

## The Effect of Physical Work Environment on Employee Loyalty at PT Bank Nagari West Sumatra Head Office with Job Satisfaction as a Mediating Variable

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### ABSTRACT

*This study aims to examine (1) The effect of the physical work environment on employee loyalty, (2) The effect of the physical work environment on job satisfaction, (3) The effect of job satisfaction on employee loyalty, and (4) The effect of the physical work environment on employee loyalty through job satisfaction as a mediating variable at PT Bank Nagari Headquarters in West Sumatra. This research is causal in nature. The population in this study consisted of 153 employees working at the Bank Nagari Head Office. The study employed a total sampling method for data collection. Data were collected through a questionnaire using a Likert Scale as a measuring tool. Data analysis was conducted using SmartPLS 4 software. The results of data analysis in this study indicate that: (1) The physical work environment has a positive and significant effect on employee loyalty in employees of Bank Nagari West Sumatra Head Office (2) The physical work environment has a positive and significant effect on job satisfaction in employees of Bank Nagari West Sumatra Head Office (3) Job satisfaction has a positive and significant effect on employee loyalty in employees of Bank Nagari West Sumatra Head Office (4) The physical work environment has a positive and significant effect on employee loyalty through job satisfaction as a mediating variable in employees of Bank Nagari West Sumatra Head Office.*

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## INTRODUCTION

Human Resources (HR) holds a pivotal role in a company's success, serving as a critical asset responsible for planning, executing, and overseeing operational activities. Employee loyalty within an organization is crucial to its success. The higher the employee loyalty, the easier it is for the company to achieve the goals set by the owner beforehand (Widayati et al., 2020).

Job satisfaction occurs when employee expectations and needs are met or exceeded through the evaluation of aspects of the job, such as the work environment, relationships with coworkers and superiors, and opportunities for growth (Giovanni & Ie, 2022). The physical work environment encompasses all surrounding conditions in the workplace that have the potential to influence employees, either directly or indirectly (Sedarmayanti, 2016). The work environment not only serves as

a place where the production process takes place but also has a significant impact on employees in carrying out their tasks (Almeyda & Gulo, 2022).

Success and progress in work can be achieved when superiors pay attention to the welfare of all employees, so that they can achieve the expected level of job satisfaction (Almeyda & Gulo, 2022). Paparang et al. (2021) noted that several factors are associated with job satisfaction, including payment in the form of salary or wages, the nature of the work itself, opportunities for promotion, supervision, and relationships with coworkers.

The Head Office of PT Bank Nagari West Sumatra was chosen as the focus of research because it is one of the key work locations with a strategic role. This company has made various efforts to increase work productivity, the reality on the ground shows that some employees are not fully loyal to company values.

Observations of several employees at the PT Bank Nagari West Sumatra Head Office indicate that physical work environment factors can contribute to a decrease in employee loyalty. Factors such as limited facilities, inappropriate spatial layout, lack of lighting, and noise from the narrow workspace hinder activities and cause discomfort (Wati et al., 2020).

Based on the description of the problem above, which highlights the discrepancy between employee expectations and reality at PT Bank Nagari West Sumatra Head Office, as well as the brief description of the results of previous research, researchers are interested in conducting empirical research.

## LITERATURE REVIEW

The Social Exchange Theory, proposed by Blau in 1964, serves as the basis for explaining the relationship between the variables under study. According to the Theory of Social Exchange, when an organization fosters positive relationships, workers tend to feel more satisfied and loyal to their jobs (Griffin, 2002). In addition, the Theory of Social Exchange states that people are more likely to treat others in the same way they are treated.

### Employee Loyalty

Employee loyalty in an organization is a key factor in achieving organizational success. According to Dessler (2009) employee loyalty is an emotional attitude characterized by satisfaction and love for their work. The higher the level of employee loyalty, the easier it is for the organization to achieve its set goals. According to Hasibuan (2017) loyalty is defined as workers who are willing to support and protect the organization, both at work and outside the workplace, from irresponsible interference.

Lavinia (2018) adds that employee loyalty involves a self-sacrificing attitude to satisfy other parties or society, both in job duties and in relationships with coworkers, superiors, and the company as a whole. By integrating these various perspectives, it can be concluded that a broad understanding of the role of employee loyalty is clear as one of the main foundations in achieving the success and sustainability of an organization.

Indicators of employee loyalty according to Saydam in Safrida et al (2023), as follows: First, obedience or compliance refers to an employee's ability to obey all applicable organizational regulations and follow instructions from authorized superiors without violating established restrictions. Second, responsibility is the ability of an employee to complete assigned tasks effectively and on time and is willing to bear the risks of decisions or actions taken. Third, honesty is the conformity between words or actions with reality.

### Physical Work Environment

According to Sedarmayanti (2016) the physical work environment includes all the equipment and materials used, the environment around the workplace, the work methods used, and the

performance arrangements for individual and group work form part of the physical work environment. To ensure that work activities run smoothly, proper planning is required for the essential physical work environment. A good arrangement can increase employee productivity, comfort, and safety while working (Fortuna, 2016).

According to Harris and Ezeh (2008) in Kearney et al (2023) the following are indicators of the physical work environment. First, layout refers to the layout of the workspace, including the placement of equipment, furniture, and access points for employees. Second, workplace color The color in the room has a significant impact on employee morale and morale. Third, cleanliness and aroma in the workplace refers to how odors or aromas in the work environment are perceived by employees.

### Job Satisfaction

According to Mubyl & Sari (2023) job satisfaction is reflected in the positive attitude of employees towards their work and work environment. This positive attitude includes feelings of pleasure or displeasure, which can be seen from their behavior in carrying out their duties. In addition, Wirawan (2017) asserts that job satisfaction involves very important emotional aspects. This emotional aspect plays a big role in determining employees' attitudes towards their work.

The following are indicators of job satisfaction according to Munir & Rahman (2016), as follows. First, satisfaction with salary shows how satisfied employees are with the amount of employee salary. Second, satisfaction with coworkers this satisfaction arises when employees are satisfied with the cooperation and support provided by their colleagues, both in terms of technical assistance and social support. Third, satisfaction with managerial support employees feel satisfied when they have a boss who is able to provide the technical assistance and motivation needed.

### Hypothesis

This framework is intended as a concept to explain and analyze to obtain a comprehensive understanding of the variables to be studied based on the problem formulation (Sugiyono, 2018). Accordingly, the purpose of this research is to study how the physical work environment affects employee loyalty of PT Bank Nagari West Sumatra Head Office, with job satisfaction as a mediating variable. The conceptual framework of this research can be organized as follows based on the brief description above:

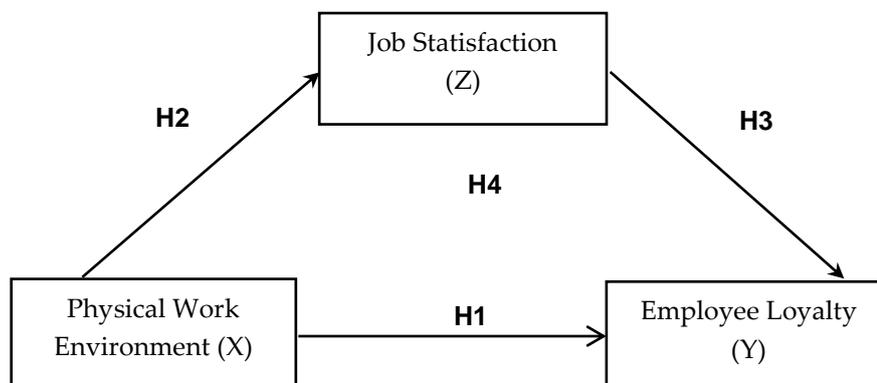


Figure 1. Conceptual Framework of Research

Based on the conceptual framework, the hypotheses obtained are:

H1 : The physical work environment positively influences employee loyalty.

H2 : The physical work environment positively influences job satisfaction.

H3 : The job satisfaction positively influences employee loyalty.

H4 : The physical work environment positively influences employee loyalty through job satisfaction as a mediating variable.

## METHOD

This causal research aims to determine the effect of the physical work environment on employee loyalty of PT Bank Nagari West Sumatra Head Office, with job satisfaction as a mediating variable. This study took a sample of all 153 employees of PT Bank Nagari West Sumatra Head Office. To collect data, a questionnaire based on Likert Scale was used. Data analysis was carried out using SmartPLS 4 software to test the relationship between the variables studied. The following is the population definition and sampling method.

## RESULT AND DISCUSSION

Smart PLS 4 software was used for data analysis methods in this study. PLS (Partial Least Square) is a type of variant-based structural equation analysis (SEM) that can test measurement models and structural models simultaneously. Measurement models are used to assess reliability and validity, while structural models are employed to test causality (hypothesis testing with prediction models).

### Validity Test

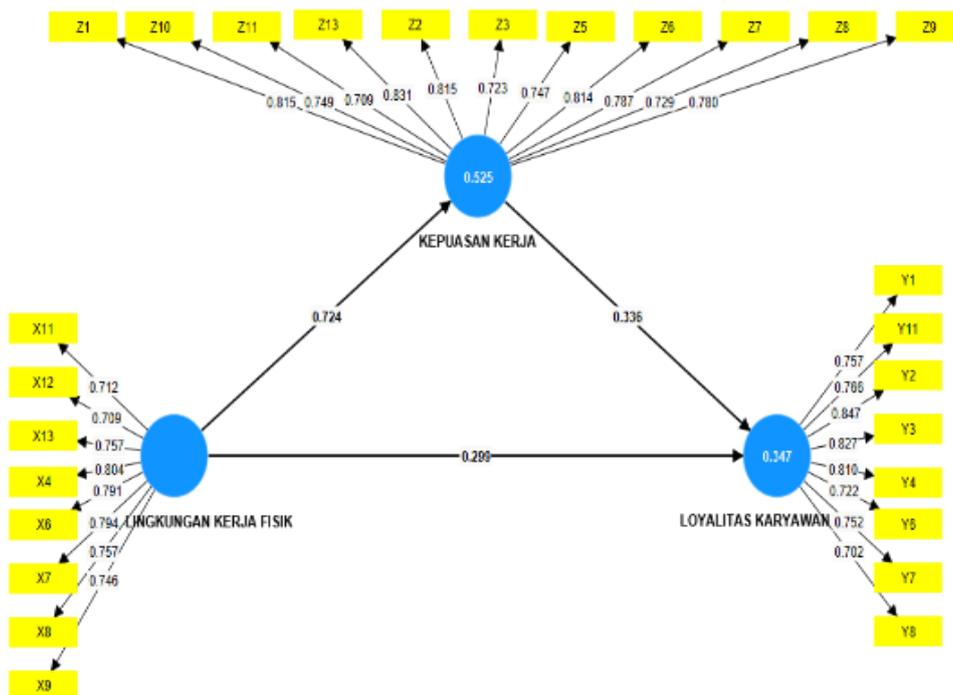


Figure 2. Initial Outer Model

Since each indicator has a factor loading value greater than 0.7, the validity test shows that all indicators are valid, indicating that the outer model has strong convergent validity. The Average Variance Extracted (AVE) value of a construct is considered valid if the AVE is greater than 0.5.

Table 1. Average Variance Extracted (AVE)

Variable	Average variance extracted (AVE)
Job satisfaction	0,599

Variable	Average variance extracted (AVE)
Physical work environment	0,577
Employee loyalty	0,6

Source: Primary data processed (2024)

### Reliability Test

Reliability testing aims to show that the instrument produces reliable and consistent data. In reliability testing, two main measures need to be considered, namely Cronbach's alpha and composite reliability, as shown in the following table:

**Tabel 2. Uji Realibilitas**

	Cronbach's alpha	Composite reliability
Job satisfaction	0,933	0,937
Physical work environment	0,895	0,896
Employee loyalty	0,904	0,906

Source: Primary data processed (2024)

According to the table above, all variables in this study can be considered reliable because the value of composite reliability and Cronbach's alpha with the value of each variable is more significant than 0.7, which is a general (Sugiyono, 2018).

### Hypothesis Testing

The first step in assessing the model using PLS is to examine the R-squared value for each endogenous latent variable. Changes in the R-square value can be used to determine whether the effect of certain exogenous latent variables on endogenous latent variables is significant. The following are the results of the SmartPLS R-square estimation:

**Table 3. R-Square**

	R-square	R-square adjusted
Job satisfaction	0,525	0,522
Employee loyalty	0,347	0,339

Source: Primary data processed (2024)

Based on the results of the R-square calculation contained in the table above, the R-square value for the job satisfaction variable can be explained by the physical work environment variable by 52%. Thus, the remaining 48% of the job satisfaction variable is explained by other factors not described in this study. In addition, the employee loyalty variable can be explained by the physical work environment and job satisfaction variables by 34%. Therefore, the remaining 66% of the employee loyalty variable is also explained by other factors not covered in this study. This research shows the importance of physical work environment and job satisfaction in influencing employee loyalty.

**Table 4. Inner Model Analysis Results**

	Original sample (O)	T statistics ( O/STDEV )	P values
Physical work environment -> Employee loyalty	0,299	3,013	0,003

Physical work environment -> Job satisfaction	0,724	13,217	0,000
Job satisfaction -> Employee loyalty	0,336	3,254	0,001

Source: Primary data processed (2024)

PLS uses simulation to test hypothesized relationships. To obtain clarity on the path coefficients in this case, the bootstrapping method in PLS analysis can be employed. The following are the results of testing using the bootstrapping method of PLS analysis.

1. The Effect of Physical Work Environment on Employee Loyalty  
Table 4 shows that the physical work environment has a positive and significant relationship with employee loyalty. With a t-statistic value of 3.013, which is greater than the minimum limit of 1.96 and a p-value of 0.003, which is smaller than 0.05, it can be concluded that the first hypothesis (H1) of this study is accepted because the t-statistic value and p-value meet the significant criteria.
2. The Effect of Physical Work Environment on Job Satisfaction  
Table 4 shows a positive and significant relationship between an environmentally friendly work environment and employee loyalty. While the t-statistic value of 13.217 is greater than the minimum limit of 1.96 and the p-value of 0.000 is less than 0.05, it can be concluded that the second hypothesis (H2) of this study is accepted, because the t-statistic value and p-value meet the significant criteria.
3. The Effect of Job Satisfaction on Employee Loyalty  
Table 4 shows a positive and significant relationship between an environmentally friendly work environment and employee loyalty. With a t-statistic value of 3.254 which is greater than the minimum limit of 1.96 and a p-value of 0.001 which is smaller than 0.05, the third hypothesis (H3) of this study is accepted, because the t-statistic value and p-value meet the significant criteria.

**Table 5. Indirect Effect**

	<i>Original sample (O)</i>	<i>T statistics ( O/STDEV )</i>	<i>P values</i>
Physical work environment -> Job satisfaction -> Employee loyalty	0,243	3,022	0,003

Source: Primary data processed (2024)

Table 5 illustrates that the physical work environment has a positive and significant impact on employee loyalty, mediated by job satisfaction. With a t-statistic value of 3.022 which is greater than the minimum limit of 1.96 and a p-value of 0.003 which is smaller than 0.05, it can be concluded that the fourth hypothesis (H4) of this study is supported and accepted, because the t-statistic value and p-value meet the significant criteria.

## CONCLUSION

The purpose of this study is to investigate the impact of the physical work environment on employee loyalty at PT Bank Nagari West Sumatra Head Office, with job satisfaction serving as a mediating variable. Based on the previous analysis and discussion, the results are as follows:

1. The physical work environment affects employee loyalty significantly and positively. This shows that a good work environment can increase the sense of being valued among employees, which in turn increases their productivity and loyalty.
2. The physical work environment significantly and positively affects job satisfaction. This means that a safe and supportive work environment is an important factor in achieving a high level of job satisfaction.
3. Physical job satisfaction significantly and positively affects employee loyalty. This means that employees who feel satisfaction in their jobs tend to show a higher level of commitment to the organization.
4. On the positive and significant influence of the physical work environment on employee loyalty through job satisfaction as a mediating variable. A conducive work environment can significantly increase productivity, which is crucial to an organization's success. This suggests that the quality of the work environment contributes to employee commitment through increased satisfaction.

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