



The Effect of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation among MSME Workers in Jagaraga Village

Sahlan^{1*}, Ika Yuliana¹, Febria Nurmelia¹, Irwan Cahyadi¹, Ega Dwi Putri Marswandi¹

¹Management Study Program, Faculty of Economy and Business, Universitas Bumigora, Mataram, Indonesia.

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Corresponding Author:

Sahlan

2203010093@universitasbumigora.ac.id

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Abstract: This study aims to empirically examine the effects of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation among employees of Micro, Small, and Medium Enterprises (MSMEs) in Jagaraga Village. The study employed a quantitative approach with an associative research design. Data were collected through questionnaires and analyzed using multiple linear regression, partial significance testing (t-test), simultaneous significance testing (F-test), and the coefficient of determination. The empirical findings indicate that Job Security has a positive and significant effect on Work Motivation, as evidenced by a regression coefficient of 0.468, a t-value of 5.302, and a significance level of 0.004. Financial Compensation also demonstrates a positive and significant effect on Work Motivation, with a regression coefficient of 0.419, a t-value of 4.303, and a significance level of 0.014. Furthermore, Democratic Leadership has a positive and significant effect on Work Motivation, with a regression coefficient of 0.427, a t-value of 4.783, and a significance level of 0.003. Simultaneously, Job Security, Financial Compensation, and Democratic Leadership significantly influence Work Motivation, as indicated by an F-value of 24.300 and a significance level of 0.000. The coefficient of determination (R^2) of 0.613 indicates that 61.3% of the variation in Work Motivation is explained by the three independent variables, while the remaining variation is attributable to other factors outside the research model.

Keywords: Job Security, Financial Compensation, Democratic Leadership, Work Motivation, MSMEs.

Introduction

Work motivation is an important aspect of human resource management because it is closely associated with employees' willingness and ability to perform their duties effectively in achieving organizational objectives. Employees with high levels of work motivation tend to demonstrate greater enthusiasm, responsibility, and commitment in carrying out their tasks. Conversely, inadequate work motivation may reduce employees' effort and contribution to organizational activities. In the context of Micro, Small, and Medium Enterprises (MSMEs), maintaining high employee motivation is particularly important because business operations and

sustainability are highly dependent on the involvement, performance, and productivity of human resources.

Work motivation is influenced by various organizational and individual factors rather than by a single determinant. One relevant factor is Job Security, which refers to employees' perceptions regarding the certainty and continuity of their employment. A sense of security at work can provide psychological stability and allow employees to focus more effectively on their responsibilities. In the present study, Job Security is considered one of the factors that may influence Work Motivation. This relationship is supported by Hilmah (2023), who found a positive relationship between Job Security and Work Motivation among employees at PT Wahana Ottomitra Multiartha. The finding indicates that

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employees who perceive greater security in their employment tend to demonstrate higher levels of work motivation. Therefore, Job Security can be considered a relevant factor in understanding differences in employees' Work Motivation.

In addition to Job Security, Financial Compensation represents an external factor that may influence employees' Work Motivation. Fair and appropriate financial compensation can serve as recognition of employees' contributions while simultaneously supporting the fulfillment of their economic needs. Previous research by Indriani and Wirawan (2019) found that financial compensation had a positive and significant effect on employees' Work Motivation. Similarly, Kahuningan and Netra (2023) reported that compensation had a positive and significant effect on employee motivation. These findings indicate that compensation is associated with employees' attitudes and work outcomes, making it relevant to further examine its role in determining Work Motivation, particularly within the MSME context.

Another important factor is Democratic Leadership, which emphasizes employee participation in decision-making, open communication, opportunities to express opinions, and collaborative workplace relationships. Such a leadership approach can provide employees with greater opportunities to participate in organizational activities and express their views, which may contribute to stronger work motivation. Empirical evidence supports this relationship. Bairawati and Prapanca (2023) found that Democratic Leadership Style had a significant effect on Work Motivation among employees of CV. Himpunan Abadi Surabaya. Their findings indicate that participatory leadership practices can contribute to employee motivation by involving employees in organizational processes and providing opportunities for participation. Therefore, Democratic Leadership can be considered an important factor that may contribute to strengthening employees' Work Motivation.

Although previous studies have examined the relationships between leadership, compensation, job security, and various employee-related outcomes, studies that simultaneously examine Job Security, Financial Compensation, and Democratic Leadership as determinants of Work Motivation in MSMEs in Jagaraga Village remain limited within the research context underlying this study. Previous research has also tended to examine different relationships, including leadership and compensation in relation to Work Motivation, compensation in relation to employee performance, and Job Security in relation to Organizational Commitment. This condition indicates a research gap concerning the integration of these three factors into a single empirical

model explaining Work Motivation among MSME employees.

Therefore, this study aims to empirically examine the effects of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation among employees of MSMEs in Jagaraga Village, both individually and simultaneously. The study is expected to contribute empirical evidence to the human resource management literature by providing a more integrated understanding of the factors associated with employee motivation in the MSME sector. Practically, the findings may provide useful insights for MSME owners in developing employment practices, compensation systems, and leadership approaches that foster stronger employee motivation and support sustainable business performance.

Method

This study employed a quantitative approach with an associative research design to empirically examine the relationships between Job Security, Financial Compensation, Democratic Leadership, and Work Motivation. The study was conducted among workers of Micro, Small, and Medium Enterprises (MSMEs) in Jagaraga Village, Kuripan District, West Lombok Regency, West Nusa Tenggara, Indonesia. The research was conducted from February to August 2026.

The population consisted of 50 workers employed by MSMEs in Jagaraga Village, including workers involved in various types of businesses such as chicken trading, ready-to-eat chicken businesses, and home-based food enterprises. Because the population was relatively small, this study employed a saturated sampling technique, in which all members of the population were included as research respondents. Accordingly, the final sample comprised 50 respondents.

Data were collected using a survey method, primarily through a structured questionnaire. The questionnaire measured respondents' perceptions of Job Security, Financial Compensation, Democratic Leadership, and Work Motivation using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Documentary data were also used as supporting information for the research.

The collected data were analyzed quantitatively using multiple linear regression analysis to determine the direction and magnitude of the effects of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation. Hypothesis testing was conducted using the partial significance test (t-test) to assess the individual effect of each independent variable and the simultaneous significance test (F-test) to examine their joint effect on Work Motivation. The coefficient of determination (R^2) was subsequently used

to assess the proportion of variation in Work Motivation explained by the independent variables.

Result and Discussion

Multiple Linear Regression Analysis

The multiple linear regression analysis was conducted to examine the direction and magnitude of the effects of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation among MSME workers in Jagaraga Village.

Table 1. Multiple Linear Regression Results

Variable	Regression Coefficient (B)	t-value	Sig.
Constant	-5.111	-1.794	0.079
Job Security	0.468	5.302	0.004
Financial Compensation	0.419	4.303	0.014
Democratic Leadership	0.427	4.783	0.003

Source: Processed primary data, 2026.

The regression equation is $Y = -5.111 + 0.468X_1 + 0.419X_2 + 0.427X_3 + e$. The positive coefficients indicate that increases in Job Security, Financial Compensation, and Democratic Leadership are associated with increases in Work Motivation. Among the three predictors, Job Security has the largest regression coefficient (0.468), followed by Democratic Leadership (0.427) and Financial Compensation (0.419).

The Effect of Job Security on Work Motivation

The results demonstrate that Job Security has a positive and significant effect on Work Motivation. The coefficient of 0.468 indicates a positive relationship, while the t-value of 5.302 and significance level of 0.004 confirm that the effect is statistically significant. Therefore, the first hypothesis is supported.

This finding indicates that employees who perceive greater certainty and security regarding their employment tend to demonstrate higher levels of work motivation. Employment security can provide psychological stability, allowing workers to focus more effectively on their responsibilities without excessive concern about the continuity of their employment. In the context of MSMEs, where employment conditions may be relatively dynamic, the perception of job continuity becomes particularly relevant in sustaining employees' willingness to contribute.

The finding is consistent with Hilmah (2023), who reported a positive relationship between Job Security and Work Motivation among employees of PT Wahana Ottomitra Multiartha. The finding indicates that employees who perceive greater security in their employment tend to demonstrate higher levels of work motivation. The consistency between the present finding

and previous research strengthens the empirical evidence regarding the relationship between employment security and employee motivation.

The Effect of Financial Compensation on Work Motivation

The analysis further indicates that Financial Compensation has a positive and significant effect on Work Motivation. The regression coefficient of 0.419 indicates a positive direction, while the t-value of 4.303 and significance level of 0.014 demonstrate statistical significance. Accordingly, the second hypothesis is supported.

The finding suggests that appropriate financial compensation can strengthen employees' motivation to perform their work. Compensation is not merely an economic return for services rendered; it can also represent organizational recognition of employees' contributions. When workers perceive compensation as fair and appropriate, they may develop stronger motivation to fulfill their responsibilities and contribute to organizational objectives.

This result is consistent with Indriani and Wirawan (2019), who found that financial compensation had a positive and significant effect on employees' work motivation at PT United Sindo Perkasa. Their findings indicate that financial compensation can serve as an important external factor in strengthening employees' motivation. The consistency of these findings suggests that fair and appropriate financial rewards may contribute to maintaining employees' willingness to perform their responsibilities. For MSMEs in Jagaraga Village, providing compensation that is perceived as appropriate and related to employees' contributions may therefore be considered an important aspect of maintaining workers' motivation.

The Effect of Democratic Leadership on Work Motivation

The results also show that Democratic Leadership has a positive and significant effect on Work Motivation. The regression coefficient is 0.427, with a t-value of 4.783 and a significance level of 0.003. These results confirm that the third hypothesis is supported.

The positive relationship indicates that participatory leadership practices can strengthen employees' motivation. Democratic leadership provides opportunities for employees to express opinions, participate in decision-making, and communicate openly with their leaders. Such practices can create a sense of appreciation, trust, and involvement, which may encourage employees to perform their duties more enthusiastically.

This finding is consistent with Bairawati and Prapanca (2023), who examined the influence of Democratic Leadership Style on Work Motivation among employees of CV. Himpunan Abadi Surabaya.

Their study found that Democratic Leadership Style had a significant effect on Work Motivation. The findings indicate that leadership practices involving employee participation can contribute to strengthening work motivation. Therefore, the present finding provides empirical support for the importance of participatory leadership in encouraging employee motivation, particularly in an MSME context.

The Simultaneous Effect of Job Security, Financial Compensation, and Democratic Leadership on Work Motivation

The simultaneous test demonstrates that Job Security, Financial Compensation, and Democratic Leadership collectively have a significant effect on Work Motivation. The F-value of 24.300 exceeds the critical value of 2.81, with a significance level of 0.000. Thus, the fourth hypothesis is supported.

Table 2. Simultaneous Test (F-Test)

Model	F-value	Sig.	Decision
Regression	24.300	0.000	Significant

Source: Processed primary data, 2026.

The simultaneous finding demonstrates that Work Motivation is not determined by a single organizational factor. Rather, it is associated with the combined presence of employment security, appropriate financial rewards, and participatory leadership. Job Security provides employees with a sense of certainty, Financial Compensation represents recognition of their contribution, while Democratic Leadership creates opportunities for participation and open communication. The combination of these conditions can establish a more supportive work environment that encourages employees to remain motivated.

Summary of Hypothesis Testing

Table 4. Hypothesis Testing Results

Hypothesis	Relationship	Coefficient	t/F-value	Sig.	Decision
H1	Job Security → Work Motivation	0.468	5.302	0.004	Supported
H2	Financial Compensation → Work Motivation	0.419	4.303	0.014	Supported
H3	Democratic Leadership → Work Motivation	0.427	4.783	0.003	Supported
H4	Job Security, Financial Compensation & Democratic Leadership → Work Motivation	—	24.300	0.000	Supported

Source: Processed primary data, 2026.

Conclusion

This study concludes that Job Security, Financial Compensation, and Democratic Leadership each have a positive and significant effect on Work Motivation among MSME workers in Jagaraga Village. Job Security demonstrates the strongest regression coefficient among the three predictors, indicating that employees who

This finding is also consistent with the broader findings reported in previous research, particularly studies showing positive relationships between Job Security and Work Motivation, Financial Compensation and Work Motivation, and Democratic Leadership and employee motivation or performance. The present study extends these findings by examining the three factors simultaneously within the specific context of MSMEs in Jagaraga Village.

Coefficient of Determination

The coefficient of determination shows an R² value of 0.613, indicating that Job Security, Financial Compensation, and Democratic Leadership collectively explain 61.3% of the variation in Work Motivation. The remaining 38.7% is attributable to factors outside the model. However, when adjusted for the number of predictors and sample size, the Adjusted R² is 0.588, indicating that the model explains approximately 58.8% of the variation in Work Motivation.

Table 3. Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.783	0.613	0.588	3.257

Source: Processed primary data, 2026.

The relatively substantial explanatory contribution suggests that the three variables constitute important determinants of Work Motivation within the research context. Nevertheless, the unexplained proportion indicates that other factors not examined in this study may also contribute to employees' motivation. Consequently, future studies may consider incorporating additional organizational and individual factors to obtain a more comprehensive explanation of Work Motivation.

perceive greater employment security tend to report higher levels of work motivation. This finding is supported by recent empirical evidence examining the relationship between job security and work motivation. Azikin, Badaruddin, and Latief (2026) examined the effect of job security on work motivation among Government Employees with Work Agreements (PPPK) and identified job security as a factor related to work

motivation. Although the organizational context differs from the present study, the finding provides empirical evidence regarding the relationship between employment security and employee motivation.

Financial Compensation also has a positive and significant effect on Work Motivation. This finding indicates that fair and appropriate financial rewards can strengthen employees' willingness to perform their responsibilities and contribute to organizational objectives. The finding is consistent with Indriani and Wirawan (2019), who found that financial compensation had a positive effect on work motivation among field employees at PT United Sindo Perkasa. Similar evidence was reported by Sari and Andri (2023), who found that financial compensation had a positive and significant effect on work motivation. These findings indicate that financial compensation can function as an external factor that supports employees' motivation to perform their work responsibilities.

Furthermore, Democratic Leadership has a positive and significant effect on Work Motivation. This finding demonstrates that open communication, employee participation, and involvement in decision-making can encourage employees to feel valued and involved, thereby supporting their work motivation. The result is consistent with Bairawati and Prapanca (2023), who found that Democratic Leadership Style had a significant effect on Work Motivation among employees of CV. Himpunan Abadi Surabaya. Their findings provide empirical support for the relationship between participatory leadership practices and employee motivation.

Finally, Job Security, Financial Compensation, and Democratic Leadership simultaneously have a significant effect on Work Motivation, with an F-value of 24.300 and a significance level of 0.000. The coefficient of determination further indicates that the three variables jointly explain 61.3% of the variation in Work Motivation. These findings extend previous research by demonstrating that employment security, financial rewards, and democratic leadership can function as complementary factors in strengthening employee motivation within the specific context of MSMEs in Jagaraga Village. Therefore, MSME owners are encouraged to maintain reasonable employment security, provide fair financial compensation, and implement participatory leadership practices to foster a supportive work environment and sustain employee motivation.

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