distribution. The test was performed using the Kolmogorov–Smirnov test and supported by an analysis of the Normal P–P Plot.

Table 2. Results of the Kolmogorov–Smirnov Normality Test

Description	Value
N	100
Test Statistic	0.069
Asymp. Sig. (2-tailed)	0.2

Source: Processed Data Using SPSS 26.0 (2026)

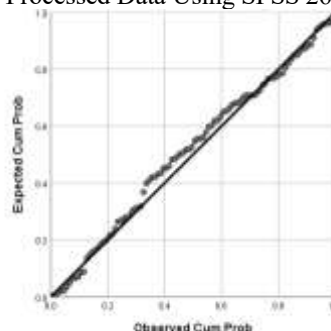


Figure 1. Normal P–P Plot of Regression Standardized Residual

Source: Processed Data Using SPSS 26.0 (2026)

The Kolmogorov–Smirnov significance value of 0.200 is greater than 0.05, indicating that the residual data are normally distributed. This result is further supported by the Normal P–P Plot, which shows residual points distributed closely around and along the diagonal line, confirming that the normality assumption is satisfied.

##### Multicollinearity Test

The multicollinearity test was conducted to examine the presence of high correlations among independent variables. The results of the multicollinearity test are presented in Table 3.

Table 3. Results of the Multicollinearity Test

Variable	Tolerance	VIF
Work Compensation (X1)	0.512	1.953
Transformational Leadership (X2)	0.512	1.953

Source: Processed Data Using SPSS 26.0 (2026)

The tolerance values for all independent variables exceed 0.10, and the VIF values are below 10. Therefore, it can be concluded that the regression model does not suffer from multicollinearity.

### Heteroscedasticity Test

The heteroscedasticity test was conducted using the Glejser test by regressing the absolute residual values on the independent variables. The test results are presented in Table 4.

Table 4. Results of the Heteroscedasticity Test

Variable	t	Sig.
Work Compensation (X1)	0.309	0.758
Transformational Leadership (X2)	-1.768	0.08

Source: Processed Data Using SPSS 26.0 (2026)

The significance values for all independent variables are greater than 0.05, indicating that heteroscedasticity is not present in the regression model.

### c. Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the effects of work compensation (X1) and transformational leadership (X2) on employee career satisfaction (Y). This model aims to identify the direction, magnitude, and statistical significance of the influence of each independent variable on the dependent variable, both simultaneously and partially. The results of the multiple linear regression estimation are presented in Table 5.

Table 5. Results of Multiple Linear Regression Analysis

Variable	B	Std. Error	Beta	t	Sig.
Constant	-9.021	4.293	–	-2.102	0.038
Work Compensation (X1)	1.219	0.136	0.685	8.938	0
Transformational Leadership (X2)	0.451	0.169	0.205	2.674	0.009

Source: Processed Data Using SPSS 26.0 (2026)

Based on the estimation results presented in Table 5, the multiple linear regression equation obtained in this study can be expressed as follows:

$$Y = -9.021 + 1.219X_1 + 0.451X_2$$

The regression equation indicates that the constant value of -9.021 represents the level of employee career satisfaction when work compensation and transformational leadership are assumed to be zero, holding other factors constant. Although the constant term is negative, it is not the primary focus of interpretation, as this study emphasizes the direction and significance of the independent variables' effects.

The regression coefficient for work compensation (X1) of 1.219 indicates that a one-unit increase in work compensation is associated with an increase of 1.219 units in employee career satisfaction, assuming transformational leadership remains constant. The calculated t-value of 8.938 with a significance level of 0.000 (< 0.05) demonstrates that work compensation has a statistically significant effect on employee career satisfaction.

Furthermore, the regression coefficient for transformational leadership (X2) of 0.451 indicates that a one-unit increase in transformational leadership leads to an increase of 0.451 units in employee career satisfaction, assuming work compensation is held constant. The t-value of 2.674 with a significance level of 0.009 (< 0.05) suggests that transformational leadership also has a statistically significant effect on employee career satisfaction.

Based on the standardized coefficients (Beta), work compensation exerts a more dominant influence on employee career satisfaction ( $\beta = 0.685$ ) compared to transformational leadership ( $\beta = 0.205$ ). This finding indicates that variations in employee career satisfaction are more strongly explained by work compensation than by transformational leadership within the proposed model.

Overall, the results of the multiple linear regression analysis indicate that both work compensation and transformational leadership have significant partial effects on employee career satisfaction. Therefore, the regression model is considered appropriate for explaining the relationships among the

variables examined in this study.

### Model Feasibility Test (F-Test)

The F-test was conducted to examine the simultaneous effect of the independent variables on the dependent variable. The results of the F-test are presented in Table 6.

Table 6. Results of the F-Test (ANOVA)

Description	Value
F-value	117.614
Sig.	0

Source: Processed Data Using SPSS 26.0 (2026)

The significance value of 0.000 ( $< 0.05$ ) indicates that work compensation and transformational leadership simultaneously have a significant effect on employee career satisfaction.

### Coefficient of Determination

The coefficient of determination is used to assess the extent to which the independent variables explain the variation in the dependent variable. The results are presented in Table 7.

Table 6. Results of the F-Test (ANOVA)

R	R Square	Adjusted R Square
0.841	0.708	0.702

Source: Processed Data Using SPSS 26.0 (2026)

The Adjusted R Square value of 0.702 indicates that 70.2% of the variation in employee career satisfaction can be explained by work compensation and transformational leadership, while the remaining 29.8% is attributed to other variables not included in the research model.

### 3.2. Discussion

The results of this study indicate that work compensation and transformational leadership have a significant effect on employee career satisfaction in the banking institution examined. These findings reinforce contemporary perspectives in human resource management, which view employee career satisfaction as the outcome of an interaction between structural organizational policies and the quality of leadership directly perceived by employees.

The empirical results demonstrate that work compensation has a positive and significant effect on employee career satisfaction and emerges as the most dominant variable in the research model. This finding is consistent with recent studies emphasizing the importance of fair, transparent, and performance-based compensation systems in shaping employees' perceptions of career success.

Research conducted by Abdullah et al. (2021) shows that competitive compensation significantly enhances career satisfaction and employee commitment in the financial services sector. Similarly, Kim and Beehr (2020) highlight that perceptions of compensation fairness play a critical role in fostering long-term career satisfaction, particularly in organizations with rigid career structures such as banking institutions. In addition, Alhmoud and Rjoub (2020) found that both financial and non-financial compensation simultaneously contribute to career satisfaction through increased motivation and perceptions of organizational recognition.

In the context of modern organizations, De Vos et al. (2021) emphasize that career satisfaction is no longer determined solely by hierarchical promotion but also by reward systems that reflect recognition of employees' contributions and competencies. The findings of this study confirm this argument, as the strong influence of compensation suggests that banking employees place considerable importance on economic rewards as indicators of their career success.

In addition to work compensation, the results also indicate that transformational leadership has a positive and significant effect on employee career satisfaction, although its contribution is relatively smaller. This finding aligns with recent literature that underscores the role of leadership in supporting career development and employees' psychological well-being.

Ng (2022) found that transformational leadership significantly influences career satisfaction through enhanced career adaptability and clearer career goals. Similarly, Alshammari et al. (2021) demonstrated that transformational leaders increase career satisfaction by creating work environments that support continuous learning and development. In the financial sector, Khan et al. (2023) provided evidence that transformational leadership plays a crucial role in building employees' trust in long-term

career prospects within the organization.

Furthermore, Lee et al. (2020) emphasized that transformational leadership affects career satisfaction through psychological mechanisms such as empowerment and meaningful work. These findings are consistent with the results of the present study, where transformational leadership contributes significantly, albeit less dominantly than compensation.

The dominance of work compensation over transformational leadership can be understood within the context of the highly competitive banking industry, which is performance-driven and characterized by clearly structured remuneration systems. Riaz et al. (2022) found that in industries with high performance pressure, extrinsic factors such as compensation tend to exert a stronger influence on career satisfaction than leadership-related factors. A similar pattern was identified by Putra et al. (2023) in the context of banking institutions in developing countries, where career satisfaction is more strongly shaped by financial stability and reward systems than by leadership style alone.

Overall, the findings of this study are consistent with research trends over the past five years, which emphasize that employee career satisfaction is a multidimensional construct influenced by both equitable compensation policies and effective transformational leadership practices. The integration of these two factors represents a critical strategy for sustainable human resource management in the banking sector.

### 3.3. Relationship to Research Objectives

This study aimed to analyze the effects of work compensation and transformational leadership on employee career satisfaction in a banking institution. Based on the results and discussion, it can be concluded that the research objectives have been empirically achieved.

First, the findings confirm that work compensation has a significant effect on employee career satisfaction, thereby addressing the research objective related to the role of remuneration policies in career development. Second, this study also verifies the significant influence of transformational leadership on employee career satisfaction, indicating that leadership remains an important factor in shaping employees' career perceptions. Third, the results contribute to addressing the identified research gap, particularly the limited empirical studies over the past five years that examine employee career satisfaction in the banking sector by integrating compensation and leadership factors within a single analytical model.

Thus, the findings of this study not only fulfill the research objectives but also provide empirical contributions to the development of contemporary human resource management literature, particularly within the context of the banking sector.

## 4. Conclusion

This study concludes that work compensation and transformational leadership have a positive and significant effect on employee career satisfaction in the examined banking institution. Work compensation is proven to be the most dominant factor in shaping career satisfaction, indicating that a fair, transparent, and contribution-based remuneration system plays a strategic role in human resource management. Transformational leadership also contributes significantly by enhancing employee motivation, clarity of career direction, and perceptions of organizational support. These findings provide practical implications for banking management to integrate sustainable compensation policies with the strengthening of transformational leadership practices in order to enhance employee satisfaction and long-term career sustainability. However, this study is subject to limitations related to the use of a single research object and a perception-based quantitative approach. Therefore, future research is recommended to expand the scope to other sectors, incorporate additional variables such as career development or work-life balance, and employ longitudinal designs or mixed-method approaches to achieve a more comprehensive understanding.

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