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The Effect of Reward and Punishment on Employees' Performance at Gulung Janebora, Balikpapan City

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Abstract

This study aims to analyse the effect of reward and punishment on employee performance at UMKM Gulung Janebora, Balikpapan. Reward and punishment are strategies in human resource management that can affect employee motivation and productivity. This research uses quantitative approach with survey method through questionnaires to 32 employees in four branches of Gulung Janebora. The data analysis technique used is multiple linear regression to measure the effect of reward and punishment on employee performance. The results showed that reward has a positive and significant effect on employee performance, while punishment has a positive but insignificant effect. Simultaneously, reward and punishment have a significant influence on employee performance. This finding shows that giving the right reward is more effective in increasing productivity than punishment. Therefore, UMKM Gulung Janebora is advised to optimise the reward system to improve employee motivation and performance.

Keywords: Reward, Punishment, Employee performance, MSMEs.

INTRODUCTION

Gulung Janebora is a Micro, Small, and Medium Enterprise (MSME) operating in Balikpapan City, specifically in selling various types of cakes such as brownies, lapis, and bolu. With the success of opening four branches in the city, Gulung Janebora has shown significant growth in the local culinary industry. However, along with business expansion, challenges in human resource management, especially related to employee

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performance, are becoming increasingly complex. One of the main factors that can affect employee performance is the implementation of an effective reward and punishment system. According to Sutrisno (2019), awards given to employees can increase motivation and job satisfaction, thus having an impact on increasing productivity. In addition, Hasibuan (2021) added that providing appropriate punishment can also increase employee discipline, although its effectiveness depends on how it is implemented. Therefore, a balanced combination of reward and punishment strategies needs to be implemented to achieve optimal results in improving employee performance at Gulung Janebora.

In the context of human resource management, the theory of reward and punishment is rooted in the reinforcement theory proposed by B.F. Skinner. This theory states that behavior that has positive consequences is more likely to be repeated, while behavior that has negative consequences will be reduced or avoided (Skinner, 1953). In the work environment, this theory is applied through the provision of incentives, bonuses, or awards as a form of reward for employees who show good performance, as well as sanctions or reprimands as a form of punishment for employees who do not meet the set work standards (Robbins & Judge, 2021). Research by Luthans and Youssef-Morgan (2019) shows that the application of reinforcement theory in organizational management can increase employee motivation, performance, and job satisfaction. In addition, a recent study by Deci and Ryan (2020) emphasized that a proportional combination of rewards and punishments can create a more productive and conducive work environment. The urgency of this research lies in the need to understand how the reward and punishment system affects employee performance in the MSME sector, especially in the culinary industry. Although many studies have been conducted in large companies, studies on the application of this system in MSMEs are still limited. According to data from the Ministry of Cooperatives and SMEs (2020), MSMEs play a significant role in the Indonesian economy, but often face obstacles in human resource management. This study is expected to fill the gap in the literature and provide insight for MSMEs in managing their employees. The advantage of this study lies in its specific focus on MSMEs in the culinary sector, with a case study of Gulung Janebora in Balikpapan. The case study approach allows for in-depth analysis of the implementation of reward and punishment systems in real contexts. In addition, this study will use quantitative methods to gain a comprehensive and systematic understanding. According to Creswell and Creswell (2018), this approach can provide a more systematic and easy-to-understand picture. Thus, this study is expected to provide a significant contribution to the development of human resource

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management strategies in the MSME sector, especially in the culinary industry. The findings of this study can be a guide for MSME owners in designing an effective reward and punishment system to improve employee performance. In addition, this study can also be a reference for academics and practitioners in understanding the dynamics of human resource management in MSMEs.

METHOD

This study uses a quantitative approach with primary data, where data is obtained through direct interviews with employees at four branches in Gulung Jenebora Balikpapan using a questionnaire, some of these branches include Sudirman, MT Haryono, Sepinggan and Karindangan outlets consisting of 32 samples. Data collection was carried out from February 19 to February 27, 2025. The sampling technique was simple random sampling. The data analysis technique used in this study is multiple linear regression which is used to analyze the influence between variables with the aim of determining the influence of independent variables on dependent variables. Several tests carried out are related to the classical assumption test to ensure that the research data can be interpreted without containing biased values, and finally the hypothesis test to determine the effect of the application of Reward and Punishment on employee performance

RESULT

Descriptive Analysis of Variables

Descriptive variable analysis was conducted to provide an overview of the research data related to Reward (X1), Punishment (X2), and Employee Performance (Y). This analysis aims to understand the data trends, including the average value, standard deviation, maximum, and minimum of each variable studied. By using descriptive analysis, researchers can gain an initial understanding of the data distribution and characteristics of the variables that contribute to employee performance at MSMEs Gulung Janebora. The results of this analysis are presented in tabular form to provide a clearer visualization of the data patterns and trends used in this study.

Table 1. Distribution of Answers on Reward (X1)

Items		Respondents' Answers					Average Item	Mean Variable	Result
		STS	TS	N	S	SS			
X1.1	F	0	1	0	18	13	4,34	4,19	High
	%	0%	3%	0%	56%	41%			

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X1.2	F	0	1	1	13	17	4,44		
	%	0%	3%	3%	41%	53%			
X1.3	F	0	2	2	13	15	4,28		
	%	0%	6%	6%	41%	47%			
X1.4	F	0	1	1	15	15	4,38		
	%	0%	3%	3%	47%	47%			
X1.5	F	0	1	5	21	5	3,94		
	%	0%	3%	16%	66%	16%			
X1.6	F	0	2	8	18	4	3,75		
	%	0%	6%	25%	56%	13%			

Source: Processed Data (2025)

Table 1 shows that the average of the reward assessment indicators is 4.19, which indicates that the reward is in the high criteria. This indicates that in general, employees of UMKM Gulung Janebora in Balikpapan consider that giving rewards has a significant impact on improving their performance. Rewards given by the company can be in the form of financial incentives, awards, promotions, or recognition for work achievements, all of which contribute to employee motivation and job satisfaction (Robbins & Judge, 2021). A study by Deci and Ryan (2020) also illustrated that giving the right rewards can increase commitment and productivity of the workforce, thereby creating a more competitive and innovative work environment.

Table 2. Distribution of Answers to Punishment (X2)

Items		Respondents' Answers					Average Item	Mean Variable	Result
		STS	TS	N	S	SS			
X2.1	F	0	1	5	15	11	4,13	4,04	High
	%	0%	3%	16%	47%	34%			
X2.2	F	0	2	12	11	7	3,72		
	%	0%	6%	38%	34%	22%			
X2.3	F	0	1	1	15	15	4,38		
	%	0%	3%	3%	47%	47%			
X2.4	F	0	2	13	10	7	3,69		
	%	0%	6%	41%	31%	22%			
X2.5	F	0	3	7	21	1	3,63		
	%	0%	9%	22%	66%	3%			

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X2.6	F	0	1	0	18	13	4,34		
	%	0%	3%	0%	56%	41%			
X2.7	F	0	1	1	13	17	4,44		
	%	0%	3%	3%	41%	53%			

Source: Processed Data (2025)

Table 2 shows that the average of the assessment indicators for punishment is 4.04, which indicates that punishment is in the high criteria. This indicates that in general, employees of MSMEs Gulung Janebora in Balikpapan consider that the implementation of punishment has a significant impact on their performance. Punishment in an organization can be in the form of reprimands, administrative sanctions, or reduced incentives for employees who do not meet work standards. According to Robbins and Judge (2021), punishment that is applied fairly and consistently can improve work discipline and encourage employees to be more responsible in carrying out their duties. In addition, research by Dessler (2020) shows that corrective punishment can improve less productive work behavior, as long as it is given with a transparent approach and does not harm employee motivation as a whole. Thus, an effective punishment strategy can be an important part of employee performance management.

Table 3. Distribution of Answers on Employee Performance (Y)

Items		Respondents' Answers					Average Item	Mean Variable	Result
		STS	TS	N	S	SS			
Y.1	F	0	0	3	21	8	4,16	4,15	High
	%	0%	0%	9%	66%	25%			
Y.2	F	0	0	0	26	6	4,19		
	%	0%	0%	0%	81%	19%			
Y.3	F	0	0	0	29	3	4,09		
	%	0%	0%	0%	91%	9%			
Y.4	F	0	1	5	21	5	3,94		
	%	0%	3%	16%	66%	16%			
Y.5	F	0	0	2	19	11	4,28		
	%	0%	0%	6%	59%	34%			
Y.6	F	0	0	3	21	8	4,16		
	%	0%	0%	9%	66%	25%			
Y.7	F	0	0	2	14	16	4,44		
	%	0%	0%	6%	44%	50%			

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Y.8	F	0	0	2	20	10	4,16		
	%	0%	0%	6%	63%	31%			
Y.9	F	0	0	0	21	11	4,34		
	%	0%	0%	0%	66%	34%			
Y.10	F	0	2	12	11	7	3,72		
	%	0%	6%	38%	34%	22%			

Source: Processed Data (2025)

Table 3 shows that the average of the employee performance assessment indicators is 4.15, which indicates that employee performance is at a high level. This reflects that in general, employees of UMKM Gulung Janebora in Balikpapan have a good level of productivity and work commitment. According to Mangkunegara (2021), employee performance is influenced by various factors, including motivation, work environment, and the reward and punishment system implemented in the company. In addition, research by Mathis and Jackson (2022) shows that high employee performance is correlated with job satisfaction and leadership effectiveness in the organization. Employees who feel appreciated for their contributions tend to show better levels of performance, while a punishment system that is applied fairly can improve work discipline. Thus, the achievement of high performance at Gulung Janebora can be associated with the effectiveness of the human resource management strategy implemented by the company.

Multiple Linear Regression Analysis

The results of multiple linear regression analysis in this study were conducted to determine the effect of Reward (X1), Punishment (X2) on Employee Performance (Y). Some of these results are described in the following table.

Table 4. Determination Test

Independent Variable	R-Squared	Adj. R-Squared
Employee performance	0,518	0,485

Source: Processed Data (2025)

Table 4 shows that the determination coefficient (adjusted R square) produced by the path model of the influence of Reward and Punishment on Employee performance is 0.485. This means that the diversity of Y can be represented by Reward and Punishment by 48.5%, or in other words, the contribution of Reward and Punishment to Employee

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performance is 48.5%, while the remaining 51.5% is the contribution of other factors not discussed in this study. This shows that the exogenous variables (Reward and Punishment) used in this study are able to predict endogenous variables (Employee performance) because they do not have a zero value. This is in accordance with what Hasibuan (2021) stated that the greater the Adj.R-Square value, the greater the variation in endogenous variables (Y) explained by the variation in exogenous variables (X). Conversely, the smaller the Adj.R-Square value, the smaller the variation in endogenous variables that can be explained by the variation in exogenous variables.

Table 5. Simultaneous Hypothesis Testing (F Test)

Endogen Variable	F Statistics	Probability
Employee performance	15,579	0,000

Source: Processed Data (2025)

The table above shows that simultaneous hypothesis testing of the effect of Reward and Punishment on Employee performance produces an F test statistic of 15.579 with a probability of 0.000. The test results show that the F test statistic> Ftable at α = 1% (Ftable = 5.420) with a confidence level of 99%, or a probability <level of significance (α = 5%). Significant results on the effect of the Reward variable (X1) and the Punishment variable (X2) on the Employee Performance variable (Y) on UMKM Gulung Janebora employees in Balikpapan because both variables have an important role in improving employee performance so that they are often used in human resource management. This is in accordance with what was conveyed by Luthans & Youssef-Morgan (2019) that reward and punishment are concepts developed from a human resource management concept, especially aimed at motivating someone to do good and improve their performance, this method has been known for a long time in the world of work. Rewards and punishments are also often referred to as bonus management in an organization, and are a priority in assessing employee performance carried out by management.

Table 6. Partial Hypothesis Testing (t-Test)

Variabel Eksogen	Koefisien	Ket.	t Statistics	Probabilitas
Reward	0,486	(+)	2,182	0,037
Punishment	0,270	(+)	1,364	0,183

Source: Processed Data (2025)

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The results of multiple regression analysis show that the reward variable (X_1) has a positive and significant effect on employee performance (Y), with a coefficient of 0.486 and a t-statistics value of 2.182, which is significant at a probability level of 0.037 (<0.05). This indicates that the higher the reward given to employees, the higher their performance will be. Meanwhile, the punishment variable (X_2) also has a positive effect on employee performance with a coefficient of 0.270, but the effect is not significant because the t-statistics value is 1.364 with a probability of 0.183 (>0.05). This means that although punishment can provide encouragement for employees to improve their performance, its effect is not strong enough or consistent in this study. Thus, it can be concluded that the reward system is more effective in improving employee performance compared to punishment at MSMEs Gulung Janebora Balikpapan.

DISCUSSION

The Influence of Rewards on Employee Performance

Rewards or awards play a crucial role in improving employee performance, including in the MSME sector. Research conducted by Sari (2022) shows that employees who receive appreciation or rewards show better performance compared to those who do not receive awards. This emphasizes the importance of a reward system in encouraging employee productivity and work motivation. In addition, a study by Bastom (2023) found that rewards have a significant influence on the performance of MSME employees in Gresik. This study confirms that providing the right rewards can increase employee enthusiasm and loyalty to the company. At MSME Gulung Janebora, the implementation of an effective reward system can significantly improve employee performance. By providing appropriate awards, employees will feel appreciated and motivated to work better, which in turn can increase productivity and the quality of the products produced.

In addition to rewards, the implementation of punishment or sanctions also plays a role in regulating discipline and improving employee performance. Research by Rahman and Putri (2021) states that giving fair and proportional punishment can improve work discipline and reduce the level of errors made by employees. Punishment that is applied appropriately can help employees understand the boundaries that must be followed in working, so that they can avoid the same mistakes in the future. However, several studies have also shown that excessive punishment can have a negative impact on employee work motivation. A study conducted by Nugroho (2023) in the MSME sector in Surabaya found that employees who often receive sanctions without balanced rewards tend to experience decreased motivation and loyalty to the company. Therefore, MSME

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Gulung Janebora needs to balance between giving rewards and punishments so that employees remain highly motivated in working. Overall, both rewards and punishments have an influence on employee performance at MSME Gulung Janebora.

A study by Prasetyo and Lestari (2024) shows that a combination of balanced rewards and punishments can create a conducive work environment and increase employee productivity. Rewards provide positive motivational boosts, while punishment ensures discipline in working. In the context of MSMEs, good human resource management is essential to maintain business performance and sustainability. Therefore, it is important for the management of MSME Gulung Janebora to design a fair reward and punishment policy that is in accordance with the characteristics of their employees. Thus, it is expected that employee performance can continue to improve, which ultimately has a positive impact on business growth and sustainability.

The Influence of Punishment on Employee Performance

The effect of punishment on employee performance shows mixed results. Research published in the Journal of Management and Business (2023) found that punishment has a positive and significant effect on employee performance, with a t-count value of 12.175, which is greater than the t-table. This shows that the application of appropriate punishment can encourage employees to improve their performance. However, another study conducted by Kinanti (2020) showed that although punishment has an effect, its contribution to improving employee performance is not as great as rewards. This study emphasizes that punishment must be carried out carefully so as not to cause negative effects such as demotivation or decreased work enthusiasm. In the context of UMKM Gulung Janebora, the application of punishment must be carried out wisely.

Punishment that is too harsh or disproportionate can lower employee morale and have a negative impact on performance. Therefore, it is important for management to balance rewards and punishments in order to create a productive and positive work environment. In addition, research conducted by Kinanti (2020) shows that although punishment has an effect, its contribution to improving employee performance is not as great as rewards. This study confirms that punishment must be carried out carefully so as not to cause negative effects such as demotivation or decreased work enthusiasm.

In the work environment, punishment that is carried out excessively or without clarity can make employees feel unappreciated and less motivated to work better (Putra & Rahmawati, 2022). Therefore, the punishment system implemented must be

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accompanied by good communication and opportunities for employees to improve their performance before receiving punishment. Thus, punishment can be an effective tool to improve discipline without sacrificing employee psychological well-being. In the context of Gulung Janebora MSMEs, the implementation of punishment must be carried out wisely so as not to have a negative effect on employees and the work environment as a whole. Punishment that is too harsh or disproportionate can lower employee morale and have a negative impact on productivity. Conversely, a balanced combination of rewards and punishments can create a healthy and competitive work environment (Santoso, 2023). With this balance, employees will better understand the expected work standards and feel motivated to work better. Therefore, it is important for Gulung Janebora management to develop a punishment policy that is fair, transparent, and remains oriented towards improving overall employee performance

CONCLUSION

The results of the study indicate that rewards have a positive and significant effect on employee performance at Gulung Janebora MSMEs in Balikpapan, which means that the better the reward system implemented, the higher the employee performance. Meanwhile, punishment also has a positive effect on employee performance, but the effect is not significant, indicating that the punishment applied does not directly improve performance significantly. However, simultaneously, rewards and punishments together have a significant effect on employee performance, which confirms that the combination of reward and sanction strategies remains an important factor in increasing productivity and work discipline at Gulung Janebora MSMEs.

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