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THE EFFECT *OF REWARDS* AND *PUNISHMENT* ON EMPLOYEE PERFORMANCE WITH ORGANIZATIONAL COMMITMENT AS AN *INTERVENING VARIABLE*AT THE REPRESENTATIVE OFFICE OF BANK INDONESIA PROVINCE NORTH SUMATRA

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ABSTRACT

This study aims to investigate how rewards and punishments affect employee performance, with organizational commitment acting as a mediating factor, at the Bank Indonesia Representative Office located in North Sumatra Province. A quantitative method was employed, employing Structural Equation Modeling (SEM) facilitated by SmartPLS 3.0 software. Participants in this study were employees working at the Bank Indonesia Representative Office in North Sumatra Province, and information was collected through a questionnaire that has been validated for reliability and accuracy.
The findings indicate that organizational commitment has a positive effect on employee performance. Furthermore, both rewards and punishments directly enhance employee performance and organizational commitment. Indirectly, rewards and punishments also influence employee performance by increasing organizational commitment, thus confirming the mediating function of organizational commitment. These results imply that implementing a fair and appropriate reward and punishment system can improve employee performance both directly and by strengthening their commitment to the organization. The findings of this study have significant implications for human resource management, particularly regarding reward and punishment strategies to optimize performance while fostering organizational commitment.

Introduction

Employee performance is a crucial factor in achieving goals and ensuring organizational success. High levels of performance contribute to increased productivity and work quality, which in turn impact the organization's sustainability and competitiveness. Therefore, it is crucial for organizations to identify and manage the factors that influence employee performance. A common strategy for motivating employees is establishing a reward and punishment system. These tools serve as a means of controlling behavior to align with company goals. Rewards acknowledge employee success or commendable actions. Rewards can take the form of financial incentives such as bonuses and salary increases, or non-financial rewards such as promotions or verbal praise. The purpose of rewards is to increase employee motivation to consistently perform at a high level. On the other hand,

punishments are imposed as a consequence for actions that do not meet organizational standards, including disciplinary infractions, tardiness, or inadequate performance. Applying appropriate punishments can help maintain discipline and deter undesirable behavior.

Although rewards and punishments can improve performance, their effectiveness is often influenced by additional factors, one of which is organizational commitment. This commitment indicates the extent to which employees connect with the organization's values, goals, and mission. Highly committed employees typically demonstrate a strong sense of responsibility, high work motivation, and a willingness to exert significant effort, even in the face of adversity. Conversely, employees with low commitment may not react positively to rewards and punishments and may even exhibit counterproductive behavior. Furthermore, organizational commitment serves as a mediating factor, strengthening the relationship between rewards, punishments, and employee performance. Highly committed employees tend to view rewards and punishments as part of the organization's growth framework, while those with less commitment may perceive the system as unfair or irrelevant.

Understanding the relationship between rewards, punishments, and organizational commitment is crucial, particularly in Indonesia's diverse socio-cultural landscape. The Bank Indonesia Representative Office in North Sumatra, located in Medan, represents a region with distinct social and cultural characteristics that may influence employees' perceptions of reward and punishment frameworks. Socio-economic conditions and a competitive work environment require organizations to manage their human resources efficiently, including through specific motivational strategies. Empirical studies show that employees often feel dissatisfied or disengaged with reward and punishment systems, likely due to low organizational commitment. Conversely, some highly committed employees view punishment as a motivation to improve themselves and enhance their performance. This suggests that organizational commitment is crucial in influencing how effectively rewards and punishments impact employee performance.

Therefore, this study was conducted to examine the impact of rewards and punishments on employee performance, with organizational commitment as a mediating factor, at the Bank Indonesia Representative Office in North Sumatra Province. The findings aim to offer theoretical insights and practical contributions to improve human resource management strategies and provide recommendations to policymakers in fostering a supportive work environment to enhance employee performance.

Formulation of the problem

After completing the background summary, the problem formulation is:

1. Does *Reward* have a positive and significant effect on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province?
2. Does *Punishment* have a positive and significant effect on the Performance of Employees at the Representative Office of Bank Indonesia in North Sumatra Province?
3. Does *Reward* have a positive and significant effect on Organizational Commitment at the the Representative Office of Bank Indonesia in North Sumatra Province?
4. Does *Punishment* have a positive and significant effect on Organizational Commitment at the the Representative Office of Bank Indonesia in North Sumatra Province?

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5. Does Organizational Commitment have a positive and significant effect on Employee Performance at the the Representative Office of Bank Indonesia in North Sumatra Province?
6. Does *Reward* have a positive and significant effect on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province?
7. Does *Punishment* have a positive and significant effect on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province?

Research purposes

After the problem formulation is found, the researcher forms research objectives, so the research objectives are:

1. To test and analyze the influence *of rewards* on employee performance at the Representative Office of Bank Indonesia in North Sumatra Province.
2. To test and analyze the influence of *Punishment* on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province
3. To test and analyze the influence *of rewards* on organizational commitment at the Representative Office of Bank Indonesia in North Sumatra Province
4. To test and analyze the influence of *Punishment* on Organizational Commitment at the the Representative Office of Bank Indonesia in North Sumatra Province
5. To test and analyze the influence of Organizational Commitment on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province
6. To test and analyze the influence *of rewards* on employee performance through organizational commitment at the Representative Office of Bank Indonesia in North Sumatra Province
7. To test and analyze the influence of *Punishment* on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province

Benefits of research

Theoretical Benefits

This study is expected to advance knowledge in the field of human resource management, particularly regarding how rewards and punishments affect employee performance, with organizational commitment acting as a mediating factor. Theoretically, this study offers the following advantages:

a) A broader understanding of human resource management.

This research can broaden the theoretical perspective on work motivation, the efficiency of reward and punishment systems, and how organizational commitment plays a role in improving employee performance.

b) A clearer relationship between research variables.

By including organizational commitment as a mediating factor, this study allows for a better understanding of how employees' psychological and emotional dimensions shape their reactions to rewards and punishments within the organization.

c) Foundation for future research.

The results of this study can be a reference point for other researchers who want to dig deeper into the elements that influence employee performance in various organizations and cultural situations.

Practical Benefits
Practically, the findings of this study can provide direct support to organizations or companies in their efforts to improve employee performance, including:
a) For Company or Organization Management
The results of this study can serve as a framework for designing and implementing more effective reward and punishment systems, recognizing the important role of organizational commitment in improving performance.
b) For Employees
This research can help employees understand how rewards and punishments are given and motivate them to strengthen their commitment to the organization to achieve peak performance.
c) For the Government or Policy Makers
The findings of this study can provide valuable insights for the creation of employment policies aimed at increasing employee productivity and managing performance.
d) For Businesses in the Kesawan Area, West Medan
Companies operating in the Kesawan area, West Medan can utilize the findings of this study as a guideline for developing human resource management strategies that focus on motivation and commitment to increase employee productivity and loyalty.

Employee Performance

Employee performance refers to the results produced by a worker when fulfilling their responsibilities, including the quality and quantity of work and how well it aligns with the tasks assigned to them in the company (Fasha & Lestari, 2019). Furthermore, employee performance can be viewed as the results produced by a team of employees in accordance with the tasks and responsibilities assigned to them (Arifin et al., 2019).

Employee Performance Indicators

Employee performance indicators consist of four aspects, namely:

1. need for achievement;
2. need for power;
3. compensation as motivation to achieve optimal performance; and
4. leadership policies that can encourage employee work motivation (Fasha & Lestari, 2019).

Reward

Rewards serve as a source of encouragement given to workers as they perform their duties (Saputra, 2017). Rewards are seen as a crucial factor in motivating employees to share creative suggestions that can improve business operations and company success, both monetary and non-monetary (Wirawan et al., 2018).

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Reward Indicator
Reward indicators include:
1. wages;
2. wages;
3. incentive;
4. allowance;
5. interpersonal appreciation; and
6. job promotion (Saputra, 2017).

Punishment
Consequences are methods used to reduce or eliminate undesirable actions by providing an uncomfortable response to the individual (Rofiqi, 2019). Consequences can also refer to the punishments workers face for failing to complete tasks as directed or assigned (Fahmi, 2016).

Punishment Indicator
Punishment indicators consist of two types, namely:
1. Preventive punishment , in the form of regulations, recommendations or orders, prohibitions, as well as coercion and discipline;
2. Repressive punishment , in the form of notifications, reprimands, warnings and penalties (Rofiqi, 2019).

Organizational Commitment
Organizational commitment is a subject that has received much attention in various studies related to management and human behavior within companies (Yusuf & Syarif, 2018). Organizational commitment is described as a situation in which employees identify with the organization and its goals, accompanied by a deep desire to remain part of the organization (Robbins, 2016).

Organizational Commitment Indicators
Organizational commitment indicators include three main dimensions, namely:
1. Affective commitment , in the form of emotional attachment to the organization;
2. Continuing commitment , namely the consideration of the value of the benefits of remaining in the organization compared to leaving it;
3. Normative commitment , namely a sense of moral obligation to remain in the organization (Robbins, 2016).

Conceptual Framework

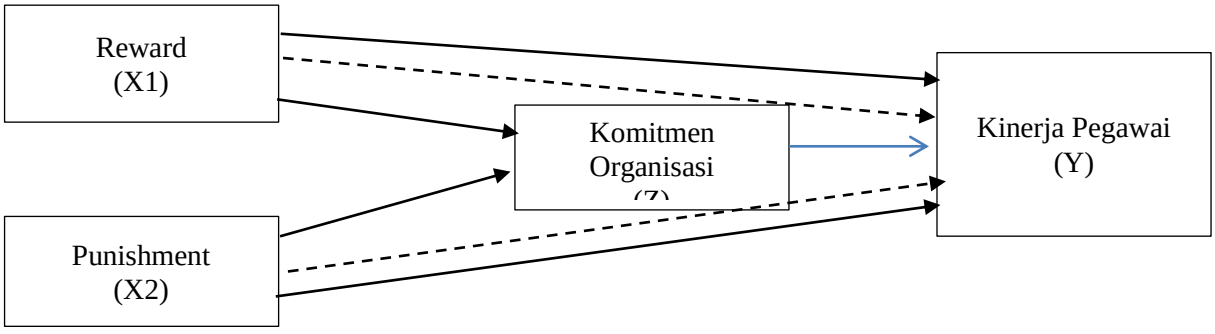

Figure 1. Conceptual Framwork

Hypothesis

After describing the conceptual framework, the hypothesis of this research is as follows:

1. *Rewards* have a positive and significant effect on employee performance at the Representative Office of Bank Indonesia in North Sumatra Province
2. *Punishment* has a positive and significant effect on employee performance at the Representative Office of Bank Indonesia in North Sumatra Province
3. *Rewards* have a positive and significant effect on Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province
4. *Punishment* has a positive and significant effect on Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province
5. Organizational Commitment has a positive and significant effect on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province
6. *Rewards* have a positive and significant effect on employee performance through organizational commitment at the Representative Office of Bank Indonesia in North Sumatra Province
7. *Punishment* has a positive and significant effect on employee performance through organizational commitment at the Representative Office of Bank Indonesia in North Sumatra Province

Method

Research methods

Types of research

This research uses a quantitative methodology. Quantitative research techniques are built on positivist principles and are used to examine specific populations or samples through research tools, enabling quantitative or statistical data analysis aimed at evaluating predetermined hypotheses (Sugiyono, 2020).

Time and Location of Research

This research was conducted over three months, starting in November 2025, to improve data collection and processing. The research took place at the Bank Indonesia Representative Office in North Sumatra Province, Jl. Balai Kota No. 4, Medan, North Sumatra, 20111.

Population

The population of this study consisted of 80 employees from the Bank Indonesia Representative Office in North Sumatra Province. A population refers to a broad area encompassing subjects or objects with quantities and characteristics determined by the researcher for further examination and conclusions (Sugiyono, 2020).

Sample

This study used the entire population as a sample, resulting in a sample size of 80 employees. The sampling method used was saturated sampling, where all members of the population are considered as a sample (Sugiyono, 2020). A sample is essentially a smaller portion of a population characterized by its size and characteristics (Sugiyono, 2020).

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Research Data Sources
For this research, primary data was used as a source. Primary data is information obtained directly from original sources related to the research focus, without intermediaries (Sugiyono, 2020).

Data collection technique
Data collection was conducted by distributing questionnaires to participants. A questionnaire is a data collection method that involves providing written questions or instructions for respondents to complete independently (Sugiyono, 2020). This research survey method involves collecting data directly at the research location by distributing questionnaires (Sugiyono, 2020).

Data collection technique
This study included latent variables, consisting of several indicators, in measuring the research variables. Given the relationship between variables and the need for mediation analysis, the technique used was Partial Least Squares – Structural Equation Modeling (PLS-SEM). The PLS-SEM method is a statistical technique based on variance and is used to model associations between variables in a model, which includes correlational and causal analysis (Hair et al., 2017).
The PLS model consists of two core elements: a measurement model (outer model) and a structural model (inner model). The measurement model evaluates the validity and reliability of variable indicators, while the structural model tests hypotheses between variables. Path analysis occurs after the measurement model meets validity and reliability standards (Henseler et al., 2019).

Measurement Model Examination (Outer Model)
Measurement model (external model) testing is conducted to verify that the research instruments and indicators used have good reliability and validity, thus allowing for consistent measurement of variables. In the context of PLS-SEM analysis, measurement model evaluation includes assessing reliability and validity.

Validity Evaluation
a. Convergent Validity
Convergent validity evaluates the degree of association between indicators within a construct. This evaluation is designed to ensure that the indicators used can accurately and reliably measure a particular variable (Cohen et al., 2018). Assessing convergent validity involves examining factor loading values and the Average Variance Extracted (AVE). An indicator is considered valid if its factor loading exceeds 0.60 and its AVE value is above 0.50 (Latan, 2015). Furthermore, indicators with lower loading values can be eliminated to improve model quality (Morling, 2017).

b. Discriminant Validity
The purpose of discriminant validity testing is to verify that a construct is truly separate from other constructs in the research model, thereby reducing measurement overlap

between variables (Sugiyono, 2020). Discriminant validity is assessed through cross-loading values, where each indicator must show the highest loading value on the variable it measures compared to its loading value on other variables. A construct is considered to demonstrate discriminant validity if the cross-loading value of the indicator on that construct is greater than that of the other variables (Kock & Lynn, 2015).

Reliability Evaluation

Reliability evaluation is implemented to measure the consistency of research instruments in measuring the same variables repeatedly and reliably across various respondents. An instrument is considered reliable if it produces stable results over time. In this study, reliability assessment was carried out using Composite Reliability (CR) and Cronbach's Alpha calculations. A construct is considered feasible and reliable if the CR and Cronbach's Alpha values exceed 0.70, in accordance with the criteria established by experts (Henseler et al., 2016).

Structural Model Inspection (Deep Model)

The structural model (deep model) serves to assess the strength of causal relationships between constructs in PLS-SEM. The purpose of the deep model is to evaluate the level of influence and significance between latent variables based on the estimated path coefficients resulting from data analysis, as noted by experts (Hair et al., 2017).

Model Assumptions in PLS-SEM

An important assumption in the PLS-SEM model is the absence of multicollinearity among the independent variables. This assumption is assessed by analyzing the Variance Inflation Factor (VIF) value. A model is considered free of multicollinearity if the VIF value is less than 5, indicating that the independent variables do not influence each other excessively (Henseler et al., 2016; Hair et al., 2017).

Evaluation of the Coefficient of Determination (R^2)

The R-Square (R^2) evaluation determines the extent to which independent variables contribute to explaining the dependent variable. R^2 values range from 0 to 1, with thresholds of 0.75, 0.50, and 0.25 indicating strong, moderate, and weak explanatory power in a model, respectively, according to experts Hair et al. (2017) and Henseler et al. (2016).

Hypothesis Testing

Hypothesis testing within the internal PLS-SEM framework was conducted through bootstrapping techniques using SmartPLS software. Significance evaluation included path coefficients, t-statistics, and p-values. The relationship between variables was considered significant if the t-statistic value exceeded 1.96 and the p-value was lower than 0.05, indicating that the impact between the variables was statistically valid and credible (Hair et al., 2017).

Results and Discussion

Outer Model Analysis

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External model assessment aims to verify the reliability and validity of the research instrument. This phase includes evaluating factor loadings, Average Variance Extracted (AVE), discriminant validity, and composite reliability to ensure that the indicators accurately reflect the construct (Husein, 2015).

Factor Loading

The initial phase in evaluating the external model involves examining the factor loading values for each indicator. An indicator is considered valid if its loading value exceeds 0.60, indicating its effectiveness in explaining the construct being evaluated. If the loading value is below this specified minimum, the indicator should be reviewed for possible deletion to maintain the integrity of the measurement model (Husein, 2015). To illustrate the external model analysis process in this study, the following is a depiction of the variable measurement model:

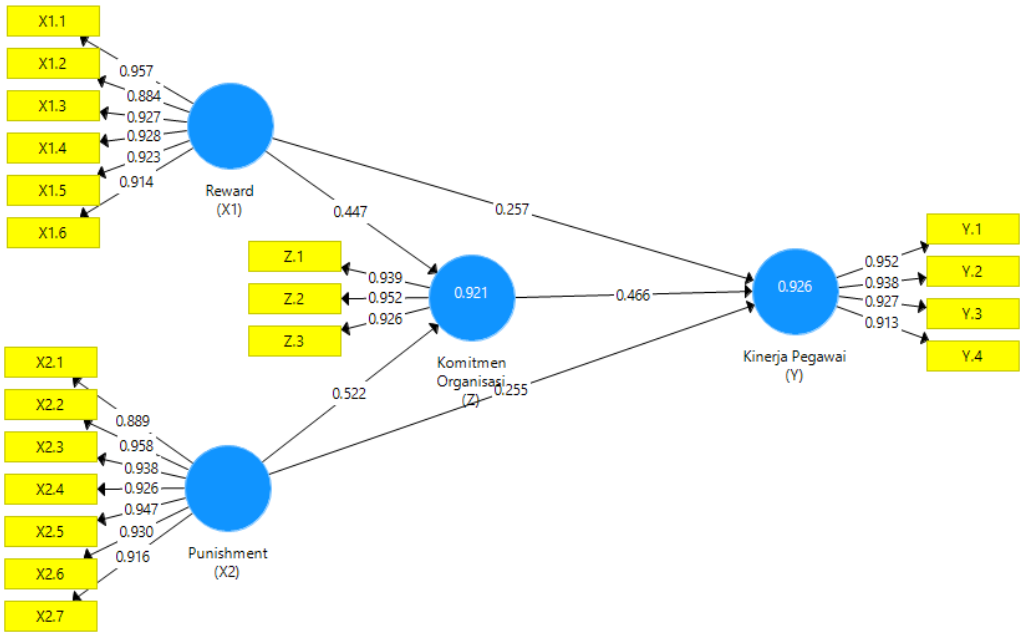

Figure 1. Outer Model

Source : Smart PLS3.3.3

Based on the external model diagram shown, each variable has a loading factor of 0 for the latent variable and 0.7 for the manifest variable. This indicates that all indicators used have met validity requirements, as the loading factor values exceed the minimum required level. Therefore, these indicators are considered effective in accurately describing the construct. Furthermore, the findings from the regression analysis in this study are described below:

substructure 1

$Z = b1X1 + B2X2 + e1$

$Z = 0.447 + 0.522 + e1$

For substructure 2
Y = b 2 X1 + b2X2 + b5Z + e2
Y = 0.257 + 0.255 + 466 + e2

Table 1. Outer Loadings

	Employee Performance (Y)	Organizational Commitment_(Z)_	Punishment_(X2)_	Reward_(X1)_
X1.1				0.957
X1.2				0.884
X1.3				0.927
X1.4				0.928
X1.5				0.923
X1.6				0.914
X2.1			0.889	
X2.2			0.958	
X2.3			0.938	
X2.4			0.926	
X2.5			0.947	
X2.6			0.930	
X2.7			0.916	
Y.1	0.952			
Y.2	0.938			
Y.3	0.927			
Y.4	0.913			
Z.1		0.939		
Z.2		0.952		
Z.3		0.926		

Source : Smart PLS3.3.3

Table 1 displays the external loadings for each measure in the Reward (X1), Punishment (X2), Organizational Commitment (Z), and Employee Performance (Y) constructs. Each measure has a factor loading value exceeding 0.70, indicating that the convergent validity criterion is met. The measures in the Reward construct (X1.1–X1.6) show the highest loading value of 0.957 for X1.1 and the lowest of 0.884 for X1.2. The Punishment measures (X2.1–X2.7) show values ranging from 0.889 to 0.958. Regarding the Employee Performance construct (Y.1–Y.4), the loading values range from 0.913 to 0.952, while the Organizational Commitment measures (Z.1–Z.3) range from 0.926 to 0.952. These results indicate that each measure plays an important role in defining the concept of the respective variable.

Discriminant Validity

Next, discriminant validity testing was conducted using the Fornell-Lacker Criteria along with the Average Variance Extracted (AVE) for each instrument related to the reflective indicators. These two evaluations aim to ensure that each variable in the model can be

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clearly separated and that its measurements are accurate. By meeting the standards outlined in the table, it can be concluded that the research variables have met the validity requirements.

Table 2. Discriminant Validity

	Employee Performance (Y)	Organizational Commitment_(Z)_	Punishment_(X2)_	Reward_(X1)_
X1.1	0.897	0.914	0.944	**0.957**
X1.2	0.893	0.889	0.865	**0.884**
X1.3	0.855	0.844	0.866	**0.927**
X1.4	0.843	0.842	0.858	**0.928**
X1.5	0.854	0.885	0.889	**0.923**
X1.6	0.872	0.868	0.875	**0.914**
X2.1	0.866	0.837	**0.889**	0.829
X2.2	0.881	0.915	**0.958**	0.925
X2.3	0.858	0.879	**0.938**	0.891
X2.4	0.875	0.867	**0.926**	0.918
X2.5	0.897	0.902	**0.947**	0.915
X2.6	0.882	0.880	**0.930**	0.876
X2.7	0.882	0.903	0.916	0.875
Y.1	**0.952**	0.928	0.896	0.900
Y.2	**0.938**	0.879	0.876	0.868
Y.3	**0.927**	0.872	0.895	0.869
Y.4	**0.913**	0.872	0.855	0.879
Z.1	0.879	**0.939**	0.901	0.884
Z.2	0.908	**0.952**	0.914	0.900
Z.3	0.895	**0.926**	0.864	0.886

Source : Smart PLS3.3.3

Table 2 illustrates the discriminant validity values between indicators and variables, which help identify how strongly each indicator relates to its respective construct compared to the others. The findings indicate that the loading value of each indicator on its original variable is greater than its loading value on other variables. For example, the Reward indicator (X1.1–X1.6) shows the strongest correlation with the Reward variable, a pattern also seen in indicators related to the Punishment (X2), Employee Performance (Y), and Organizational Commitment (Z) variables. Therefore, it can be concluded that all indicators effectively meet the requirements of discriminant validity, allowing each indicator to accurately and specifically represent the variable construct being evaluated.

Composite Reliability

A composite reliability evaluation was conducted to assess the level of internal consistency for each research variable. A variable is considered reliable if its composite reliability score exceeds 0.60. Scores between 0.60 and 0.70 are considered inadequate,

while scores above 0.70 indicate exceptional reliability. The reliability evaluation in this study is further strengthened by the Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE) values presented in the table below:

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance (Y)	0.950	0.964	0.870
Organizational Commitment_(Z)_	0.933	0.957	0.882
Punishment_(X2)_	0.974	0.978	0.864
Reward_(X1)_	0.965	0.972	0.851

Source : Smart PLS3.3.3

Table 3 displays the findings of the reliability and construct validity assessments for each variable used in the study. Both Cronbach's Alpha and Composite Reliability values for all variables were higher than 0.70, with Cronbach's Alpha ranging from 0.933 to 0.974 and Composite Reliability ranging from 0.957 to 0.978. These metrics confirm that the research instrument has an excellent level of reliability. Furthermore, the Average Variance Extracted (AVE) value for each variable exceeded 0.85, indicating strong convergent validity and indicating that each indicator effectively and consistently explains the constructed variables.

Inner Model Analysis

A structural model (internal model) assessment is conducted to verify that the relationships between variables in the research model are valid and justifiable. Various factors examined during this phase include the coefficient of determination (R^2), path coefficient values, and the significance of the influence between variables.

Coefficient of Determination (R^2)

The R-squared test helps identify how much the independent variables explain changes in the dependent variable. A higher R^2 indicates a greater portion of the dependent variable's variation that the model can explain (Ghozali, 2014). The results of SmartPLS 3.0 regarding the R-squared values are presented in the table below:

Table 4. R Square Results

	R Square	Adjusted R Square
Employee Performance (Y)	0.926	0.923
Organizational Commitment_(Z)_	0.921	0.919

Source : Smart PLS3.3.3

Table 4 presents the R-squared and Adjusted R-squared figures for each dependent variable examined in this study. The Employee Performance (Y) variable shows an R-

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squared of 0.926 accompanied by an Adjusted R-squared of 0.923. In contrast, the Organizational Commitment (Z) variable achieves an R-squared value of 0.921 and an Adjusted R-squared of 0.919. This indicates that the independent variables in the model can explain almost 92 to 93 percent of the variation found in the Employee Performance and Organizational Commitment variables. Therefore, the structural model used shows very strong predictive ability.

Hypothesis Testing

After examining the internal model, the next phase involves hypothesis testing to identify relationships between variables in the research model. This testing is performed by evaluating the T-statistic and P-value from the data analysis results. A hypothesis is considered significant if the T-statistic exceeds 1.96 and the P-value is less than 0.05. The results of the hypothesis testing for the direct effect are shown in the following table:

Table 6. Path Coefficients (Direct Effect)

	Original Sample (O)	T Statistics (| O/STDEV |)	P Values	Results
Organizational Commitment_(Z)_ -> Employee Performance (Y)	0.466	3,229	0.001	Accepted
Punishment_(X2)_ -> Employee Performance (Y)	0.255	1,923	0.028	Accepted
Punishment_(X2)_ -> Organizational Commitment_(Z)_	0.522	5,336	0,000	Accepted
Reward_(X1)_ -> Employee Performance (Y)	0.257	2,046	0.021	Accepted
Reward_(X1)_ -> Organizational Commitment_(Z)_	0.447	4,478	0,000	Accepted

Source : Smart PLS3.3.3

The results of this study will be explained as follows:

1. Organizational Commitment (Z) has a positive effect on Employee Performance (Y) with a value of 0.466. This shows that employees who are highly loyal to the organization often show increased performance, because they are more dedicated, responsible, and enthusiastic about fulfilling their roles.
2. Punishment (X2) has a positive impact on Employee Performance (Y) at the level of 0.255. This indicates that appropriate disciplinary action or punishment can motivate employees to improve their performance to prevent negative outcomes.
3. Punishment (X2) has a positive influence on Organizational Commitment (Z) which is measured at 0.522. This implies that fair enforcement of punishment can increase employees' understanding of organizational guidelines, which in turn increases their commitment.
4. Rewards (X1) have a positive effect on Employee Performance (Y) with a score of 0.257. Giving rewards or recognition encourages employees to exert more effort, which leads to increased performance.
5. Rewards (X1) have a positive influence on Organizational Commitment (Z) with a value of 0.447. Consistent rewards make employees feel appreciated, which increases their dedication to the organization.

Table 7. *Path Coefficients* (Indirect Effect)

	Original Sample (O)	T Statistics (| O/STDEV |)	P Values	Results
Punishment_(X2)_ -> Organizational Commitment_(Z)_ -> Employee Performance (Y)	0.244	2,502	**0.006**	**Accepted**
Reward_(X1)_ -> Organizational Commitment_(Z)_ -> Employee Performance (Y)	0.209	3,114	**0.001**	**Accepted**

Source : Smart PLS3.3.3

Conclusion

1. Punishment (X2) shows an indirect positive impact on Employee Performance (Y) through Organizational Commitment (Z) of 0.244, accompanied by a T statistic of 2.502 and a P value of 0.006. This finding indicates that fair punishment not only improves employee performance directly but also increases their dedication to the organization.
2. Rewards (X1) show an indirect positive influence on Employee Performance (Y) through Organizational Commitment (Z) of 0.209, with a T statistic of 3.114 and a P value of 0.001. This indicates that rewards given regularly can improve employee performance by strengthening their commitment to the organization. Conclusion

After obtaining the results, the researcher made the following conclusions in his research:

1. Organizational Commitment (Z) has a positive effect on Employee Performance (Y) of 0.466. This shows that employees who have a high commitment to the organization tend to have better performance because they are more loyal, disciplined, and motivated to carry out their duties.
2. Punishment (X2) has a direct positive effect on Employee Performance (Y) of 0.255. This means that providing appropriate punishment or sanctions can encourage employees to improve their performance to avoid negative consequences.
3. Punishment (X2) has a positive effect on Organizational Commitment (Z) of 0.522. This shows that the fair application of punishment can strengthen employee awareness of organizational rules, thereby increasing their commitment.
4. Rewards (X1) have a direct positive effect on Employee Performance (Y) of 0.257. Providing rewards or recognition can motivate employees to work more optimally so that performance increases.
5. Rewards (X1) have a positive effect on Organizational Commitment (Z) of 0.447. This means that rewards given consistently make employees feel appreciated, thereby increasing commitment to the organization.
6. Punishment (X2) has an indirect positive effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.244. This result indicates that providing fair punishment not only improves performance directly, but also through increasing employee commitment to the organization.

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7. Reward (X1) has an indirect positive effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.209. This means that rewards given consistently can improve employee performance by increasing their commitment to the organization.

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