

Beyond Appreciation and Sanctions: Reward, Punishment, and Employee Performance in Banking

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Abstract

Reward is a form of appreciation provided by a company to recognize employees' work achievements, while punishment refers to sanctions imposed on employees who violate company regulations. These two variables are considered to play a significant role in improving employee performance, thereby enabling organizations to achieve their objectives more effectively. This study aims to analyze the effect of reward and punishment on employee performance at PT Bank UOB Indonesia, Imperium Office, South Jakarta. This study employed a quantitative approach with a causal research design. The research population consisted of all 85 employees of PT Bank UOB Indonesia, Imperium Office, South Jakarta. A saturated sampling technique was applied, in which all members of the population were selected as research respondents. Data were collected through a questionnaire using a five-point Likert scale. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), including the evaluation of the measurement model (outer model), structural model (inner model), and hypothesis testing. The findings indicate that reward has a positive and significant effect on employee performance. The more effective the company's reward system, the higher the level of employee performance. In addition, punishment also has a positive and significant effect on employee performance. The implementation of fair, consistent, and proportionate sanctions enhances employee discipline, which ultimately leads to improved employee performance. The findings imply that companies should implement a balanced reward and punishment system as a strategy to improve employee productivity and support the achievement of organizational goals.

Keywords: reward management, disciplinary practices, employee performance, banking employees, pls-sem

Introduction

Human resources are strategic assets that determine the success of an organization in achieving predetermined goals. The success of a company is not only determined by the sophistication of technology and the amount of capital owned, but also by the quality of human resources who are able to work effectively, productively, and have a high commitment to the organization. Therefore, companies need to implement various policies that are able to encourage continuous improvement of employee performance.

One organizational policy directly related to employee behavior is the implementation of reward and punishment systems. Rewards refer to financial and non-financial organizational responses provided in recognition of employee contributions and intended to reinforce desirable work behavior. Financial rewards include salary, bonuses, incentives, and other

monetary benefits, whereas non-financial rewards include recognition, praise, career advancement, development opportunities, and other forms of appreciation. From an organizational behavior perspective, rewards function as consequences that strengthen behaviors aligned with organizational goals and increase the likelihood that such behaviors will be repeated (Griffin et al., 2017; Pertiwi & Febrianti, 2022).

On the contrary, punishment is given as a form of sanction for violations committed by employees with the aim of increasing discipline and improving work behavior. The implementation of these two systems is expected to be able to create work motivation while increasing employee responsibility for achieving the company's targets. According to Purwanto (2021), punishment consists of two main forms, namely preventive punishment and repressive punishment. The application of objective, consistent, and proportionate punishment can increase employee compliance with company rules so that it has a positive impact on organizational performance.

PT Bank UOB Indonesia Imperium Office, South Jakarta, implements a reward system in the form of salaries, target incentives, holiday allowances, and non-financial awards (Pertiwi & Febrianti, 2022). However, based on the results of the pre-survey, there is still a level of employee dissatisfaction with the reward system provided by the company, especially regarding the amount of salary and target incentives (Pertiwi & Febrianti, 2022). These pre-survey findings establish a gap between the reward system implemented by the company and employees' evaluation of the rewards they receive, particularly in relation to salary and target-based incentives.

In addition, the company also implements punishment in the form of incentive cuts and coaching for employees who do not reach sales targets. This policy is considered quite heavy by some employees (Pertiwi & Febrianti, 2022). The organizational issue is also reflected in the branch's sales-target achievement, which reached only 46.08% in 2018, declined to 42.90% in 2019, and fell further to 39.56% in 2020 (Pertiwi & Febrianti, 2022). These figures remain relevant because they constitute the documented longitudinal performance baseline for the same branch and the same reward–punishment context examined in the present study. More recent comparable branch-level target-achievement data are not contained in the study documentation; therefore, the 2018–2020 series is retained as historical organizational evidence rather than presented as current performance data. The decline must also be interpreted according to its period. The decrease from 2018 to 2019 occurred before the COVID-19 pandemic, demonstrating that target underachievement had already existed before the pandemic. The further decline in 2020 occurred during a substantial weakening of banking intermediation in Indonesia. Bank Indonesia reported a 1.39% year-on-year contraction in banking credit in October 2020 and identified weak corporate demand and higher risk perceptions in the banking industry as major factors underlying weak credit growth during the COVID-19 period (Bank Indonesia, 2020). Accordingly, the three-year pattern cannot be attributed solely to employee performance: target underachievement was already present before the pandemic, while the 2020 result was additionally affected by documented adverse market and banking conditions.

Previous empirical studies demonstrate inconsistent findings regarding the relationship between reward, punishment, and employee performance. Ramadanita et al. (2021) found that both reward and punishment had positive and significant effects on employee performance.

Similar results were reported by Ranury and Saputra (2024), who found significant positive effects of both variables on employee performance. In contrast, Mentang (2021) reported that reward had a positive and significant effect on performance, whereas punishment had a negative and non-significant direct effect. Parandangi et al. (2022) found that punishment had a positive and significant effect, but reward had a positive yet non-significant effect on employee performance. Masae et al. (2023) likewise found that reward had a positive and significant effect, whereas punishment had no significant partial effect and reward and punishment jointly did not significantly affect employee performance. These contrasting findings demonstrate that the performance consequences of reward and punishment are not empirically uniform across organizational settings.

The present study also differs from the previous study conducted by Pertiwi and Febrianti (2022) at the same PT Bank UOB Indonesia Imperium Office. The earlier study incorporated work stress as an intervening variable and examined both direct and indirect relationships among reward, punishment, work stress, and employee performance. The present study uses the 2026 research data and develops a more parsimonious model that focuses specifically on the direct effects of reward and punishment on employee performance. Thus, the distinction between the two studies lies primarily in the data period and structural model, while the organizational setting remains the same. This design provides a temporal re-examination of whether reward and punishment continue to explain employee performance under the current organizational context. Based on this empirical gap and research distinction, the study aims to analyze the effects of reward and punishment on employee performance at PT Bank UOB Indonesia Imperium Office, South Jakarta.

Reward and Employee Performance

Reinforcement Theory explains that rewards linked clearly to employee contributions strengthen behaviors that support organizational objectives. Employees who receive salary, incentives, recognition, praise, or development opportunities in accordance with their contribution receive a positive organizational consequence for desirable work behavior. This mechanism increases the likelihood that productive behavior will be maintained. Empirical evidence supports this relationship. Ramadanita et al. (2021) and Ranury and Saputra (2024) reported positive and significant effects of reward on employee performance, although Parandangi et al. (2022) found a positive but non-significant relationship. The theoretical mechanism and the predominance of positive empirical evidence provide the basis for the first hypothesis.

H1: Reward has a positive effect on employee performance.

Punishment and Employee Performance

Within Reinforcement Theory, punishment functions as a corrective consequence intended to reduce behavior that is inconsistent with organizational rules and performance standards. Clear, proportional, and consistently enforced sanctions establish consequences for violations and strengthen employee compliance, discipline, and responsibility. Empirical findings remain mixed. Ramadanita et al. (2021), Parandangi et al. (2022), and Ranury and Saputra (2024) reported positive and significant relationships between punishment and employee performance, whereas Mentang (2021) reported a negative and non-significant

relationship and Masae et al. (2023) found no significant partial effect. Despite these differences, reinforcement theory provides a direct behavioral basis for expecting properly administered punishment to strengthen compliance with performance standards. Therefore, the second hypothesis is formulated as follows.

H2: Punishment has a positive effect on employee performance.

Method

This study employed an explanatory quantitative design to examine the predictive relationships between reward, punishment, and employee performance. Rather than establishing causality, the design was intended to assess the extent to which variations in reward and punishment were associated with and predicted variations in employee performance. The object of the research is PT Bank UOB Indonesia Imperium Office, South Jakarta. The research population was 85 employees, and the entire population was sampled using a saturated sampling technique. Accordingly, all 85 employees were approached as research respondents. To assess whether this number was statistically adequate beyond the use of saturated sampling, a statistical power assessment was conducted for a model with two predictors. Using a significance level of 0.05, a statistical power of 0.80, and a medium effect size of $f^2 = 0.15$, the minimum required sample was 68 observations. Therefore, the 85 observations used in this study exceeded the minimum requirement for detecting a medium predictive relationship (Faul et al., 2009).

Primary data was obtained through the distribution of questionnaires to all respondents using a five-point Likert scale, while secondary data was obtained from literature, scientific journals, and company documents relevant to the research. Responses to each questionnaire item were measured using a five-point Likert scale ranging from 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, to 5 = strongly agree.

The exogenous variables in this study consist of Reward (X_1) and Punishment (X_2), while the endogenous variable is Employee Performance (Y). Reward was operationalized through four dimensions salary, awards, praise, and leave whereas punishment was measured through preventive and repressive punishment. Employee performance was operationalized through quality of work, working quantity, and work attitude. The operational definitions, dimensions, indicators, questionnaire statements, sources, and measurement scales are presented in Table 1.

Table 1. Operationalization of Research Constructs

Construct	Dimension	Indicator	Item Statement	Source	Scale
Reward (X_1)	Salary	X1.1 Salary compliance with standards	The salary I receive is in accordance with applicable standards.	Griffin et al. (2018); Pertiwi & Febrianti (2022)	Likert 1–5
	Salary	X1.2 Salary–workload compatibility	The salary I receive is in accordance with my workload.	Griffin et al. (2018); Pertiwi &	Likert 1–5

				Febrianti (2022)
	Salary	X1.3 Salary compliance with organizational rules	The salary I receive is in accordance with established rules.	Griffin et al. (2018); Pertiwi & Febrianti (2022)
	Awards	X1.4 Additional rewards	I receive additional rewards beyond my salary.	Pertiwi & Febrianti (2022)
	Awards	X1.5 Adequacy of allowances	The allowance provided is appropriate to my needs.	Pertiwi & Febrianti (2022)
	Awards	X1.6 Motivational value of awards	The awards I receive encourage me to be more active in my work.	Pertiwi & Febrianti (2022)
	Praise	X1.7 Support and appreciation	Support and praise from my supervisor and colleagues make me feel appreciated.	Pertiwi & Febrianti (2022)
	Praise	X1.8 Recognition of good performance	Recognition of my good work makes me more enthusiastic about performing my job.	Pertiwi & Febrianti (2022)
	Leave	X1.9 Paid leave	I continue to receive my salary when I take authorized leave.	Pertiwi & Febrianti (2022)
	Leave	X1.10 Adequacy of leave entitlement	The leave provided by the company is appropriate to my needs.	Pertiwi & Febrianti (2022)
Punishment (X ₂)	Preventive Punishment	X2.1 Understanding of company rules	I know and understand the rules and regulations of the company.	Purwanto (2021); Pertiwi & Febrianti (2022)



Preventive Punishment	X2.2 Understanding of prohibited behavior	I know and understand which behaviors are prohibited by the company.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Preventive Punishment	X2.3 Organizational supervision	Supervision conducted by the company encourages me to comply with organizational rules.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Preventive Punishment	X2.4 Compliance with regulations	I am required to comply with the rules and regulations established by the company.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Preventive Punishment	X2.5 Discipline through compliance	Compliance with company rules and regulations improves my work discipline.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Repressive Punishment	X2.6 Corrective notification	I am informed when I make a mistake at work.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Repressive Punishment	X2.7 Consistency of warnings	Warnings given to me are in accordance with company regulations.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Repressive Punishment	X2.8 Corrective effect of warnings	The reprimands or warnings I receive encourage me to improve my future performance.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Repressive Punishment	X2.9 Improvement through punishment	The punishment imposed by the company motivates me to improve my work behavior.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5

	Repressive Punishment	X2.10 Acceptance of sanctions	I am willing to accept sanctions or punishment when I commit a violation.	Purwanto (2021); Pertiwi & Febrianti (2022)	Likert 1–5
Employee Performance (Y)	Quality of Work	Y1 Carefulness	I always perform my work carefully.	Pertiwi & Febrianti (2022)	Likert 1–5
	Quality of Work	Y2 Procedural compliance	I always perform my work by following established procedures.	Pertiwi & Febrianti (2022)	Likert 1–5
	Quality of Work	Y3 Service quality	I always strive to provide good service.	Pertiwi & Febrianti (2022)	Likert 1–5
	Working Quantity	Y4 Target orientation	I strive to work according to the company's established targets.	Pertiwi & Febrianti (2022)	Likert 1–5
	Working Quantity	Y5 Work completion	The amount of work I complete is in accordance with the company's expectations.	Pertiwi & Febrianti (2022)	Likert 1–5
	Working Quantity	Y6 Work consistency	I consistently perform the work assigned to me.	Pertiwi & Febrianti (2022)	Likert 1–5
	Working Quantity	Y7 Work neatness	I am able to complete my work neatly.	Pertiwi & Febrianti (2022)	Likert 1–5
	Working Quantity	Y8 Error minimization	I am able to minimize errors in my work.	Pertiwi & Febrianti (2022)	Likert 1–5
	Work Attitude	Y9 Punctuality	I arrive at the office on time.	Pertiwi & Febrianti (2022)	Likert 1–5
	Work Attitude	Y10 Collaboration	I am able to collaborate effectively with my colleagues at work.	Pertiwi & Febrianti (2022)	Likert 1–5

Data analysis was carried out using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) through SmartPLS software. PLS-SEM was used to evaluate the measurement properties of the constructs and the predictive relationships specified in the structural model. The analysis stage includes testing the outer model (convergent validity, composite reliability, Average Variance Extracted [AVE], and Cronbach's Alpha), followed by testing the inner model through the R-Square value and path coefficient, then hypothesis testing to determine the direct predictive relationships of reward and punishment with employee performance. The structural-model assessment also included collinearity diagnostics, effect size (f^2), and predictive relevance ($Q^2_{predict}$), consistent with the analyses reported in the study.

Results and Discussion

Description of Research Object

UOB Indonesia was established on August 31, 1956 under the name PT Bank Buana Indonesia. In May 2011, it was renamed PT Bank UOB Indonesia. UOB Indonesia's service network includes 41 branch offices, 168 sub-branch offices and 191 ATMs spread across 54 cities in 18 provinces. UOB Indonesia's services can also be enjoyed through UOB's regional ATM network, ATM Prima, ATM bersama and VISA network. UOB Indonesia is known as a Bank with a focus on Small and Medium Enterprises (SME) services, services to retail customers, as well as developing consumer and corporate banking businesses through treasury and cash management services.

Analysis of Respondent Characteristics Description

In this study, the characteristics of the respondents are gender, age, education, and working period can be seen in the following graph:

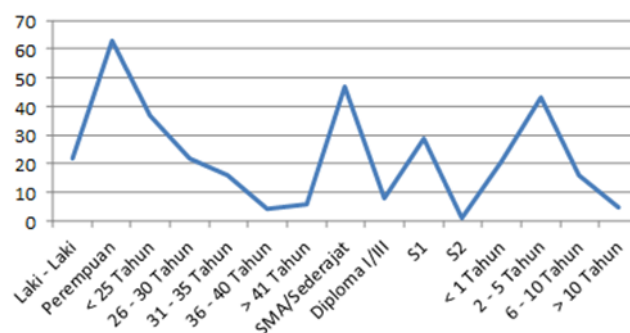


Figure 1. Respondent Characteristics Graph
Source: Researcher-processed data (2026)

Based on the results of the study, the respondent gender data obtained was 22 male respondents or 25.9% while female respondents were 63 people or 74.1%. This shows that the most respondents are women. Then the age data of the respondents obtained were respondents with the < group of 25 years 37 people or 43.5%, respondents with the age group of 26 – 30

years, 22 people or 25.9%, respondents 31 – 35 years old 16 people or 18.8%, respondents 36 – 40 years old 4 people or 4.7%, respondents > 41 years old 6 people or 7.1%

Meanwhile, the respondents' education data obtained were respondents with high school education / equivalent 47 people or 55.3%, respondents with Dillpoma I/III education 8 people or 9.4%, respondents with S1 education level as many as 29 people or 34.1%, respondents with S2 education level as many as 1 person or 1.2%.

Furthermore, the data for the length of work of respondents were obtained namely respondents with a working period of 21 years <1 year there were 21 people or 24.7%, respondents with a working period of 2-5 years there were 43 people or 50.6%, respondents with a working period of 6 – 10 years there were 16 people or 18.8%, and respondents with a working period of >10 years there were 5 people or 5.6%.

Description of Reward Variables

Table 2. Description of Reward Variables

Dimensions	Indicator	Questionnaire Results (%)		
		Favorable	Neutral	Unfavorable
1. Salary	1. The salary I receive is in accordance with the applicable standards	77,64	14,11	8,24
	2. The salary I receive is in accordance with my workload	80,00	12,95	7,04
	3. Salary received in accordance with the set rules	81,17	14,11	4,71
2. Awards	1. I get extra rewards outside of salary	81,17	12,94	5,88
	2. The allowance provided according to my needs	8,89	11,76	2,35
	3. The award given encourages me to be more active in my work	70,58	14,11	15,29
3. Praise	1. Support and praise from my boss and colleagues make me happy and feel appreciated	74,11	14,11	11,76
	2. The work I do well will get recognition and make me more enthusiastic	69,60	12,75	17,64
4. Leave	1. I still receive my salary when I am not working/on leave	77,64	12,94	9,42
	2. Leave given according to my needs	57,64	28,23	14,11
Total Average Variable (x1)		67,84	14,80	9,64

Source : Data processed (2026)

Variable rewards have four dimensions, ten indicators and 85 respondents. The following is the distribution of the frequency of the answer results for the variable reward (X1): Based on Table 2, information was obtained that from the total questionnaire items, ten items that presented variable rewards had a favorable average of 75.55%, neutral of 14.80% and unfavorable of 9.65%. This shows that the employees have not fully agreed with the rewards provided by PT Bank UOB Indonesia.

Description of Punishment Variables

Variable Punishment has two dimensions, ten indicators for variable punishment. The following is the distribution of the frequency of answer results for the punishment variable:

Table 3. Description of Variable Punishment

Dimensions	Indicator	Questionnaire Results (%)		
		Favorable	Neutral	Unfavorable
1. Preventive Punishment	1. I know and understand the rules and regulations in the company	67,06	22,36	10,58
	2. I know and understand about what things are prohibited in the company	72,94	21,18	5,88
	3. The supervision carried out by the company makes me more obedient to the rules	82,35	14,12	3,53
	4. I am ordered to comply with the rules and regulations in the company	78,83	15,29	5,88
	5. I obey the rules and regulations can improve my discipline in work	65,88	23,54	10,58
2. Repressive Punishment	1. I am always told if I make a mistake at work	60,00	30,58	9,42
	2. Warnings or warnings given to me in accordance with company regulations	76,47	21,18	2,35
	3. The reprimand or warning given to me is able to improve my performance in the future	82,36	11,76	5,88
	4. The punishment given is able to motivate me to be even better	78,82	16,48	4,70
	5. I am willing to accept sanctions or punishments when I commit an offence	81,17	16,48	2,35
Total Average Variable (x2)		67,84	74,59	19,30

Source : Data processed (2026)

Based on Table 3, it was obtained that from the total questionnaire items, as many as ten items that had a variable punishment percentage had a favorable average of 74.59%, neutral of 19.30% and unfavorable of 6.12%. This shows that employees have not fully agreed to the punishment given by PT Bank UOB Indonesia.

Description of Employee Performance Variables

Employee Performance Variables have seven dimensions, four indicators and ten questions for employee performance variables. The following is the distribution of the frequency of answer results for employee performance variables.

Table 4. Description of Variable Employee Performance

Dimensions	Indicator	Questionnaire Results (%)		
		Favorable	Neutral	Unfavorable
1. Quality of Work	1. I always do my job carefully	74,11	17,65	8,24
	2. I always work by following the established procedures	50,59	32,94	16,47
	3. I always try to provide good service	63,54	34,11	2,35
2. Working Quantity	1. I try to work according to the company's targets	77,65	16,47	5,88
	2. The amount of work I completed according to what the company wanted	77,64	11,77	10,59
	3. I always try to be consistent in doing my job	78,82	12,94	8,24
	4. I am able to get the job done neatly	75,30	14,11	10,59
	5. I am able to minimize errors in the work	63,54	22,35	14,11
3. Work Attitude	1. I came to the office on time	60,00	29,41	10,59
	2. I get to collaborate with all my colleagues at work	76,48	22,35	1,16
Total Mean Variable (Y)		67,84	69,77	21,41

Source : Data processed (2026)

Based on Table 4, information was obtained that from the total questionnaire items, as many as ten items that showed the variable performance of employees had an average favorable of 66.65%, neutral of 21.41% and unfavorable of 8.82%. This shows that the performance of employees at PT Bank UOB Indonesia is not good.

Convergent Validity

The output in the path chart below is a factor loading that has been revised and convergent validity testing was carried out, because previously there were several indicators that did not meet the convergent validity value

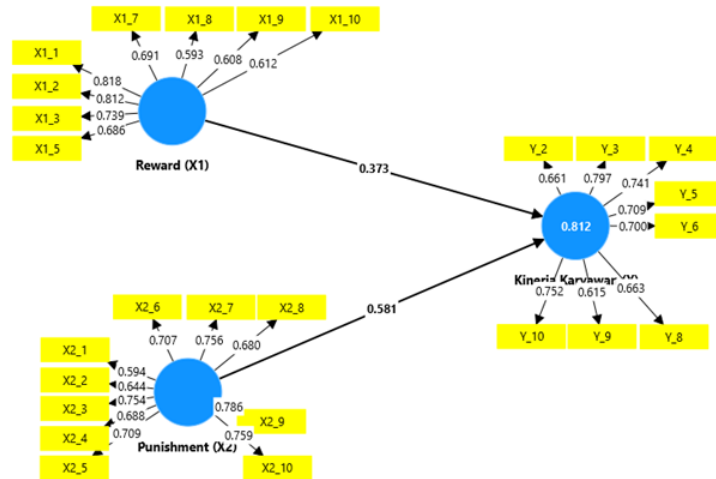


Figure 2. Diagram Path Loading Factor Convergent Validity
Source : Data processed by researchers (2026)

Then after a retest, the results met the convergent validity, namely the indicator value was above 0.5. The diagram above shows that the proposed indicator is valid and can be used for further testing.

Reliability Testing

Below are the output results of the multiple regression model reliability testing:

Table 5. Reliability Test

Variable	AVE	Composite reliability	Cronbachs alpha
Reward (X1)	0,454	0,880	0,845
Punishment (X2)	0,504	0,910	0,890
Employee Performance (Y)	0,499	0,888	0,855

Source : Data processed by researchers (2026)

Cronbach's alpha and composite reliability above 0.70 shows that the level of reliability/consistency of the employee's reward, punishment and performance variables is acceptable.

Heterotrait-Monotrait ratio (HTMT) testing

Table 6. HTMT Test

Variable	Employee Performance (Y)	Punishment (X2)	Reward (X1)
Employee Performance (Y)			
Punishment (X2)	0,971		

Reward (X1)	0,934	0,874
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Source : Data processed by researchers (2026)

Based on the results of the HTMT test in Table 6, it is known that the HTMT value between Employee Performance and Punishment is 0.971, while between Employee Performance and Reward is 0.934. Both values exceed the recommended limit of 0.90, thus indicating that the discriminant validity between these constructs has not been met. Meanwhile, the HTMT value between Punishment and Reward is 0.874. This value meets the criteria. Thus, the Punishment and Reward construct pairs can still be said to have adequate discriminant validity.

Multicollinearity Test with Inner VIF < 5

Table 7. Multicollinearity Test

Reward	VIF	Punishment	VIF	Employee Performance	VIF
X1.1	3,59	X2.1	1,526	Y2	2,470
X1.2	2,567	X2.2	2,959	Y3	3,319
X1.3	3,281	X2.3	2,852	Y4	2,096
X1.5	1,659	X2.4	2,007	Y5	1,926
X1.7	2,742	X2.5	2,027	Y6	1,857
X1.8	1,662	X2.6	1,838	Y8	1,826
X1.9	2,617	X2.7	3,330	Y9	1,623
X1.10	1,324	X2.8	2,176		
		X2.9	2,348		
		X2.10	2,106		

Source : Data processed by researchers (2026)

The estimation results show that the value of the inner VIF (variance Inflated Factor) is less than 5, so there is no multicollinear between variables that affect employee performance

R Square (R²)

In this study, the results of R² were obtained as follows:

Table 8. R Square

Variable	R Square
Employee Performance (Y)	0,812

Source : Data processed by researchers (2026)

Based on the results of the structural model test, the R-Square (R²) value for the Employee Performance variable was 0.812. This value shows that the Reward and Punishment variables are able to explain 81.2% of the variation in Employee Performance, while the remaining 18.8% is explained by other variables outside the research model. According to Hair et al. (2017), an R² value of 0.75 or more is categorized as substantial.⁵ Therefore, an R² value

of 0.812 indicates that the research model has a strong predictive ability in explaining Employee Performance. Thus, the structural model developed in this study can be said to have a good level of accuracy in explaining the relationship between Reward, Punishment, and Employee Performance.

Q Square Predict

Table 9 Q Square Predict

Endogenous	Q ² predict	RMSE	MAE
Employee Performance (Y)	0,787	0,478	0,344

Source : Data processed by researchers (2026)

Based on the results of the PLSpredict analysis, a Q²_predict value of 0.787 was obtained, so it can be concluded that the research model has excellent predictive ability for the Employee Performance variable. This shows that the built model is able to accurately predict Employee Performance based on the Reward and Punishment variables. The RMSE value of 0.478 and MAE of 0.344 also indicate a relatively low rate of prediction error, further reinforcing that the model has good prediction quality.

Effect Size (F Square)

Table 10. Effect Size (F Square)

Variable	Employee Performance (Y)	Punishment (X2)	Reward (X1)
Employee Performance (Y)			
Punishment (X2)	0,717		
Reward (X1)	0,295		

Source : Data processed by researchers (2026)

Based on the results of the Effect Size (f^2) test in Table 10, it is known that the Punishment variable (X2) has an f^2 value of 0.717 to Employee Performance (Y). This value is above the limit of 0.35, so based on the criteria of Hair et al. (2017) it is included in the category of large effect. This shows that the existence of the Punishment variable makes a very strong contribution to improving the model's ability to explain the Employee Performance variable. In other words, if the Punishment variable is removed from the model, then the model's ability to explain Employee Performance will experience a significant decrease.

Meanwhile, the Reward variable (X1) has an f^2 value of 0.295 to Employee Performance (Y). This value is in the range of 0.15 to 0.35, so it is included in the category of medium effect. This shows that Rewards also make a significant contribution to Employee Performance, although the magnitude of the influence is not as strong as the Punishment variable.

Hypothesis Testing

Hypothesis testing on reward and punishment variables on employee performance can be explained in the table below:

Table 11. Hypothesis Test Results

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Punishment (X2)-> Employee Performance (Y)	0,581	0,588	0,105	5,553	0,000
Reward (X1)-> Employee Performance (Y)	0,373	0,369	0,112	3,318	0,001

Source : Data processed by researchers (2026)

Based on the results of the hypothesis testing, both hypotheses in the study were accepted, because all relationships had a t-statistical value of > 1.96 and a p-value of < 0.05 . In addition, all path coefficients have a positive value, showing that Reward and Punishment both have a positive and significant influence on Employee Performance. When compared based on the magnitude of the path coefficient (β), Punishment ($\beta = 0.581$) has a stronger influence on Employee Performance than Reward ($\beta = 0.373$). Thus, in this research model, Punishment is the most dominant variable in influencing Employee Performance, although both variables have a significant influence.

Reward and Employee Performance

The first hypothesis states that reward has a positive relationship with employee performance. The hypothesis-testing results show a positive path coefficient of 0.373 with a t-statistic of 3.318 and a p-value of 0.001. Therefore, H1 is supported. This finding demonstrates that higher employee evaluations of the reward system are associated with higher employee performance at PT Bank UOB Indonesia Imperium Office, South Jakarta. In this study, reward includes salary, additional awards, allowances, praise and recognition, and leave benefits. Thus, the result indicates that both financial and non-financial forms of organizational appreciation are relevant to employees' work performance.

The finding is consistent with Reinforcement Theory, which explains that desirable behavior is strengthened when it is followed by favorable consequences. In the organizational context, financial incentives, recognition, praise, and other forms of appreciation function as positive reinforcement because they communicate that desirable work behavior and achievement receive valued organizational consequences (Griffin et al., 2018). Accordingly, the significant relationship found in this study supports the theoretical expectation that employees are more likely to maintain productive work behavior when their contributions receive appropriate organizational recognition.

This result is consistent with Ramadanita et al. (2021), who found that reward had a positive and significant relationship with employee performance at PT Glenmore Agung

Nusantara. It is also consistent with Mentang (2021), who reported a positive and significant direct relationship between reward and employee performance, and with Masae et al. (2023), who found a significant positive partial effect of reward on employee performance. More recent evidence from the banking sector also shows that reward and punishment can jointly contribute to performance. Saputri et al. (2026), for example, found that reward had a positive and significant relationship with employee performance at a rural bank in Kupang.

Nevertheless, the finding does not agree with all previous studies. Parandangi et al. (2022) reported a positive but non-significant relationship between reward and employee performance, demonstrating that the availability of rewards does not automatically produce a statistically significant performance relationship in every organizational setting. A particularly relevant contrast is provided by Hede et al. (2026), who found that reward did not have a significant partial relationship with employee performance at Bank NTT Head Office, whereas punishment was significant. These differences confirm that the effectiveness of rewards depends on how employees evaluate the relevance, fairness, and motivational value of the rewards provided in a particular organizational context.

In the present study, reward remains significant but its association with employee performance is weaker than that of punishment. This pattern is consistent with the descriptive responses to several reward indicators. Although most employees responded favorably to the reward system, relatively higher unfavorable responses were recorded for recognition of good work, the motivational value of awards, and the adequacy of leave. These results indicate that the reward system provides positive reinforcement but that some forms of recognition and employee benefits have not received uniformly favorable evaluations from employees. Therefore, reward contributes positively to performance, but its reinforcing role is less pronounced than the corrective mechanisms represented by the punishment construct.

Punishment and Employee Performance

The second hypothesis states that punishment has a positive relationship with employee performance. The results show a positive path coefficient of 0.581 with a t-statistic of 5.553 and a p-value below 0.001. Therefore, H2 is supported. The coefficient is also higher than that of reward, establishing punishment as the stronger predictor of employee performance in the structural model. Importantly, punishment in this study should not be interpreted solely as punitive action. The construct incorporates preventive and corrective mechanisms, including knowledge of company rules, awareness of prohibited behavior, organizational supervision, compliance with regulations, warnings for mistakes, corrective reprimands, and acceptance of sanctions.

The stronger relationship between punishment and employee performance is particularly relevant to the banking context. Banking organizations operate within formal governance, compliance, risk-management, internal-control, and accountability requirements. Indonesia's governance framework for commercial banks explicitly requires banks to implement compliance functions, internal audit, risk management, anti-fraud strategies, accountability mechanisms, and other governance controls. Consequently, employee compliance with procedures and organizational rules constitutes an integral element of work performance in banking. In this setting, a punishment system that clearly communicates prohibited behavior, monitors compliance, provides warnings, and applies proportionate

corrective consequences has a direct connection with the behavioral standards required in daily banking operations.

The descriptive results provide additional support for this interpretation. Employees reported particularly favorable responses to the statement that reprimands or warnings could improve their subsequent performance, to their willingness to accept sanctions when committing violations, and to the statement that punishment could motivate them to perform better. Therefore, the stronger coefficient for punishment reflects the way the construct operates in this study: punishment functions primarily as a system of behavioral correction, supervision, rule enforcement, and performance discipline, rather than simply as the imposition of harsh sanctions.

This finding also supports Reinforcement Theory. The theory explains that behavior is shaped by the consequences that follow it. Positive reinforcement strengthens desirable behavior through valued outcomes, while corrective consequences reduce undesirable behavior by making the consequences of non-compliance clear (Griffin et al., 2018). In the present study, punishment establishes clear consequences for behavior that does not meet organizational rules or performance expectations. The positive relationship therefore demonstrates that a transparent and consistently applied corrective system is associated with stronger discipline and performance. The result does not imply that harsher punishment produces better performance; rather, it demonstrates the importance of clear, proportionate, and behavior-oriented corrective consequences.

Empirically, this result is consistent with Ramadanita et al. (2021), who reported a positive and significant relationship between punishment and employee performance. Parandangi et al. (2022) similarly found that punishment had a positive and significant relationship with employee performance even though reward was not significant. Recent evidence from the banking sector provides particularly strong support for the present finding. Hede et al. (2026) found that punishment significantly influenced employee performance at Bank NTT Head Office while reward was not significant, while Saputri et al. (2026) reported positive and significant relationships for both reward and punishment at PT BPR Tanaoba Lais Manekat. These banking-sector findings reinforce the relevance of disciplinary and corrective mechanisms in environments characterized by formal procedures and compliance requirements.

However, the present result differs from Mentang (2021), who reported a negative and non-significant direct relationship between punishment and employee performance, despite finding that punishment positively influenced motivation. It also contrasts with Masae et al. (2023), who found that punishment did not have a significant partial effect on employee performance, and with Leli et al. (2025), who reported a non-significant partial relationship between punishment and performance among employees of Bank Tabungan Negara Kupang Branch. These contrasting results demonstrate that punishment does not operate uniformly across organizations. In the present study, its stronger association with performance is explained by the operational form of punishment itself: employees are assessed primarily in relation to rule awareness, supervision, warnings, corrective feedback, discipline, and acceptance of proportionate sanctions. These mechanisms are directly aligned with the procedural and compliance-oriented nature of banking work.

Overall, the findings demonstrate that both positive reinforcement through reward and corrective reinforcement through punishment are relevant to employee performance. However, punishment shows the stronger association in the present organizational setting because its preventive and corrective mechanisms are closely connected to work discipline, procedural compliance, and accountability. Accordingly, the results extend the empirical application of Reinforcement Theory by showing that the relative effectiveness of organizational consequences depends on the behavioral requirements and control mechanisms embedded in a specific work context.

Conclusion

This study concludes that reward and punishment are important organizational mechanisms for improving employee performance at PT Bank UOB Indonesia Imperium Office, South Jakarta. Both mechanisms have a positive and significant effect on employee performance, demonstrating that employee performance is strengthened not only through appreciation for desirable work outcomes but also through clear and appropriate corrective consequences for behavior that does not comply with organizational standards. Among the two mechanisms, punishment provides a stronger contribution to employee performance than reward, indicating that employee discipline and compliance with established work standards constitute particularly important aspects of performance management in the organizational context examined.

From a theoretical perspective, the findings provide empirical support for Reinforcement Theory by demonstrating that employee behavior and performance are associated with the organizational consequences attached to their actions. Rewards function as positive reinforcement for desirable performance, whereas proportionate punishment serves as a corrective mechanism that reinforces compliance with organizational rules and performance expectations. The simultaneous relevance of these two mechanisms confirms that effective performance management requires an appropriate combination of recognition and corrective consequences rather than reliance on either mechanism alone.

Managerially, the findings emphasize the importance of developing a balanced, transparent, and performance-oriented reward and punishment system. Management should ensure that financial and non-financial rewards are linked objectively to individual and team achievements, while sanctions should be applied consistently, proportionately, and primarily as a mechanism for correcting behavior and strengthening work discipline. Regular evaluation of employee perceptions of rewards, disciplinary procedures, and performance outcomes is also necessary to maintain the relevance and fairness of these policies. In addition, supervisors should be equipped with adequate performance-management competencies so that recognition and corrective actions are communicated professionally and consistently. Through these practices, the company can strengthen employee motivation, discipline, responsibility, and alignment with organizational performance objectives.

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