# THE INFLUENCE OF REWARD AND PUNISHMENT TOWARD EMPLOYEE'S PERFORMANCE AT BANK INDONESIA BRANCH MANADO

# PENGARUH REWARD DAN PUNISHMENT TERHADAP KINERJA KARYAWAN DI BANK INDONESIA CABANG MANADO

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Abstract: This study takes an object of research at Bank Indonesia. One of the companies involved in the world of banking company. Make employees to improve their performance optimal. The big companies also implement compensation systems reward and punishment that is sufficiently stringent. The purpose of this study is to know the influence of reward and punishment toward employee performance at Bank Indonesia Branch Manado. This research use a multiple regression analysis with total sample 40 respondents which are the employee at Bank Indonesia Branch Manado. The result shows that reward and punishment are significantly influence the employee performance simultaneously and partially. The employee feel honored by the reward that given by the company and it drive the employee's motivation to work harder and make a better performance. The employee take the punishment in a positive way as a lesson and make the punishment as the driving force to motivate them more and create a better performance. The human resource department of Bank Indonesia Branch Manado DAOP 8 should keep their great performance by adding more reward in purpose to make the employee performance better and should keep make the employee think positive about their punishment.

#### **Keywords:** reward, punishment, employee performance

Abstrak: Penelitian ini mengambil objek penelitian di Bank Indonesia. Salah satu perusahaan dalam dunia perusahaan perbankan. Menjadikan karyawan untuk meningkatkan kinerja mereka secara optimal. Perusahaan-perusahaan besar juga menerapkan sistem imbalan dan hukuman yang cukup ketat. Tujuan dari penelitian ini adalah untuk mengetahui pengaruh reward and punishment terhadap kinerja karyawan di Bank Indonesia Cabang Manado. Penelitian ini menggunakan analisis regresi berganda dengan jumlah sampel 40 responden yang merupakan karyawan di Bank Indonesia Cabang Manado. Hasil penelitian menunjukkan bahwa penghargaan dan hukuman secara signifikan mempengaruhi kinerja karyawan secara simultan dan parsial. Karyawan merasa dihargai dengan hadiah yang diberikan oleh perusahaan dan itu mendorong motivasi karyawan untuk bekerja lebih keras dan membuat kinerja yang lebih baik. Karyawan mengambil hukuman dengan cara yang positif sebagai pelajaran dan menjadikan hukuman sebagai kekuatan pendorong untuk memotivasi mereka lebih banyak dan menciptakan kinerja yang lebih baik. Departemen sumber daya manusia Bank Indonesia Cabang Manado DAOP 8 sebaiknya menjaga kinerja mereka yang hebat dengan menambahkan lebih banyak hadiah dengan tujuan untuk membuat kinerja karyawan lebih baik dan harus membuat karyawan berpikir positif tentang hukuman mereka.

Kata Kunci: imbalan, hukuman, kinerja karyawan

#### **Research Background**

The Human Resources Management (HRM) function includes a variety of activities, and key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies.

To enhance effective performance, the agency organization can observe the most important thing that is meeting the needs of its employees. To meet their needs, it is necessary to reward or compensation as a form of motivation to employees. Hazli (2002) defined a reward that reward and punishment in work situations, gift show their acceptance of the behavior and actions, while the sentence showed rejection behavior and actions. Hopefully, by the implementation of reward and punishment employee performance can be enhanced and the company can achieve overall goal.

This study takes an object of research at Bank Indonesia. One of the companies involved in the world of banking company. Make employees to improve their performance optimal. The big companies also implement compensation systems reward and punishment that is sufficiently stringent. Their performance is monitored regularly start performance and timeliness of compliance procedures to job security. The application of punishment and reward in Bank Indonesia become full attention to the managerial, operational standards to meet Bank Indonesia once to move actively improve the performance of employees in the field of transportation services. For some employees who are not familiar with the system of strict control by the application of punishment and reward, most of them feel depressed and some other employees consider it as a motivator to improve their services to the users of transport services Bank Indonesia. At Bank Indonesia Branch Manado DAOP 8, the employee get rewarded by Bank Indonesia by get a bonuses and got appreciation from the superiors.

The other hand, the punishment can be given to the employee when they are break the rules by giving them a warning letter. The worse is if the employee get caught stealing the money, the employee will be fired immediately. Those factors (reward and punishment) are an important factors that can influence the performance of the employee at Bank Indonesia Branch Manado DAOP 8.

#### **Research Objective**

Based on the research problem, the objectives of this research are to know the influence of:

1. Reward and Punishment toward Employee Performance at Bank Indonesia branch Manado.

- 2. Reward on Employee Performance at Bank Indonesia branch Manado.
- 3. Punishment on Employee Performance at Bank Indonesia branch Manado.

# THEORETICAL REVIEW

#### **Human Resource Management**

According to Nankervis *et al* (2011), human resources management can be simply defined as the convergence of three factors: human beings, resources and management, where human beings have the actual and potential resources (knowledge, skills, and capabilities) that can be harnessed through effective management techniques to achieve short and long term organizational goals as well as personal needs.

#### **Employee Performance**

Employee performance is measured using several methods based on the organizational preferences and the performance management system in practice over there. The performance management system defines the performance measures for employees i.e. the criteria to quantify and calculate the level of performance (Imran and Tanveer, 2015).

#### Reward

Rewards is a positive outcome that are earned as a result of an employee's performance and these rewards are aligned with organizational goals. When an employee helps an organization in the achievement of one of its goals, a reward often follows. There is a great of agreement in literature regarding the types of

rewards used in real life situations (Salah, 2016). Reward is something we give to someone because he is doing something. Something is reasonable as appreciation, as an expression of gratitude and our attention (Susanto and Wijarnako, 2005).

## Punishment

According Soerjono Soekanto (1999), punishment in an organization is no less important because there will be order in forming an organization with strong discipline and high responsibility to create a personality that is good also in every member of the organization is a function of punishment. From some of the above opinion, punishment is an act that is less pleasant form of punishment or sanctions given to employees are aware when a breach in order not to repeat. If the reward is a positive form, then the punishment is a form of negative, but if given correctly and wisely can be an enhancement tools to improve employee performance.

# **Previous Research**

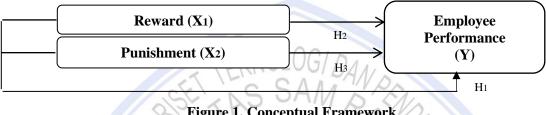
Febrianty, Musadieq, and Prasetya (2014), conducted a research "Reward and Punishment Influence on Work Motivation and Its Impact on Performance at PT. Panin Tbk. Jombang Micro Area". This study aims to explain the variable effect of reward and punishment partially on work motivation and influence of reward and punishment, partially work motivation on employee performance. This research used explanatory research with a quantitative approach and a sample of 47 employees of PT. Bank Panin Tbk. Micro Area Jombang. The research instrument used was a questionnaire and documentation. Analysis of the power used is the description of the statistical analysis and path analysis. The results illustrate that the descriptive analysis of research partially reward significant effect on employee motivation. While partially punishment not significant effect on employee's work motivation. Partially reward and punishment and motivation have a significant effect on employee performance.

Edirisooriya (2014), conducted a research "Impact of Rewards on Employee Performance: With Special Reference to ElectriCo. The objective of this study is to illustrate to what extent does employee rewards have an impact on employee performance in a public-sector organization in Sri Lanka. Hence, this study has examined the relationship between extrinsic reward, intrinsic reward and employee performance in ElectriCo. In order to accomplish the research objectives, quantitative research design was carried out under the deductive approach. Self-designed questionnaire was used as the primary data collection method. The data was analyzed using descriptive statistics and inferential statistics. The results revealed that there is a positive relationship between extrinsic reward and employee performance. The research results can be used as a guideline for the public-sector organizations in Sri Lanka to have better understanding of significance of reward system on employee performance and furthermore it will help to design and implement strategic reward system to bring competitive advantage. The result derived from the current study is restricting the generalizability to the wider population since the study focused on one public sector organization in Sri Lanka. In the light of the findings, recommendations are outlined.

Ibrar and Khan (2015), conducted a research "The Impact of Reward on Employee Performance (A Case Study of Malakand Private School)". The aim of this study is to investigate how to employee performance impact on reward in private school. The study also aims to show how to employee improve the performance has in reward system. Questionnaire is used as instrument and 100 questionnaires were used to check the respondent's opinion with a descriptive analysis, correlation and multiple regression tests were applied for data analysis. This study concludes that there is positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Most of the organizations implement rewards system to increase the job performance and job satisfaction. By reviewing the different finding that the reward and employee performance, the contribution of this paper is to look at how to finding the effective solution of employee performance will be in reward system inter-organizational and school.

Anthony (2017), conducted a research "Effects of Discipline Management on Employee Performance in an Organization: The Case of County Education Office Human Resource Department, Turkana County.x The purpose of the study was to investigate the effects of disciplinary management on employee performance in County Education Office of Turkana County. Specifically, the study aimed; to determine the effects of code of discipline on performance, to determine the effects of disciplinary procedures on performance, to determine the effects of discipline systems on performance and to assess the effects of disciplinary actions on performance. The study was conducted using a case study design. The target population for this study was employees from the county education office in Lodwar which composed a total population of 171 employees. The study sample comprised 1 (one) District Education Officer, 4 (four) departmental managers and 166 (one hundred and sixteen) employees in the education office reflecting the ratio in the county office accessible sample staff size. The study employed purposive, stratified and simple random sampling techniques. Primary data was collected with the help of a questionnaire. This study found out that, respondents agreed that there was increase on employees' knowledge; respondents agreed that disciplinary management led to promotion of employees. The study also found out that, majority of the respondents rated employee performance, remuneration first, work environment and management commitment as first factors that that affect employee performance also majority rated motivation, tools, equipment and other resources second. The study also concludes that the effective disciplinary policy County Education Office Human Resource Department in Turkana County are effective in that the organization has helped in controlling employee's behavior by ensuring there is teamwork and cohesion in the organization.

# **Conceptual Framework**



**Figure 1. Conceptual Framework** Source: Theoritical Framework (2019)

# **Type of Research**

This research is causal type of research where it will investigate the influence of reward and punishment on employee performance. This research uses a quantitative method and multiple regression analysis.

# Place and Time of Research

This research is conducted in Manado City, North Sulawesi, Indonesia. This research conducted at Bank Indonesia Branch Manado during August – September 2018.

# **Population and Sample**

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events, or things of interest for which the researcher wants to make inferences based on sample statistics (Sekaran and Bougie, 2009). Population in this research is the employee at Bank Indonesia Branch Manado DAOP 8.

#### **Data Collection Method**

Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study (Sekaran and Bougie, 2009). Individuals provide information when interviewed, administered questionnaires, or observed. The primary data used in this research is questionnaire that will be distributed to respondents.

# **Operational Definition of Research Variable**

- 1. **Reward**. In this research, at when an employee at Bank Indonesia Branch Manado is doing good deeds or achieve a particular achievement will be awarded attractive rewards in return, make employees aware that they are appreciated by the company. (Indicators: Intrinsic Reward and Extrinsic Reward).
- **2. Punishment**. In this research, punishment often has the immediate effect of correcting poor employee habits at Bank Indonesia Branch Manado. (Indicators: Verbal Reprimands and Disciplinary Action).
- **3.** Employee Performance. In this research, employee performance means the level at which the employees of Bank Indonesia Branch Manado are performing. (Indicators: Employee Productivity and Job Accomplishment).

#### **Data Analysis Method** Validity and Reliability Test

To analyze the validity of questionnaires, Pearson Product Moment is used. An instrument measure is valid if the instrument measure what ought to be measured. Reliability test is established by testing for both consistency and stability of the answer question. Alpha Cronbach is reliable coefficients that can indicate how good items in asset have positive correlation one another (Sekaran 2006).

# **Multiple Regression Analysis Model**

Multiple regressions is a descriptive tool used to develop a self-weighting estimating equation by which to predict values for a dependent variable from the values of independent variables, to control confounding variables to better evaluate the contribution of other variables, ot to test and explain a causal theory. The formula of multiple regression models in this research is shown below:

$$y = a + \beta 1 X_1 + \beta 2 X_2 + e$$

- Y : Employee Performance
- : Intercept а
- : Regression Coefficient of Each Variable  $\beta_1 - \beta_2$
- $\mathbf{X}_1$ : Reward
- $X_2$ : Punishment
- : Error е

# **RESULT AND DISCUSSION**

#### **Result of Reliability and Validity Test Reliability Test**

"The minimum value of Cronbach's alpha must be 0.6. It is better if the value is above 0.6 (Sekaran, 2003). The table above shows that Cronbach's Alpha > 0.6.

# Tabel 1. Reliability Test

No	Variables	Standard Deviation	Cronbach's Alpha
1	Reward	0.6	0.796
2	Punishment	0.6	0.773
3	Employee Performance		0.780

Table 1 shows the Cronbach's Alpha values of all indicators are above 0.60, it means that all the variables in this research is considered reliable and can be used to retrieve data.

# Validity Test

According Arikunto (2002: 146) Validity is a measure that indicates the validity or degree of validity of an instrument. This research use Pearson Correlation formula. The purpose of validity test is to know whether the instrument is valid or not. If the correlation coefficient between the value of one indicator and the total value of all indicators is positive and  $\geq R_{table}$  (0.316) then the instrument is considered as valid (Sugiyono, 2006).

All the total values for each indicator for independent variables and dependent variables are above 0.316. It means all the indicators are valid and can be used on this research.

# **Classical Assumption Test Multicollinearity Test**

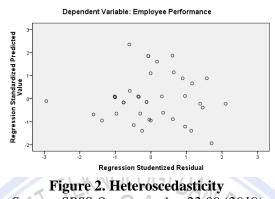
# **Tabel 2. Multicollenearity**

Madal	Collinearity Statistics			
Model	Tolerance	VIF		
(Constant)				
Reward	.921	1.086		
Punishment	.921	1.086		

Table 2 shows that the tolerance value of reward is 0.921 and punishment is 0.921, meaning the tolerance value of each variable is more than 0.1. The VIF value of reward is 1.086 and punishment is 1.051, meaning the VIF value of each variable is less than 10. Since all the tolerance value is more than 0.1 and the VIF value is less than 10, so this research is free from multicollinearity.

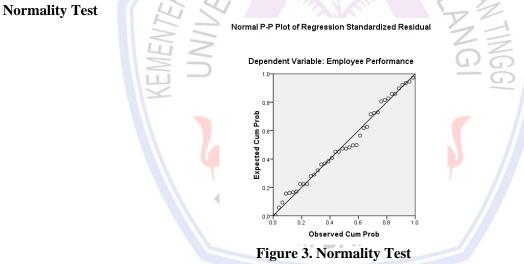
Scatterplot

## Heteroscedasticity



Source: SPSS Output version 22.00 (2019)

Figure 2 shows that the dots is not created a specific pattern and also spread above and below 0 (zero). It proves that there is no heteroscedasticity in this regression model.



#### Source: SPSS Output ver. 21 (2017)

Figure 3 shows that the dots are speard in the direction of the diagonal lines, it shows that the distribution of the data in this research is normally distributed.

#### Multiple Regression Analysis Table 3. Multiple Linear Regression Analysis

	Model		andardized efficients	Standardized Coefficients	t	Sig.	Collinearity Statistics	
		В	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.187	.516		2.302	.027		
	Reward	.383	.097	.481	3.940	.000	.921	1.086
	Punishment	.354	.110	.394	3.231	.003	.921	1.086

Source: SPSS Output version 22.00 (2019)

The result in the Table 3 can be expressed in regression equation as:

 $Y = 1.187 + 0.383 X_1 + 0.354 X_2 + e$ 

- 1. 1.187 shows the influence of reward  $(X_1)$  and punishment  $(X_2)$  to employee performance (Y). It means that if all the independent variables are zero, the employee performance (Y) as dependent variable is predict to be 1.187.
- 2. 0.383 is the coefficient of reward  $(X_1)$  meaning if there is one unit increasing in  $X_1$  while other variables are constant then Y is predicted to increase by 0.383.
- 3. 0.354 is the coefficient of punishment  $(X_2)$  meaning if there is one unit increasing in  $X_2$  while other variables are constant then Y is predicted to increase by 0.354.

# Table 4. R and R<sup>2</sup>

			Model Summary <sup>b</sup>	
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	$.702^{a}$	.493	.466	.25408
Carrier CDCC	Outrastance	$\sim 22.00(2010)$		

Source: SPSS Output version 22.00 (2019)

Table 4 shows that the R2 is 0.493 which mean the independent variable affecting the dependent variable with 49.3% and the rest 50.7% affecting by other variable that are not examined on this research.

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#### Hypothesis Testing Table 5. F-Test Output

ANOVA <sup>a</sup>							
Sum of Squares		df	Mean Square	F	Sig.		
2.323		2	1.161	17.989	.000 <sup>a</sup>		
2.389		37	.065				
4.711		39	ZZ				
nt), Punishment, Reward	1.12	N.N.	1 42				
e: Employee Performance			<b>QG</b>				
	2.323 2.389 4.711 nt), Punishment, Reward	Sum of Squares        2.323        2.389        4.711	Sum of Squares      df        2.323      2        2.389      37        4.711      39        nt), Punishment, Reward      39	Sum of Squares      df      Mean Square        2.323      2      1.161        2.389      37      .065        4.711      39	Sum of Squares      df      Mean Square      F        2.323      2      1.161      17.989        2.389      37      .065        4.711      39		

Source: SPSS Output version 22.00 (2019)

In this research the  $F_{count}$  is higher than  $F_{table}$ ,  $F_{count}=17.989 > F_{table} = 3.251$ , thus  $H_0$  is rejected and  $H_1$  is accepted. Independent variables reward and punishment are simultaneously and significantly influence employee performance as the dependent variable.

Table 6. T-Test Output			
Variables	T <sub>count</sub>	T <sub>table</sub>	Description
Reward $(X_1)$	3.940	2.026	Accepted
Punishment $(X_2)$	3.231	2.026	Accepted

Source: SPSS Output version 22.00 (2019)

- 1. Table 6 shows that  $T_{count}$  is 3.940 and since the level of significant is 5% (0.05) then the  $T_{table}$  is 2.026, the result is  $T_{count}$ = 3.940 <  $T_{table}$  = 2.026. Since the  $T_{count}$  is greater than  $T_{table}$  then  $H_0$  is rejected and  $H_1$  is accepted. It means that variable reward is significantly and positively influences employee performance.
- 2. Table 6 shows that  $T_{count}$  is 3.231 and since the level of significant is 5% (0.05) then the  $T_{table}$  is 2.026, the result is  $T_{count}$  = 3.231 <  $T_{table}$  = 2.026. Since the  $T_{count}$  is greater than  $T_{table}$  then  $H_0$  is rejected and  $H_1$  is accepted. It means that punishment is significantly and positively influence employee performance.

Generally, reward  $(X_1)$  and punishment  $(X_2)$  have influences to employee performance (Y). Based on the result; all of the independent variable has a significant influence toward the dependent variable. Which mean, the hypotheses 2 and 3 are accepted because reward and punishment has simultaneous and partial influence the employee performance at Bank Indonesia Branch Manado DAOP 8.

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#### Discussion

#### **Reward and Employee Performance**

A reward system is important for the employee performance. As employee performance will be more effective to high reward system. That how to be high performance is base high reward. Schuler and Jackson (1996), the connection and relationship between rewards, motivation and job satisfaction of employees have much significance to success of both public and private sectors. Employees want to get both types of rewards means financial and nonfinancial rewards. So these rewards contribute to improve the satisfaction level of workers (Dewhurst, 2010).

The previous research "The Impact of Reward on Employee Performance (A Case Study of Malakand Private School) by Ibrar and Khan (2015), the result shows that reward is more important of any nature of business, organization, institution, schools, very beneficial for the employee's job performance. It is natural process that human performance is based on motivation and motivation can be concerned in reward on this increased with rewards.as better performance is compared to absent of reward. This study of research paper prove performance of employee is positive impact in school system. Another previous research "Impact of Rewards on Employee Performance: With Special Reference to ElectriCo" by Edirisooriyaa (2014), the result implies rewards offered to employees in ElectriCo are increased, and then there would be an equivalent enhancement in work motivation and employee performance. In order to attract and retain their workforce, ElectriCo needs to make improvements in their existing reward system by integrating reward strategy with human resource strategy. Moreover, ElectriCo has to consider reward as a performance motivator and a part of organization's business strategy. The study concludes that reward plays a vital role in employee performance in ElectriCo. Considering the fact that management of ElectriCo is the responsible party to develop a unique reward strategy with the aim of achieving sustainable competitive advantage.

This research support the previous empirical study by Ibrar and Khan (2015) and Edirisooriyaa (2014). The result of this research shows that variable reward  $(X_1)$  has influence the employee performance (Y), has been shown on Table 4.7 that  $T_{count}$  (3.940) is greater than  $T_{table}$  (2.026). The context of reward is the part of the feedback loop in performance management. Reward system inspiring the employee at Bank Indonesia Branch Manado DAOP 8 to work harder and faster because employee needs motivation to put extra effort on their task. The employees feel honored by given a reward such as certificate of merit, bonuses, and got a recognizing from the company. In this way employees feel that they are being valued by the employers and also feel that the company is seriously involved in employee's career and development. The Human Resource Division at Bank Indonesia Branch Manado DAOP 8, should keep their performance great in make the employee feel honored and valued by giving a reward than can increase the employee performance to be greater.

## Punishment and Employee Performance

Punishment is a penalty that aims to improve employee offenders, maintaining regulations and give lessons to the offender (Mangkunagara, 2000: 130). Basically, the purpose of punishment is to ensure that employees who violate feel deterrent and will not repeat again. Punishment often has the immediate effect of correcting poor employee habits, but also the long-term effects on the employee's behavior typically outweighs the short-term benefit. In other words, the purpose of punishment is to motivate the employee to work harder.

The previous research Effects of Discipline Management on Employee Performance in An Organization: The Case of County Education Office Human Resource Department, Turkana County by Anthony (2017), this study found out that, respondents agreed that there was increase on employees' knowledge; respondents agreed that disciplinary management led to promotion of employees. The study also found out that, majority of the respondents rated employee performance, remuneration first, work environment and management commitment as first factors that that affect employee performance also majority rated motivation, tools, equipment and other resources second. The study also concludes that the effective disciplinary policy County Education Office Human Resource Department in Turkana County are effective in that the organization has helped in controlling employee's behavior by ensuring there is teamwork and cohesion in the organization. In other hand, the previous research "Reward and Punishment Influence on Work Motivation and Its Impact on Performance at PT. Panin Tbk. Jombang Micro Area" by Febrianty, Musadiew, and Prasetya (2014), the result shows that punishment has not significantly influence the employee performance. The punishment in purpose to increase the work motivation is not noticed and the employee think that punishment effect is not provide a long-term effect.

This research support the previous empirical study by Anthony (2012). The result of this research shows that variable punishment  $(X_2)$  has influence the employee performance (Y), has been shown on Table 4.7 that

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 $T_{count}$  (3.231) is greater than  $T_{table}$  (2.026). The context of punishment is something like penalty or discipline management in purpose to giving a lesson to the employee to increase the motivation to working. The employee at Bank Indonesia Branch Manado DAOP 8 take the punishment in a positive ways. Not being depressed by the punishment, the employee precisely take it as a lesson to become a better person and increasing their motivation to change and work harder. The action of the employee did not separate from the role of the human resource department that give the employee advice and way out for their every problem.

# Conclusion

# CONCLUSION AND RECOMMENDATION

Based on the result of analyzing and discussing, then three conclusions can be purposed.

- 1. Reward and punishment give a simultaneous influence on employee performance at Bank Indonesia Branch Manado DAOP 8. Together, the reward and punishment are 49.3% affecting the employee performance.
- 2. Reward give a significant and positive influence on employee performance at Bank Indonesia Branch Manado DAOP 8. The employees feel honored by given a reward such as certificate of merit, bonuses, and got a recognizing from the company. The employees feel that they are being valued by others and feel that the company is seriously involved in employee's career and development.
- 3. Punishment give a significant and positive influence on employee performance at Bank Indonesia Branch Manado DAOP 8. The employee take the punishment in a positive ways. Not being depressed by the punishment, the employee precisely take it as a lesson to become a better person and increasing their motivation to change and work harder.

# Recommendation

There are two recommendations that can be concluded from the overall result in this research, which are listed as follow:

- 1. Based on the result of this research, reward has the most significant influence on employee performance at Bank Indonesia Branch Manado DAOP 8. The employee feel honored by the reward that given by the company and it drive the employee's motivation to work harder and make a better performance. The human resource department of Bank Indonesia Branch Manado DAOP 8 should keep their great performance by adding more reward in purpose to make the employee performance better.
- 2. Punishment also have positive and significant influence on employee performance at Bank Indonesia Branch Manado DAOP 8. The employee take the punishment in a positive way as a lesson and make the punishment as the driving force to motivate them more and create a better performance. With this research, the human resource department in doing their job greatly, so the department should keep make the employee think positive about their punishment.

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