

How to Cite:

Pradhana, N. A., Widiyanti, M., Yusuf, M., & Wita Farla, W. K. (2024). The effect of rewards and punishments on employee performance at rural banks in Palembang City. *International Journal of Economic Perspectives*, 18(11), 2774–2782. Retrieved from <https://ijeponline.org/index.php/journal/article/view/751>

The effect of rewards and punishments on employee performance at rural banks in Palembang City

Nugraha Adhi Pradhana

Student of Master Management, Sriwijaya University, Palembang, Indonesia

Marlina Widiyanti

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang, Indonesia

Muhammad Yusuf

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang, Indonesia

Wita Farla WK

Lecturer of Magister Management, Economic Faculty, Sriwijaya University, Palembang, Indonesia

Abstract--This study aims to analyze the effect of reward and punishment systems on employee performance at Rural Banks (BPR) in Palembang City. Reward and punishment are management strategies used to motivate employees, maintain discipline, and improve work quality. This research uses quantitative methods with primary data collection through questionnaires filled out by 136 respondents from the marketing department at BPR. The data were analyzed using multiple linear regression to evaluate the relationship between the independent variables (reward and punishment) and the dependent variable (employee performance). The results showed that reward and punishment have a significant influence on employee performance, with a coefficient of determination of 58.5%. Reward contributes positively with a regression coefficient of 0.378, which indicates that providing fair and appropriate rewards increases employee motivation and work results. Punishment also has a positive contribution with a regression coefficient of 0.288, which indicates that the application of clear and consistent sanctions can improve discipline and work productivity. This research contributes to BPR management in designing effective reward and punishment-based

policies to create a productive work environment and increase employee job satisfaction.

Keywords---Reward, Punishment, Employee Performance.

Introduction

Human resources play a crucial role in the success of an organization, because the achievement of the organization depends largely on the quality and performance of each of its members. Therefore, companies need to carry out human resource empowerment efforts to improve individual performance, which in turn will have a positive effect on overall company performance. One way to achieve this is by implementing a reward and punishment system (Putri et al., 2022). (Putri et al., 2022). Although both have opposite characteristics, rewards and punishments are interrelated and have a function to encourage employees to improve work quality and be more responsible for their duties. However, rewards and punishments must be carried out fairly and reasonably by the company, not based on personal preferences. If rewards and punishments are not done fairly, this can lead to jealousy among employees, which in turn can damage working relationships and negatively affect their performance. (Darimi & Ismail, 2019).

The banking sector, particularly rural banks (BPRs), plays an important role in supporting the community's economy through the provision of financial services to micro, small, and medium enterprises (MSMEs). Bank Perkreditan Rakyat (BPR) is a financial institution that focuses on providing banking services to communities at the micro level, particularly micro, small, and medium enterprises (MSMEs). BPRs play an important role in improving access to finance for segments of society that are underserved by large banks, by providing services such as credit, savings, and deposits. The main function of BPRs is to channel credit to the community, especially MSMEs, which often find it difficult to obtain financing from large banks. By providing access to affordable loans, BPRs help develop micro and small businesses, which in turn support regional economic growth. (Basyirah & Wardi, 2020).

OJK plans to cut the number of BPRs from 1,411 (as of September 2023) to only around 1,000 by 2027. The institution considers the large number of BPRs to be a source of problems. This is because some of them are in poor financial condition, which affects the company's performance. However, the number of offices continues to grow, from 2,009 in 2005, then to 6,054 office units as of September 2023. (Datanesia, 2023). The pruning of these BPRs is planned so that underperforming BPRs merge or liquidate with other BPRs to increase their capital.

BPRs that merge are expected to have an impact on efficiency in BPR management, strengthening branding, improving financial performance, fulfilling organizational structures, accelerating licensing processes and facilitating BPR synergies and cooperation. This development also includes strengthening the structure and competitive advantages of banks, accelerating digital transformation, strengthening the role of BPRs in the region, and improving the

regulation, licensing and supervision of bank products. These measures are expected to improve the competitiveness and performance of BPRs.

In the last 18 years, the asset growth of the People's Economic Bank (BPR), formerly Bank Perkreditan Rakyat, has tended to slow down. During 2006-2015, asset growth was quite high, never less than 13%. Even in 2011 it touched 22%. Its asset growth in this period was often higher than the performance of commercial bank assets, except in 2013. But afterward, from 2016 to September 2023, the growth of BPR assets tended to be lower, never again reaching 12% of its previous performance.(Datanesia, 2023).

In Palembang City, BPR has become one of the main pillars that drive local economic growth, with a focus on lending to MSMEs as well as raising funds from the community. Through providing access to affordable financing, BPRs contribute to strengthening the real sector which in turn supports job creation and poverty reduction. (Jeany, 2020). However, to achieve success in carrying out these functions, employee performance is a very determining factor. The optimal performance of each employee in BPR will have an impact on the quality of services provided to customers and operational effectiveness in the field. Employees who have high motivation, adequate skills, and dedication to their duties can make a significant contribution in expediting business processes, from loan disbursement to managing public funds. In addition, good service quality is also key to building lasting relationships with customers and creating a positive reputation for BPRs in the eyes of the community. (Wuwungan et al., 2020).

In an effort to maintain and improve employee performance, the application of reward and *punishment* systems is one of the commonly applied management strategies. The *reward* and *punishment* system is a form of reinforcement that can motivate employees to work better and comply with applicable regulations. According to Alfaruqy (2022)According to Alfaruqy (2022), giving *rewards* can encourage better work performance, while *punishment* serves as a controlling tool to maintain discipline in the organization.

Based on the focus of this research, the main objective is to analyze the extent of the influence of *reward* and *punishment* on employee performance in Rural Banks (BPR) in Palembang City. This research will specifically examine various factors related to the reward and sanction system, such as the type of *reward* given, the application of *punishment*, and how these two factors impact employee motivation and productivity. The results of this study are expected to make a significant contribution to BPR management in designing effective policies to improve employee performance, create a more productive work environment, and maintain the quality of service to customers.

Method

The data source used in this study is primary data, namely data collected by researchers when conducting research in the form of questionnaire statements distributed to all employees at Rural Banks in Palembang city who are still actively operating in 2024.

The population in this study were all active employees in the marketing section of Rural Banks in Palembang city who were still actively operating in 2024 as many as 14 companies. The sample was taken from the minimum number because the population was not known for sure, so the number of samples in this study was 136 people in the marketing department. As for other things that are taken into consideration in determining the number of samples in this study, namely time constraints, cost savings, and the difficulty of researchers in meeting directly or indirectly active employees who are still working at Rural Banks in Palembang city in 2024.

In this study, the results obtained from the answers to the questionnaire using the *Likert* scale are ordinal data. In order for the data to be analyzed statistically, the data must be converted to Interval. The *method* used is the *method of successive* (MSI), which is a scaling method to raise the ordinal measurement scale to an interval measurement scale. (Sedarmayanti, 2017).

Discussion

Normality Test Results One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
N		136
Normal Parameters	Mean	.0000000
	Std. Deviation	.53582684
Most Extreme Difference	Absolute	.120
	Positive	.079
	Negative	-.120
Kolmogorov-Smirnov Z		.120
Asymp. Sig. (2-tailed)		.131

Data Source: Processed from Questionnaire, 2024

Based on the normality test results in the table, it shows that the data is normally distributed. This is indicated by the *Kolmogorov-Smirnov* test which shows results that have a significance level of 0.131 which is above 0.05.

Multicollinearity Test Results

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. To find out whether multicollinearity occurs, it can be seen from the VIF and *tolerance* values contained in each variable as in the table below:

Multicollinearity Test Results Table

Test Of Multicollinearity	VIF	Cutt Off	Description
Reward	1,523	< 10	No Multicollinearity
Punishment	1,490	< 10	No Multicollinearity

Data Source: Processed from Questionnaire, 2024

Based on the results from the table, it shows that there is no multicollinearity between the independent variables because it shows the VIF value is less than 10. Thus in this model there is no multicollinearity problem.

Research Analysis Results

Multiple Linear Regression Analysis Results

Multiple linear regression analysis was conducted to determine the effect of reward (X1) and punishment (X2) variables on employee performance (Y). Based on the test results obtained as follows:

Table of Multiple Linear Regression Analysis Results

Model	Coefficients		
	Unstandardized Coefficients	Standardized Coefficients	
1	B	Std. Error	Beta
Constant	.653	.311	
Reward	.378	.052	.421
Punishment	.288	.063	.410

Data Source: Processed from Questionnaire, 2024

Based on Table 4.10, the results of multiple linear regression analysis can be expressed with the following equation:

$$Y = 0,653 + 0,374X_1 + 0,288X_2 + e$$

- 1) The constant value of 0.653 indicates the amount of employee performance is 0.653. If the reward (X1) and punishment (X2) variables are 0 (zero).
- 2) The regression coefficient value of the reward variable of 0.374 means that if the reward is given, it will further improve employee performance at Rural Banks in Palembang city. With this value and the regression coefficient value of 0.374, this shows that there is a positive influence between rewards on employee performance at Rural Banks in Palembang city.
- 3) The regression coefficient value of the punishment variable of 0.288 means that if the punishment is given, it will further improve employee performance at Rural Banks in Palembang city. With this value and the regression coefficient value of 0.288, this shows that there is a positive influence between punishment on employee performance at Rural Banks in Palembang city.

Results of Correlation Coefficient (r) and Coefficient of Determination (R²)

Based on the research that has been done, the results of the correlation coefficient (r) and the coefficient of determination (R²) in this study can be seen in the table as follows:

**Table of Correlation Coefficient Test Results (r) and Coefficient of Determination (R²)
Model Summary^b**

Model	r	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765	.585	.575	.54188

Data Source: Processed from Questionnaire, 2024

Based on the table, it can be seen that the correlation coefficient (r) between the independent variable and the dependent variable is 0.765 or 76.5%. This shows that the correlation or relationship between the independent variable and the dependent variable has a strong level of relationship (in the range of 0.60 - 0.79). The coefficient of determination (R²) of 0.585 indicates that the independent variables, namely reward (X1) and punishment (X2) can explain the dependent variable, namely employee performance (Y) by 58.5%, while the remaining 41.5% is explained by other factors that are not included in this study.

Hypothesis Test Results

F Test Results

The F test in this study was conducted to identify whether the regression equation model was feasible or not feasible to use to explain the effect of the independent variables on the dependent variable. Based on the test results and data processing, the test results are as follows:

Table of F Test Results

		ANNOVA ^b			F	Sig.
Model		Sum of Squares	df	Mean Square		
1	Regression	54.550	3	18.183	61.925	.000
	Residuals	38.760	132	.294		
	Total	93.310	135			

Data Source: Processed from Questionnaire, 2024

Based on the results in the table, a significance value of 0.000 is obtained because the significance value of 0.000 < 0.05, it can be said that the linear regression model obtained is feasible to be used to explain the effect of reward and punishment on employee performance at Rural Banks in Palembang city.

Results of the t-test

The t-test aims to determine how far the influence of the independent variables individually on the dependent variable. This study with a significance of 5% or $\alpha = 0.05$. The results of the t-test can be seen in the table as follows:

Table of t-test results

Model	Variables	Coefficients			
		B	t _{tabel}	t _{hitung}	Sig.
1	Reward	.374	1.977	6.427	.000
	Punishment	.288	1.977	4.192	.001

Data Source: Processed from Questionnaire, 2024

Based on the table of *degree of freedom* (df) = $n - k = 136 - 4 = 132$ and 0.05, the value obtained is 1.977. t_{tabel} for this research data is 1.977. The analysis results can be explained as follows:

- 1) The value of t_{count} variable reward (X1) 6.427 and a significance value of 0.000, the value of t_{count} > t_{table} (6.427 > 1.977) or the value (Sig.) 0.000 < 0.05. This means that reward has a significant effect on employee performance at Rural Banks in Palembang city. This proves that the first hypothesis of reward has a positive and significant effect can be accepted.
- 2) The value of t_{count} variable punishment (X2) 4.192 and a significance value of 0.001, the value of t_{count} > t_{table} (4.192 > 1.977) or the value (Sig.) 0.001 < 0.05. This means that punishment has a significant effect on employee performance at Rural Banks in Palembang city. This proves that the second hypothesis of punishment has a positive and significant effect can be accepted.

The Effect of Reward on Employee Performance at Rural Banks in Palembang City

Based on respondents' responses to indicators on indicators of an adequate work environment and mutual support between fellow employees, it shows the lowest value. It is suspected that some employees at Rural Banks in Palembang city say that their current work environment is less comfortable which includes coworkers, work culture and several other factors. Employees say that there is an unfavorable relationship between fellow employees and between superiors and employees. Such conditions greatly affect the performance of each employee itself, especially for employees in the marketing department.

Respondents' responses to the indicator I always achieve the targets set by the company show the highest score. This shows that employees at Rural Banks in Palembang city, especially in the marketing department, always try to meet the targets set by the company. Some employees met by the author said that with the many targets set, employees will always try to provide achievements that match the provisions and even exceed the target even though achieving these targets is not easy to get through.

The Effect of Punishment on Employee Performance at Rural Banks in Palembang City

Based on the respondents' responses to the indicator that the company forces all employees to comply with all existing regulations, the lowest value shows the lowest value. All regulations that have been set by the company have been given to all employees to be able to comply with all prohibitions, responsibilities as employees, responsibilities regarding the position given. Employees have been informed clearly and in detail if employees violate the rules that are enforced, then employees also know about the consequences of these prohibitions. So the rules set are not in the sense of coercion, but an obligation that must be obeyed as an employee in the company to provide good performance and maintain the company's image among the community.

Respondents' responses to the company providing rules that must be obeyed by all employees showed the highest value. This shows that Rural Banks in Palembang City have provided information about the rules that are enforced in the company. The attitude of employees must be able to obey these regulations in order to provide a good attitude towards themselves with the company and maintain the image and good name of the company among the general public.

Conclusion

Based on the research results, it can be concluded that:

1. Reward has a significant positive effect on employee performance at BPRs in Palembang City. Giving the right rewards, both in financial and non-financial forms, can increase employee motivation and productivity.
2. Punishment also has a significant positive effect on employee performance. The application of fair and transparent sanctions increases discipline and encourages employees to comply with company regulations.
3. Overall, the reward and punishment system contributed 58.5% to improving employee performance, while 41.5% was influenced by other factors outside this study.

The managerial implication of this research is the importance of designing reward and punishment-based policies that are fair, consistent, and in accordance with employee needs. With the right policy implementation, BPRs can improve operational performance, strengthen working relationships between employees, and maintain the company's reputation in the eyes of customers.

Acknowledgments

Thanks to those who have helped so that this manuscript is suitable for publication in international journals.

References

- Alfaruqy, M. Z. (2022). Generation Z And The Perceived Values Of Their Parents. *PSYCHE: Journal of Psychology*, 4(1).
<https://doi.org/10.36269/psyche.v4i1.658>

- Azizah, S., & Sabtaji, H. (2022). The Effect of Staffing as One of the Management Functions at Mitra Jaya Company on Employee Performance. *MAMEN: Journal of Management*, 1(1), 99-110. <https://doi.org/10.55123/mamen.v1i1.39>
- Basyirah, L., & Wardi, M. C. (2020). Implementation of POAC (Planning, Organizing, Actuating, Controlling) Risk Management of Tabarok Business Capital Financing at PT BPRS Sarana Prima Mandiri Pamekasan. *NUANSA: Journal of Islamic Social and Religious Sciences Research*, 17(1). <https://doi.org/10.19105/nuansa.v17i1.2836>
- Darimi, I., & Ismail, B. (2019). Education "Jaman Now": Reward and Punishment Review. *JPP (Journal of Education and Learning)*, 25(2). <https://doi.org/10.17977/um047v25i12018p047>
- Datanesia. (2023). *The Dark Season of BPRs. OJK plans to cut hundreds of BPRs in three years. How will the small bank group perform?*
- Dzahabiyah, Z., Zunaidah, Z., & Farla, W. (2022). Analysis of the Recruitment and Selection Process and its Effect on Employee Performance at PT Muara Dua Palembang. *Bridge: Scientific Journal of Management*, 19(1). <https://doi.org/10.29259/jmbt.v19i1.17006>
- Ikhsan, M. F. (2022). The Effect of Reward and Punishment on Employee Performance of PT X. *Agristan Journal*, 4(2), 103-113. <https://doi.org/10.37058/agristan.v4i2.5495>
- Jeany, M. S. (2020). The Effect Of Service Quality And Customer Satisfaction On Customer Loyalty At Bpr Artha Prima Perkasa. *Scientific Journal of Business Management and Innovation, Sam Ratulangi University (JMBI UNSRAT)*, 7(3), 330-341.
- Majid, A., Hakim, A. L., & Assadam, E. (2021). The effect of work motivation on employee performance with job satisfaction as a moderating variable. *JAS-PT: Journal of Higher Education System Analysis*, 5(1), 1-19.
- Prasetyo, A. H., Prasetyo, S. A., & Agustini, F. (2019). Analysis of the Impact of Reward and Punishment in the Mathematics Learning Process. *Journal of Pedagogy and Learning*, 2(3). <https://doi.org/10.23887/jp2.v2i3.19332>
- Putri, E. A., Tajriani, A., Syifa, A., Nurrachmawati, N., Rivai, A. A., & Amri, A. (2022). Implementation of HRM functions to develop employee work productivity within the Unilever Indonesia company. *Insight Management Journal*, 2(3). <https://doi.org/10.47065/imj.v2i3.156>
- Sedarmayanti. (2017). Human Resource Management. In *Refika Aditama*.
- Sofiati, E. (2021). The Effect of Reward and Punishment on Employee Performance. *Ekono Incentive*, 15(1), 34-46. <https://doi.org/10.36787/jei.v15i1.502>
- Wahdati, A., Octaviani, F., & Komalasari, S. (2022). The Importance Of Job Analysis In Improving Organizational Competence. *Ecoment Global Journal*, 7(2). <https://doi.org/10.35908/jeg.v7i2.2095>
- Wuwungan, M. B. A., Nelwan, O. S., & Uhing, Y. (2020). The Effect of Work Ability and Work Motivation on Employee Performance. *EMBA Journal: Journal of Economic Research, Management, Business and Accounting*, 8(1).