

The Influence of Intrinsic and Extrinsic Rewards on Employee Performance (PT Bumi Lancang Kuning Pusaka Pekanbaru Case Study)

Mitha Oktavia Syahfitri^{1*}, Hamsal²

^{1*,2} Faculty of Economics and Business, Universitas Islam Riau, Pekanbaru, Indonesia

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ABSTRACT



Email Correspondence:

mithaoktaviasyahfitri@student.uir.ac.id

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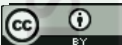
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In today's competitive business environment, ensuring optimal employee performance is critical for organizational success. Rewards, both intrinsic and extrinsic, play a vital role in motivating employees to perform at their best. The purpose of this study is to examine the influence of intrinsic and extrinsic rewards on employee performance. The research method used is quantitative, designed to explore specific aspects of the population and sample selected for the study. The population at PT. Bumi Lancang Kuning Pusaka consists of 119 individuals. In this study, the sample was determined using purposive sampling, resulting in 46 employees from the operational division at PT. Bumi Lancang Kuning Pusaka Pekanbaru being selected as respondents. Data analysis was conducted using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) software. The findings of this study reveal that both intrinsic and extrinsic rewards partially influence employee performance. Moreover, intrinsic and extrinsic rewards simultaneously have a significant impact on employee performance.

ABSTRAK

Dalam lingkungan bisnis yang semakin kompetitif saat ini, memastikan kinerja optimal karyawan menjadi kunci keberhasilan organisasi. Penghargaan, baik intrinsik maupun ekstrinsik, memainkan peran penting dalam memotivasi karyawan untuk memberikan kinerja terbaik mereka. Penelitian ini bertujuan untuk mengkaji pengaruh penghargaan intrinsik dan ekstrinsik terhadap kinerja karyawan. Metode penelitian yang digunakan adalah kuantitatif, yang dirancang untuk mengeksplorasi aspek-aspek spesifik dari populasi dan sampel yang telah dipilih. Populasi di PT. Bumi Lancang Kuning Pusaka berjumlah 119 orang. Dalam penelitian ini, sampel ditentukan menggunakan purposive sampling, sehingga diperoleh 46 karyawan dari divisi operasional PT. Bumi Lancang Kuning Pusaka Pekanbaru sebagai responden. Analisis data dilakukan menggunakan Structural Equation Modeling berbasis perangkat lunak Partial Least Squares (SEM-PLS). Hasil penelitian ini menunjukkan bahwa penghargaan intrinsik dan ekstrinsik memiliki pengaruh parsial terhadap kinerja karyawan. Selain itu, penghargaan intrinsik dan ekstrinsik secara simultan memberikan dampak signifikan terhadap kinerja karyawan.



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INTRODUCTION

Human resource management (HRM) plays a crucial role in the success of an organization in achieving its goals. Ineffective implementation of HRM, however, can become a barrier to employee satisfaction and hinder the organization's ability to accomplish its objectives. Stoner emphasizes that HRM efforts must align the interests of both the organization and its employees. In any organization, human resources are vital to ensuring its continuity (Khaeruman, 2021). Performance, at its core, refers to the outcomes achieved by individuals when completing tasks according to established standards and job

criteria. It encompasses the efforts employees make to fulfill their responsibilities and is significantly influenced by both motivation and individual ability. To perform tasks effectively, a certain level of readiness and capability is essential (Nuraini, 2013).

The performance of employees has a profound impact on an organization's success. Every organization or company consistently seeks to improve employee performance, aiming to achieve its goals. One effective method to enhance performance is by providing rewards or recognition for employee achievements. Rewards serve as a motivation tool to boost performance. Enhancing employee performance contributes to the company's growth, enabling it to thrive in a competitive and unpredictable business environment. Consequently, improving employee performance is one of management's most critical challenges, as the success and sustainability of the organization rely heavily on the quality of its human resources.

According to Veithzal Rivai, companies conduct performance evaluations for two main reasons: 1) Managers require an objective assessment of employees' past performance to make informed HR decisions; 2) Managers need tools to help employees enhance their performance, plan their work, develop skills, and foster stronger relationships between managers and employees (Rivai, 2011).

Employees who receive favorable evaluation scores are often rewarded. These rewards can be categorized into intrinsic and extrinsic types. Edirisooriya (2014) explains that intrinsic rewards are intangible benefits employees gain personally, such as recognition, responsibility, and opportunities for learning. Extrinsic rewards, on the other hand, are tangible and come from external sources, such as salaries, bonuses, and benefits. Rewards, whether intrinsic or extrinsic, serve as incentives, recognition, or compensation designed to motivate employees to exert greater effort and achieve organizational goals. Optimal performance is realized when employees feel appreciated and adequately compensated for their efforts.

Extrinsic rewards, such as salary, bonuses, and a supportive work environment, contribute to employees' satisfaction with their work. Likewise, intrinsic rewards, including a sense of responsibility, work challenges, role clarity, feedback, and skill development, are essential components of recognition.

This study is conducted at PT. Bumi Lancang Kuning Pusaka, located at Jl. Garuda Sakti No. Km. 8, Karya Indah, Tapung Subdistrict, Kampar Regency, Riau. The company specializes in manufacturing building materials, focusing on lightweight steel products such as frames, roofs, and floors. Below is the employee data for PT. Bumi Lancang Kuning Pusaka Pekanbaru

Table 1 *The numbers of PT. Bumi Lancang Kuning Pusaka Pekanbaru*

No	Division	Total
1	division marketing	13
2	division finance, accounting dan tax (FAT)	21
3	division Operational	46
4	division HRGA	15

5	division Supply chain	24
Total		119

Based on Table above, it is evident that the researcher focuses exclusively on the operational division when analyzing the number of employees. This focus is due to the critical role the operational team plays in determining the company's performance and overall functionality. Over the past three years, the company has experienced challenges in sales and production, primarily stemming from human resource-related issues. These challenges are reflected in the production and sales data presented in the following table:

Table 2 Data Performances PT. Bumi Lancang Kuning Pusaka Tahun 2020-2023

Year	Product Sales			
	Roof (Ton)	Floor (Ton)	Partition (Ton)	Frame (Ton)
2021	28.445	30.254	145.123	85.152
2022	22.127	39.124	156.458	80.452
2023	20.425	25.014	112.985	83.120

Based on the data in Table, it can be concluded that in 2022 and 2023, there was a decline in sales across several products, including roofs, floors, and partitions. This decline is attributed to the lack of appreciation or rewards for employees, which has resulted in suboptimal performance. In a manufacturing business environment, intrinsic rewards typically include recognition for achievements, responsibility, and learning opportunities for capable employees. However, at PT. Bumi Lancang Kuning Pusaka Pekanbaru, intrinsic rewards have not been implemented. This was confirmed during an interview with Mr. Hafis, the operational supervisor for partition products, who stated:

"Up until now, intrinsic rewards like recognition from superiors for achieving targets have been minimal, or you could even say non-existent. This is also reflected in our declining annual achievements. So, intrinsic rewards in this company have not been implemented." (Interview with Mr. Hafis, Operational Supervisor, Friday, 12 September 2024, 15:30)

From this interview, it is evident that intrinsic rewards are absent in the company, primarily due to the declining performance and unachieved targets year after year.

On the other hand, extrinsic rewards in a manufacturing business environment usually involve tangible benefits such as salary increases, bonuses, and allowances. At PT. Bumi Lancang Kuning Pusaka Pekanbaru, however, significant extrinsic rewards have not been provided. Employees receive standard compensation such as salaries, holiday bonuses (THR), and overtime pay, but bonuses or other forms of appreciation are still lacking. This is due to the company's current financial limitations, which are linked to production issues.

Ms. Debora, the HR Supervisor, explained:

"Regarding extrinsic rewards, they have not been significant. So far, employees have only received regular salaries, THR, and overtime pay. Bonuses or other forms of appreciation have not yet been provided because the company's current situation does not allow for them. These challenges are directly related to the company's production issues." (Interview with Ms. Debora, HR Supervisor, Friday, 12 September 2024, 16:00)

From this interview, it can be concluded that extrinsic rewards are also lacking due to declining company performance and unachieved targets over the years.

Previous research supports the idea that both intrinsic and extrinsic rewards significantly enhance employee performance. A study conducted by Vivi, Suyeno, and Putra found that intrinsic and extrinsic rewards have a substantial impact on the quality of employee performance (Vivi Luthfiana, 2022). Based on the issues and insights discussed above, the author is motivated to conduct further research on measuring employee performance by addressing the topic, "*The Influence of Intrinsic and Extrinsic Rewards on Employee Performance at PT. Bumi Lancang Kuning Pusaka Pekanbaru.*"

LITERATURE REVIEW

Attribution Theory

Attribution theory is related to individual behavior and explains how people interpret events, reasons, or causes for their actions (Lubis, 2020). This theory, developed in 1958 by Heider, argues that a person's behavior can be determined by a combination of internal factors, such as ability, knowledge, or effort, and external factors, such as job difficulties or environmental conditions (Tsaury Sofyan, 2013; Hasibuan, 2017). Internal factors stem from within the individual, while external factors originate from outside the person, such as workplace challenges or external opportunities (Nitisemito, 2020). This study uses attribution theory to measure, explain, and predict the relationship between intrinsic and extrinsic rewards and employee performance.

Performance

Performance is a crucial factor in achieving the goals of any company or institution. When employees within an organization demonstrate exceptional performance, they empower the organization to achieve its intended objectives (Rambet, 2022). Performance serves as a central determinant of success and sustainability. In every organization, human resources are essential for ensuring its continuity (Kawiana, 2020). Essentially, performance refers to the outcomes achieved by individuals when completing tasks according to established standards and job criteria (Wibowo, 2016). It encompasses all the efforts made by workers to accomplish assigned tasks, which are heavily influenced by motivation and individual abilities. Successfully completing tasks requires an appropriate level of preparedness and skill (Khaeruman, 2021).

Performance is critical to the achievement of organizational goals. High employee performance enables organizations to reach desired outcomes, as it is fundamental to both success and sustainability. Human resources are a vital component of any organization (Torang & Syamsir, 2014). According to various definitions from human resource management experts, performance includes both work results and work behavior. When measuring performance based on results, attention is given to how well individuals produce goods or services, both in terms of quality and quantity. For example, an employee's ability to meet sales targets is a key indicator of performance (Rivai, 2011).

Wirawan, as cited in Rambet, explains that employee performance is the result of a synergy among several factors. These factors include the organization's internal environment, the external environment, and the internal characteristics of employees.

According to Mathis and Jackson, performance indicators are as follows:

1. **Quantity**

Quantity refers to the amount of work produced, expressed in measurable terms such as the number of completed activity cycles. For employees, this is reflected in the volume of work completed.

2. **Quality**

Quality involves adherence to procedures, discipline, and dedication. It measures how well task outcomes align with expected objectives. The quality of work is assessed based on the level of perfection achieved in completing tasks and the effective utilization of employees' skills and abilities.

3. **Cooperation**

Cooperation refers to an employee's ability to work collaboratively with others to complete assigned tasks. It ensures maximum efficiency and effectiveness in the work process (Khaeruman, 2021).

Rewards

A reward is a form of compensation, prize, recognition, or incentive intended to encourage individuals to put more effort into improving or enhancing the performance they have already achieved. According to Bratton & Gold, as cited in Fareed et al., a reward is defined as cash, non-cash, and psychological payments given to employees as compensation for the contributions they have made (Fareed, 2013). Nnaji-Ihedinmah & Egbunike (2015) categorize rewards into two main types:

1. **Intrinsic Reward**

Intrinsic reward refers to the positive value or satisfaction that employees feel toward themselves after completing a task that is personally challenging. Intrinsic rewards are inherent to the job itself, such as responsibility, challenges, and feedback from the work. These rewards are non-material and non-financial in nature.

2. **Extrinsic Reward**

Extrinsic rewards refer to rewards that typically include direct compensation, indirect compensation, and other benefits. These rewards are financial, material, or social and are provided by the external environment. Extrinsic rewards are external forms of recognition given for the performance or work completed by employees (Nnaji-Ihedinmah, 2015).

According to Ivancevich, Konopaske, and Matteson, rewards are classified into two categories: intrinsic and extrinsic rewards. Each category is further subdivided as follows:

1. **Extrinsic Rewards:** Extrinsic rewards come from outside the individual.

- **Financial Rewards:** Salary and wages are the primary forms of extrinsic rewards.
- **Non-financial Benefits:** These include benefits such as child care centers, fitness centers, and medical care, which are not entirely financial.
- **Interpersonal Rewards:** These include recognition and status within the organization.

2. **Intrinsic Rewards:** Intrinsic rewards come from within the individual.

- **Completion:** The ability to start and finish a job or project is important for some individuals and serves as a reward in itself.
- **Achievement:** Achievement is an intrinsic reward that arises when an individual reaches a challenging goal.
- **Autonomy:** A sense of autonomy can emerge from the freedom to take what an employee believes is the best course of action in a given situation.
- **Personal Growth:** This reward involves opportunities and encouragement provided by the company to help employees grow and develop personally (Ivancevich, 2013).

Research Hypotheses

The hypotheses in this study are as follows:

H1: It is suspected that intrinsic rewards have an effect on performance.

H2: It is suspected that extrinsic rewards have an effect on performance.

H3: It is suspected that both intrinsic and extrinsic rewards have an effect on performance.

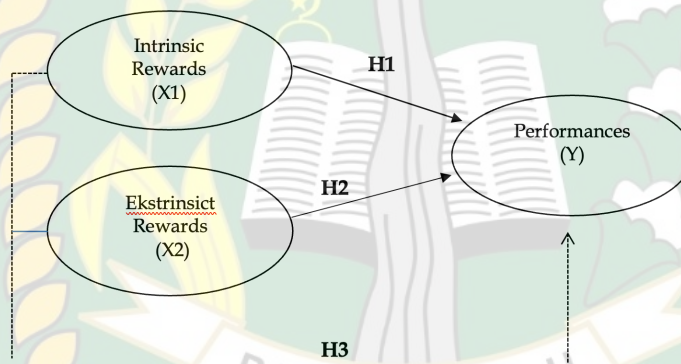


Figure 1 Research of Framework

RESEARCH METHOD

This study is descriptive in nature, employing a quantitative approach. The quantitative method is used to explore specific aspects of the population and sample that have been selected. The total population at PT. Bumi Lancang Kuning Pusaka consists of 119 individuals, including employees from various divisions such as marketing, finance, accounting and tax (FAT), operations, HRGA, and the supply chain.

According to Sugiyono (2015:91), a sample is a subset of the population that shares the same characteristics as the larger group. In this study, the sample was selected using purposive sampling. Purposive sampling is a technique for choosing a sample based on specific criteria or considerations. In this case, the sample consists of 46 employees from the operational division of PT. Bumi Lancang Kuning Pusaka Pekanbaru. Data were collected using appropriate research instruments, and data analysis was performed using a quantitative or statistical approach to test the hypotheses formulated (Ghozali, 2018).

The study investigates several variables related to intrinsic and extrinsic rewards and their impact on performance. The first variable, Intrinsic Reward (X1), refers to intangible rewards received by employees for themselves, such as recognition, responsibility, and learning opportunities. This variable consists of four dimensions: Completion, which includes the ability to start and complete a task or project and thinking of new ideas to improve performance (measured on an ordinal scale); Achievement, which involves personal achievements and accomplishments gained by reaching a challenging goal (measured on an ordinal scale); Autonomy, which refers to having authority in one's current position and the sense of autonomy generated from the freedom to perform tasks (measured on an ordinal scale); and Personal Growth, which involves skills and expertise developed during work and opportunities to learn something new (measured on an ordinal scale).

The second variable, Extrinsic Reward (X2), pertains to tangible rewards given from outside the employee, such as salary, bonuses, and benefits. This variable is also divided into dimensions: Financial Rewards: Salary and Bonus, which includes having a basic salary appropriate to the job, receiving additional bonuses, and the company offering a high starting salary (measured on an ordinal scale); Financial Rewards: Benefits, which involve increased benefits for good performance and position-based allowances (measured on an ordinal scale); and Interpersonal Rewards, which includes receiving interpersonal recognition and motivation from these rewards (measured on an ordinal scale).

The third variable, Performance (Y), is the result of the combination of all tasks performed by an employee based on the assignments given. It is divided into three dimensions: Quantity, which measures the speed of completing tasks and achieving work targets (measured on an ordinal scale); Quality, which evaluates the skill level in the job, accuracy of work, and initiative taken (measured on an ordinal scale); and Collaboration, which assesses the ability to work with colleagues, as well as teamwork and cohesion (measured on an ordinal scale).

The hypothesis testing in this study uses the Structural Equation Modeling (SEM) approach with the assistance of Partial Least Squares (PLS). PLS is a variant of Structural Equation Modeling (SEM) based on components. SEM, as a branch of statistical analysis, allows for the simultaneous evaluation of a series of complex relationships that are difficult to measure (Gudono, 2017). According to Ghozali, SEM based on PLS offers an alternative shift from the covariance-based SEM approach to a variance-based approach (Ghozali, 2012).

RESULT and DISCUSSION

Outer Model Testing (Measurement Model)

This research includes analysis using Smart PLS 3.0 software with the Partial Least Squares (PLS) method. The evaluation of the indicators that form the reliability and validity of the latent constructs is done by examining the results of the measurement model (outer model) (Ferdinand, 2014). Below is the path algorithm diagram for this study.

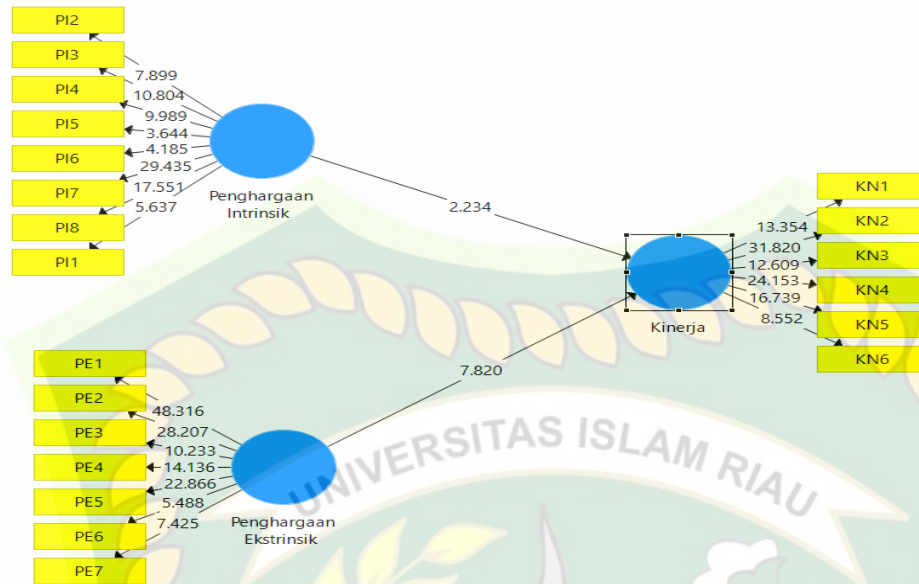


Figure 2 Path Algorithm

Sources: *Processed Product Data Smart PLS 3.0, 2024*

The external model, which includes reflective indicators, is assessed using confirmatory factor analysis. This involves examining both convergent validity and discriminant validity (Ghozali, 2012).

Convergent Validity Test Results

Convergent validity aims to assess the validity of the relationship between each indicator and its corresponding latent construct or variable. In this study, a loading factor threshold of 0.60 will be used to determine convergent validity (Sugiyono, 2018).

Table 3 Value of Loading Factor Construct

	Performances	Extrinsic Rewards	Intrinsic Rewards
KN1	0,858		
KN2	0,933		
KN3	0,871		
KN4	0,915		
KN5	0,893		
KN6	0,773		
PE1		0,928	
PE2		0,878	
PE3		0,802	
PE4		0,900	
PE5		0,887	
PE6		0,716	
PE7		0,761	
PI2			0,822

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PI3	0,807
PI4	0,865
PI5	0,722
PI6	0,787
PI7	0,883
PI8	0,834
PI1	0,721

Convergent validity is considered acceptable if the loading factor of each indicator is above the threshold (0.60), indicating that each indicator correlates well with the latent variable it is intended to measure.

Discriminant Validity Test Results

Discriminant validity refers to the degree to which a construct is distinct from other constructs based on empirical standards. Establishing discriminant validity ensures that a construct is unique and represents phenomena not captured by other constructs in the model. To evaluate discriminant validity, the Fornell-Larcker criterion is commonly applied. According to this criterion, a construct demonstrates discriminant validity if the square root of the average variance extracted (AVE) for that construct is greater than the correlations between that construct and any other constructs in the model. Simply put, each construct should account for more variance in its own indicators than the variance it shares with other constructs.

Table 4 Value of Cross Loading Construct

	Performances	Extrinsic Rewards	Intrinsic Rewards
KN1	0,858	0,752	0,775
KN2	0,933	0,863	0,805
KN3	0,871	0,859	0,758
KN4	0,915	0,871	0,792
KN5	0,893	0,753	0,642
KN6	0,773	0,685	0,585
PE1	0,870	0,928	0,842
PE2	0,860	0,878	0,765
PE3	0,654	0,802	0,654
PE4	0,790	0,900	0,781
PE5	0,842	0,887	0,777
PE6	0,693	0,716	0,533
PE7	0,638	0,761	0,596
PI2	0,615	0,593	0,822
PI3	0,622	0,633	0,807
PI4	0,683	0,673	0,865
PI5	0,530	0,509	0,722
PI6	0,514	0,524	0,787
PI7	0,831	0,847	0,883
PI8	0,847	0,919	0,834
PI1	0,617	0,620	0,721

Based on the results in the table, each construct shows a higher correlation between the construct and its indicators compared to the correlation with other constructs. Therefore, it can be concluded that all constructs or latent variables exhibit strong discriminant validity in forming their respective variables.

Average Variance Extracted (AVE) Test Results and Construct Reliability

An instrument is considered reliable if it can consistently measure the same phenomenon and produce relatively consistent results. In this study, construct reliability is assessed using Cronbach's alpha, rho_A, and composite reliability (Azwar, 2017).

Table 5 Table of Value Average Variant Extracted (AVE), Construct Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Performances	0,938	0,944	0,951	0,766
Extrinsic Rewards	0,930	0,939	0,944	0,709
Intrinsic Rewards	0,923	0,937	0,937	0,651

Reliability analysis assesses the consistency of constructs, ensuring that they measure the intended phenomenon reliably across repeated measurements. Several metrics are commonly used to evaluate reliability:

- **Cronbach's Alpha:** Measures the internal consistency of the constructs, with values above 0.70 generally indicating acceptable reliability.
- **rho_A:** A reliability coefficient similar to Cronbach's alpha, where values above 0.70 suggest adequate reliability.
- **Composite Reliability:** Evaluates the overall reliability of the construct, with values above 0.70 indicating that the construct is reliable.

If these reliability metrics (Cronbach's alpha, rho_A, and composite reliability) exceed the 0.70 threshold, the construct is considered reliable and capable of consistently measuring the intended phenomenon.

Based on the data in the table, it can be concluded that the construct exhibits good reliability, as the Cronbach's alpha value is greater than 0.75 (Abdillah, 2019), surpassing the minimum threshold. Additionally, the rho_A value is also greater than 0.70, indicating that all latent variables meet the established criteria. Furthermore, the composite reliability value exceeds 0.70, demonstrating that the questionnaire used has a high reliability coefficient. This indicates a strong correlation between items within each construct in the model test. Therefore, it can be concluded that all construct variables meet the reliability requirements, confirming their suitability for measuring the intended phenomena reliably.

Inner Model Testing (Measurement Model)

R-Square Test Results

The coefficient of determination can be assessed using R-Squared (R^2), which indicates the percentage of variation in the endogenous/criterion construct that can be explained by the constructs influencing it in the hypothesis.

Table 6 Value of R Square

	R Square	R Square Adjusted
Performances	0,851	0,843

Sources: Processed Product Data Smart PLS 3.0, 2024

Based on the data in the Table, we can see that the R-square for concept performance is 0.851, which can be concluded that the influence of the concept given intrinsically and extrinsically to performance is around 85.1%, while the remaining 14.9% can be attributed to other factors not examined in this study.

Hypothesis Test Results

The hypothesis testing in this study consists of 2, namely testing the effect partially and testing the effect simultaneously. The following is a partial hypothesis test:

Table 7 Table Result of Hypotesis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Extrinsic Rewards → Performances	0,740	0,745	0,095	7,820	0,000
Intrinsic Rewards → Performances	0,207	0,202	0,093	2,234	0,015

Based on Table, the following conclusions can be drawn from the hypotheses:

H1. The Effect of Intrinsic Rewards on Performance:

Based on the data presented in the table, it can be observed that the t-statistic value is 2.234, while the t-table value is 0.67986 ($2.234 > 0.67986$). Additionally, the p-value is also smaller than alpha ($0.015 < 0.05$). Therefore, we can conclude that the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted. The research results indicate that intrinsic rewards have a significant effect on performance.

H2. The Effect of Extrinsic Rewards on Performance:

Based on the data in the table, the t-statistic value is 7.820, while the t-table value is 0.67986 ($7.820 > 0.67986$). In addition, the p-value is also smaller than alpha ($0.000 < 0.05$). Therefore, we can conclude that the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted. The research results indicate that extrinsic rewards have a significant effect on performance.

Simultaneous Hypothesis Testing:

The results of the simultaneous hypothesis testing in SmartPLS can be viewed through the F-statistic value, which can be calculated using the formula:

The critical F-value is obtained from the table:

$$F_{hit} = \frac{R^2(n-k-1)}{(1-R^2)k}$$

Where:

- K: the number of independent variables
- R²: the coefficient of determination
- n: the sample size (Bambang Prasetyo and Lina Miftahul Jannah, 2016)

Based on the R-Square value, R² is obtained as 0.851 (85.1%). The number of independent variables (K) is 2, and the sample size (n) is 46 with a significance level (α) of 5%. Therefore, the calculated F-value (F_{hi^tump}) and the F-table value (F^{table}) can be obtained as follows:

$$= \frac{0.851(46 - 2 - 1)}{(1 - 0.851)^2} = \frac{36.593}{0.022} = 1648,25$$

The calculated F-value of 1648.25 is compared with the F-table value of 3.20 (obtained from the F-table). Since the calculated F-value (1648.25) is greater than or equal to the F-table value (3.20), the null hypothesis (H₀) is rejected, and the alternative hypothesis (H_a) is accepted. These results indicate that both intrinsic and extrinsic rewards have a significant impact on performance.

DISCUSSION

Based on the results of the research conducted, the following findings and implications can be presented:

1. The Impact of Intrinsic Rewards on Performance
The research findings indicate that intrinsic rewards have a significant impact on performance. This supports the theory that employees who receive positive performance evaluations are typically provided with rewards. Intrinsic rewards are intangible benefits that employees give to themselves, such as recognition, responsibility, and learning opportunities. These rewards aim to motivate individuals to improve their performance and contribute to the achievement of organizational goals, ultimately leading to enhanced employee performance. This result aligns with the findings of Vivi Luthfiana (2022), who states that intrinsic rewards significantly influence employee performance.

2. The Impact of Extrinsic Rewards on Performance

The research findings also show that extrinsic rewards have a significant impact on performance. This is consistent with the theory that rewards, provided as a result of positive performance evaluations, can motivate employees. Extrinsic rewards are tangible benefits originating from external sources, such as salary, bonuses, and benefits. These rewards encourage employees to work harder and achieve organizational objectives, thereby improving overall performance. This result supports the research by Vivi Luthfiana (2022), which highlights the significant influence of extrinsic rewards on performance.

3. The Impact of Both Intrinsic and Extrinsic Rewards on Performance

The research findings reveal that both intrinsic and extrinsic rewards have a significant impact on performance. This supports the theory that employees who receive good performance evaluations are typically given rewards (Heidjrachman, 2017). Rewards can be classified into two types: intrinsic and extrinsic. Edirisooriya (2014) explains that intrinsic rewards include intangible benefits such as recognition, responsibility, and learning opportunities, while extrinsic rewards are tangible benefits such as salary, bonuses, and other external compensation. Rewards are designed to motivate individuals to improve performance and achieve organizational goals. The highest levels of performance occur when employees feel satisfied, knowing that their efforts are appreciated and fairly compensated. Extrinsic rewards, such as competitive salaries, bonuses, and a supportive work environment, enhance employees' satisfaction with their work. Similarly, intrinsic rewards, including responsibility, challenging tasks, role clarity, constructive feedback, and skill development, contribute to improved employee performance. This finding is consistent with the research of Vivi Luthfiana (2022), which demonstrates that both intrinsic and extrinsic rewards significantly influence employee performance.

CONCLUSIONS

Based on the research findings, it can be concluded that both intrinsic and extrinsic rewards significantly influence employee performance. The study demonstrated that intrinsic rewards, such as recognition, responsibility, and learning opportunities, positively impact employees' motivation and drive, ultimately enhancing job performance. Similarly, extrinsic rewards, including salary, bonuses, and benefits, also strongly affect employee performance, as these tangible rewards provide clear recognition and appreciation for employees' efforts. These findings align with existing theories and previous research, emphasizing the importance of a balanced reward system in improving overall performance.

Furthermore, the combination of intrinsic and extrinsic rewards has a synergistic effect on employee performance. The research indicates that when employees perceive both types of rewards positively, it creates a work environment that fosters motivation and encourages individuals to excel and contribute to organizational goals. Therefore, organizations should aim to implement reward systems that effectively integrate both intrinsic and extrinsic elements. Such an approach not only enhances individual performance but also contributes to the achievement of broader organizational objectives.

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