Optimizing Employee Performance through Organizational Commitment

Fanal Nainggolan, M. Isa Indrawan, Kiki Farida Ferine

Abstract

This study aims to analyze the effect of Reward and Punishment on Employee Performance with Organizational Commitment as an intervening variable at the Representative Office of Bank Indonesia in North Sumatra Province. The research employed a quantitative approach using Structural Equation Modeling (SEM) based on SmartPLS 3.0. The research sample consisted of employees at the Representative Office of Bank Indonesia in North Sumatra Province, with data collected through questionnaires that had been tested for validity and reliability. The results indicate that Organizational Commitment has a positive effect on Employee Performance. In addition, Punishment and Reward have a positive direct effect on both Employee Performance and Organizational Commitment. Indirectly, both Punishment and Reward also positively affect Employee Performance through Organizational Commitment, highlighting the role of Organizational Commitment as a mediator. These findings confirm that fair implementation of rewards and punishments can enhance employee performance both directly and indirectly through increased organizational commitment. The study provides important implications for human resource management at Bank Indonesia, emphasizing the need for appropriate strategies in managing rewards and punishments to improve employee performance while strengthening organizational commitment.

Keywords: Reward, Punishment, Organizational Commitment, Employee Performance, SmartPLS.

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Introduction

High performance can increase productivity and quality of work, which in turn will affect the sustainability and competitiveness of the organization. Therefore, it is important for every organization to understand and manage the factors that influence employee performance. One method commonly used to motivate employees is through the implementation of a reward (prize) and punishment (penalty) system. Both can function as tools to direct employee behavior and performance in line with the goals set by the organization. Reward or recognition is a form of acknowledgment for the desired achievements or behaviors of employees. This recognition can take the form of bonuses, salary increases, promotions, or even verbal praise. Punishment or penalties are used to deter undesirable behavior, such as tardiness, indiscipline, or poor performance. The fair and proportional application of punishment can help improve discipline and minimize behavior detrimental to the organization. Organizational commitment refers to the extent to which employees feel bound to the values, goals, and mission of the organization. Employees with a high level of commitment are more enthusiastic in carrying out their duties, have a greater sense of responsibility for the organization's success, and are more likely to keep working hard even when faced with difficult situations. Conversely, employees who have little commitment to the organization may not respond well to the rewards or punishments given and may even exhibit behavior harmful to the organization. The importance of understanding the relationship between reward, punishment, and organizational commitment becomes even clearer given the diverse social and cultural context in Indonesia. One area that is interesting to study in this regard is the Representative Office of Bank Indonesia in North Sumatra Province. Medan, as the capital of North Sumatra Province, has unique cultural and social characteristics that have the potential to influence employee perceptions of the rewards and punishments they receive in the workplace. Along with the development of an increasingly competitive and complex work environment, organizations need to understand how reward and punishment can affect their employees' performance. Not only that, organizations must also pay attention to how organizational commitment can strengthen the influence of these two variables. This phenomenon indicates that the factor of organizational commitment plays an important role in determining how effective rewards and punishments are in improving employee performance. Low organizational commitment can reduce the positive impact of rewards and punishments, while high commitment can strengthen the effect of both forms of motivation. On the other hand, there is also the phenomenon where employees with a high level of commitment tend to see rewards as a right they deserve and punishment as a form of evaluation they can improve upon, without reducing their motivation to work harder.

Problem Formulation

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

Research Objectives

1. To test and analyze the effect of Reward on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province.
2. To test and analyze the effect of Punishment on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province.
3. To test and analyze the effect of Reward on Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.
4. To test and analyze the effect of Punishment on Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.
5. To test and analyze the effect of Organizational Commitment on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province.
6. To test and analyze the effect of Reward on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.
7. To test and analyze the effect of Punishment on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.

Employee Performance

According to Fasha & Lestari (2019), employee performance is the work results achieved by an employee in carrying out their duties, which includes the quality and quantity of work, as well as its conformity with the assigned responsibilities. Arifin et al (2019) argue that employee performance is the work results achieved by a group of employees in accordance with the tasks and obligations given to them.

Indicators of Employee Performance

According to Fasha & Lestari (2019), there are 4 indicators of employee performance, namely:

1. Need for achievement, meaning employees have a desire to achieve accomplishments in the company where they work.
2. Need for power, meaning employees' desire to hold certain positions within the company.
3. Compensation, which is a form of motivation for employees to strive for maximum performance for the benefit of the employee.
4. Leadership policies, meaning how leaders can provide policies that motivate employees to be willing to work in line with the company's goals.

Reward

According to Saputra (2017), Reward is a motivation for employees in doing their work. According to Wirawan et al (2018), Reward is an important element to motivate employees to contribute by pouring out their best innovative ideas for better business functions and improving company performance both financially and non-financially.

Indicators of Reward

According to Saputra (2017), the indicators of Reward (recognition) are:

1. Wages Remuneration paid based on hours worked, quantity of goods produced, or amount of service provided.
2. Salary A form of periodic payment from a manager to an employee stated in an employment contract.
3. Incentives Special compensation given by the company to an employee outside their main salary to help motivate or encourage that employee.
4. Allowances Such as pension funds, hospital care, and holidays are things not related to employee performance but are based on seniority or attendance records.

5. Interpersonal Recognition Often referred to as interpersonal recognition; managers have the power to distribute interpersonal recognition, such as status and acknowledgment.
6. Promotions Make promotion recognition an effort to place the right person. Performance, if measured accurately, often provides significant consideration in the allocation of promotion recognition.

Punishment

According to Rofiqi (2019), punishment is a technique used to eliminate inappropriate or undesirable behavior by providing an unpleasant stimulus to the individual.

Indicators of Punishment

According to Rofiqi (2019), there are several indicators of Punishment, namely:
1. Preventive Punishment
   What is included in Preventive Punishment are:
   a) Rules and regulations;
   b) Suggestions and orders;
   c) Prohibitions;
   d) Coercion and discipline
2. Repressive Punishment
   What is included in Repressive Punishment are:
   a) Notification;
   b) Reprimand;
   c) Warning and punishment

Organizational Commitment

According to Robbins (2016), organizational commitment is defined as a condition where an employee sides with the organization and its goals and has the desire to maintain their membership in a particular job of an employee, while high organizational commitment means siding with that organization and recruiting that individual.

Indicators of Organizational Commitment

The indicators for organizational commitment according to Robbins (2016) are:
1. Affective Commitment: Emotional attachment to the organization and belief in its values.
2. Continuance Commitment: The perceived value of staying with the organization compared to leaving it.
3. Normative Commitment: The obligation to remain with the organization for moral and ethical reasons.
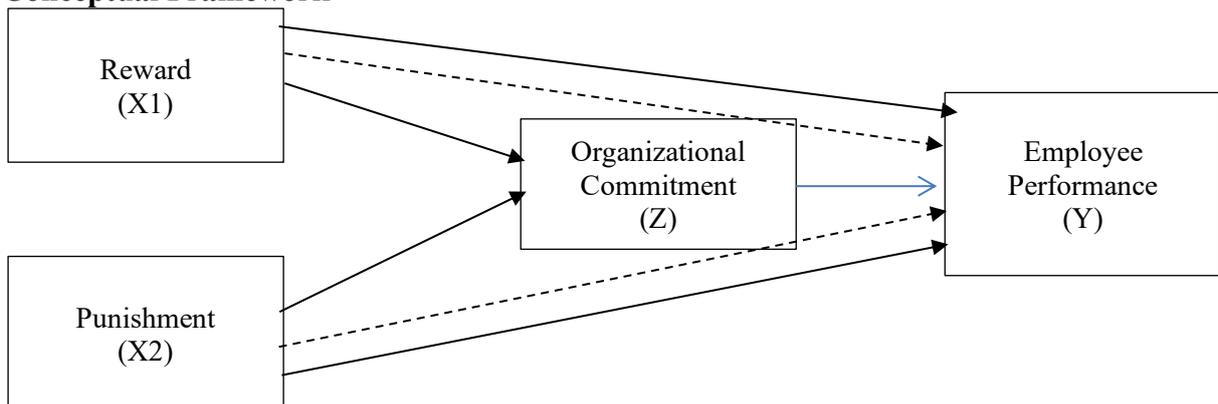
Conceptual Framework

Figure 1. Conceptual Framework

Hypotheses
1. Reward has a positive and significant effect on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province.
2. Punishment has a negative and significant effect on Employee Performance at the Representative Office of Bank Indonesia in North Sumatra Province.
3. Reward has a positive and significant effect on Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.
4. Punishment has a negative 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. Reward has 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 negative and significant effect on Employee Performance through Organizational Commitment at the Representative Office of Bank Indonesia in North Sumatra Province.

Research Method
Research Type
According to Sugiyono (2020), quantitative research method is a research method based on the philosophy of positivism, used to examine a specific population or sample and collect data using research instruments, analyzing quantitative or statistical data with the aim of testing predetermined hypotheses.

Research Time and Location
This research was conducted for 3 months to maximize the study; this research was carried out in November 2025. The research was conducted at the Representative Office of Bank Indonesia in North Sumatra Province located at Jl. Balai Kota No. 4, Medan, North Sumatra 20111.

Population
The research population used was 80 employees of the Bank Indonesia Office in North Sumatra Province. Population is a general area consisting of objects or subjects that have certain quantities and characteristics determined by the researcher to be studied and then conclusions are drawn (Sugiyono, 2020).

Sample
This research used a sample where the entire population was taken as a sample, totaling 80 employees, and the sampling technique used was saturated sampling. According to Sugiyono (2020), a sample is a part of the number and characteristics possessed by the population.

Research Data Source
This research used primary data sources as its data source. According to Sugiyono (2020), primary data is data obtained directly from the first source or the location of the object by the researcher without intermediaries..
Data Collection Technique
The data collection technique used was a questionnaire; the researcher distributed questionnaires to respondents to be filled out. This study used a survey method obtained from the original location by distributing questionnaires (Sugiyono, 2020). A questionnaire is a data

collection technique carried out by providing written questions or statements submitted to respondents (Sugiyono, 2020).

Data Analysis Technique

Latent variables with many indicators are used in this study to measure other variables. Furthermore, the relationships between variables require mediation testing for the research to proceed. This is suitable for PLS-SEM analysis. Using Partial Least Squares Structural Equation Modeling (PLS-SEM) is a statistical analysis technique, a partial approach used to model relationships between variables in a model. It can also be used to analyze correlational or cause-effect relationships between variables in a model (Hair et al., 2017). The measurement model and structural model are two components of the PLS method. Path analysis is used to validate hypotheses after the validity and reliability of the measurement model are confirmed (Henseler et al., 2019).

Measurement Model Test (Outer Model)

To ensure that the variables, measurement tools, and indicators used in this study have sufficient validity and reliability and that the measurements are consistent across all research samples, a measurement model test was used as the outer model in this study. In PLS-SEM data analysis, the measurement model test consists of validity and reliability tests.

Validity Test

a. Convergent Validity Test

One method to assess the correlation, or relationship, between a measurement tool and its research construct is the convergent validity test (Cohen et al. 2018). This convergent validity test is intended to assess whether the measurement tool in a questionnaire can reliably and consistently measure a specific variable (Morling, 2017). The average variance extracted (AVE) value and factor loadings can be used to evaluate the convergent validity test. According to Latan's (2015) research, an indicator correlates strongly with the tested construct if its factor loading value is greater than 0.6 and its AVE value is greater than 0.5.

b. Discriminant Validity Test

To ensure an instrument has validity capable of accurately measuring a variable and is not mixed with other variables, discriminant validity testing is a technique used to determine the extent to which the measurement tool in the research can differentiate the measured variable from other variables that should be different (Sugiyono, 2020). The availability of cross-loading values for each evaluated indicator provides an overview of the discriminant validity testing process. A variable is considered valid according to Kock & Lynn (2015) if each indicator has a cross-loading value greater than other variables not being measured.

Reliability Test

The process of determining how consistent and reliable a research measurement tool is in assessing the same variable over time and among respondents is known as reliability testing. Its application in this study is by testing composite reliability (CR) and Cronbach's alpha value. Henseler et al. (2016) state that a variable can be considered reliable if the composite reliability (CR) of a measurement tool is greater than 0.7 and its Cronbach's alpha value is greater than 0.7.

Structural Model Test (Inner Model)

The structural model in this study was used as the inner model in PLS-SEM analysis to examine the relationships between the constructs of the research model. This structural model will determine the relationships between constructs in terms of the magnitude and significance of the path coefficients among the constructs used in the research through several stages.

Assumptions of the PLS-SEM Inner Model

According to Henseler et al. (2016), the assumption or requirement of the inner model in PLS-SEM is the absence of multicollinearity problems between constructs measured using measurement instruments in the research model. The assumption of the PLS-SEM inner model can be seen by evaluating the VIF (Variance Inflation Factor) value. The VIF value will show how strongly an independent variable is influenced by other independent variables in the research model, and a VIF value below 5 will indicate that multicollinearity between constructs does not occur in the research model (Hair et al., 2017).

Coefficient Of Determination Test (R 2)

In the structural model, the R-Square (R^2) test in PLS-SEM is a metric for evaluating the variability of the dependent variable that can be explained by the independent variables (Henseler et al., 2016). Hair and colleagues (2017) clarified that when assessing variability, the term "R-Square" can have a value between 0 and 1, with values of 0.75, 0.50, and 0.25 respectively indicating strong, moderate, and weak categories in terms of explaining the variation of the dependent variable.

Hypothesis Testing

Hypothesis testing in the PLS-SEM inner model is conducted using the bootstrapping technique in the SmartPLS application. After performing the bootstrapping technique, hypothesis testing can be done by looking at the path coefficient value, t-statistic, and p-value, where a positive path coefficient value indicates a positive relationship between two variables, and conversely, a negative value indicates a negative relationship between variables (Hair et al., 2017). Then, a t-statistic value greater than 1.96 and a p-value less than 0.05 indicate that the coefficient is statistically significant and reliable (Hair et al., 2017).

Results
Outer Model Analysis

The purpose of evaluating the outer model is to assess the validity and reliability of a specific model. This analysis will be based on the influence of loading, AVE (Average Variance Extracted), discriminant validity, and composite reliability.

Factor loading

Factor loading is the first step in validating the model; the requirement is that it must be greater than 0.6 for the indicator to be considered valid. If not valid, it must be based on the model (Husein, 2015). To understand the outer model analysis of this study, see the following figure:
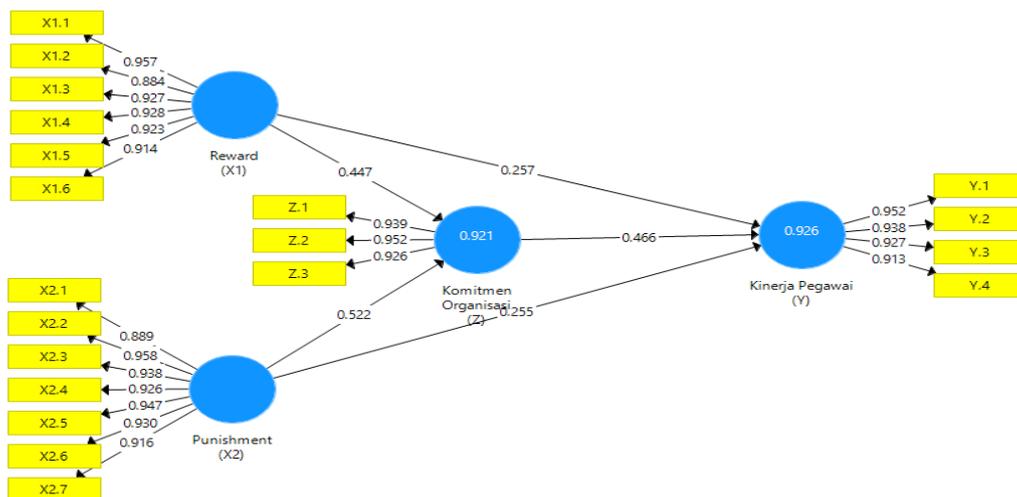

Figure 2. Outer Model

Source: Smart PLS3.3.3

If we look at the graph above, it can be seen that each variable has a loading factor of 0 for the latent variable and a factor loading of 0.7 for the manifest variable, indicating that all indicators and factor loadings are valid. The regression analysis for this study is as follows:

Substructure 1

$Z = b_1X_1 + b_2X_2 + e_1$

$Z = 0.447 + 0.522 + e_1$

For substructure 2

$Y = b_2X_1 + b_2X_2 + b_5Z + e_2$

$Y = 0.257 + 0.255 + 0.466 + e_2$

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 PLS 3.3.3.

Table 1 shows the outer loading values for each indicator on the variables Reward (X1), Punishment (X2), Organizational Commitment (Z), and Employee Performance (Y). The loading factor values for all indicators are above 0.7, indicating good convergent validity. Specifically, Reward indicators (X1.1--X1.6) have the highest loading at 0.957 (X1.1) and the lowest at 0.884 (X1.2). Punishment indicators (X2.1--X2.7) range from 0.889 to 0.958. The Employee Performance variable (Y.1--Y.4) has loadings between 0.913--0.952, while Organizational Commitment (Z.1--Z.3) ranges from 0.926--0.952. These results show that all indicators significantly represent their respective variable constructs.

Discriminat Validity

In addition, there is a discriminant validity test which is seen from the Fornell-Larcker Criterion value and the AVE value of each instrument statement on the reflective indicators in this study. Both tables are used to ensure that the variables in this study are valid.

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 PLS 3.3.3.

Table 2 displays the discriminant validity values between indicators and variables, used to assess the extent to which each indicator is more strongly related to its own variable than to other variables. The results show that the loading value of each indicator to its original variable is higher than to other variables, for example, Reward indicators (X1.1--X1.6) have the highest value for Reward compared to other variables. This also applies to Punishment (X2), Employee Performance (Y), and Organizational Commitment (Z) indicators. Thus, all indicators are proven to have good discriminant validity, meaning each indicator specifically represents its variable construct.

Composite reliability

In the composite reliability study, each variable's reliability value is compared; if the variable's value is greater than 0.60, the study is considered reliable; if between 0.60 and 0.7, it is not reliable; There are several blocks to determine whether the study is reliable, valid, or not. Among them are the Cronbach's alpha value, Composite Reliability, and AVE which can be seen 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 PLS 3.3.3.

Table 3 shows the results of construct reliability and validity tests for all research variables. The Cronbach's Alpha and Composite Reliability values for each variable are above 0.7, ranging from 0.933 to 0.974 for Alpha and 0.957 to 0.978 for Composite Reliability, indicating very good reliability. Meanwhile, the Average Variance Extracted (AVE) value for all variables is above 0.85, showing high convergent validity, meaning all indicators consistently and validly represent their respective variable constructs.

Inner Model Analysis

Evaluation of the structural model (inner model) is conducted to ensure that the basic model created is accurate and reliable. Several examples of checks performed in evaluating the primary model are as follows:

Coefficient of Determination (R2)

The R square test is used by the dependent variable to measure how far the model's ability is in explaining the variation of the dependent variable. (Ghozali, 2014 p.183). The output results of the SmartPLS 3.0 software regarding R square are as follows:

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 PLS 3.3.3.

Table 4 shows the R Square and Adjusted R Square values for the dependent variables. The R Square value for Employee Performance (Y) is 0.926 with Adjusted R Square 0.923, while for Organizational Commitment (Z) it is 0.921 with Adjusted R Square 0.919. These results indicate that the independent variables are able to explain 92–93% of the variation in Employee Performance and Organizational Commitment, signifying a very good level of model prediction.

Hypothesis Testing

After analyzing the inner model, the next step is to analyze the relationships between idle builds, as speculated in this review. The specific analysis in this study is done by looking at T-Statistics and P-Values. Speculation is used to determine if T-Insights > 1.96 and P-Values < 0.05. The following are the Direct Impact Path Coefficient results:

Table 5. Path Coefficients (Direct Effects)

	Original Sample (O)	T Statistik (| O/STDEV |)	P Values	Results
Organizational Commitment _(Z)_ -> Kinerja Pegawai (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 PLS 3.3.3.

The results of this study will be explained as follows:

1. Organizational Commitment (Z) has a positive effect on Employee Performance (Y) of 0.466. This indicates that employees who have high commitment to the organization tend to show better performance because they are more loyal, disciplined, and motivated to carry out their duties.
2. Punishment (X2) has a positive effect on Employee Performance (Y) of 0.255. This means that the application of appropriate punishment or sanctions can encourage employees to further improve their performance to avoid negative consequences.
3. Punishment (X2) has a positive effect on Organizational Commitment (Z) of 0.522. This indicates that the fair application of punishment can strengthen employees' awareness of organizational rules, thereby increasing their commitment.
4. Reward (X1) has a positive effect on Employee Performance (Y) of 0.257. Giving rewards or recognition motivates employees to work more optimally, thereby increasing performance.
5. Reward (X1) has a positive effect on Organizational Commitment (Z) of 0.447. Consistently given rewards make employees feel valued, so commitment to the organization also increases.

Table 6. Path Path Coefficients (Indirect Effect)

	Original Sample (O)	T Statistik (| 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 PLS 3.3.3.

6. Punishment (X2) has a positive indirect effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.244, with a T-statistic of 2.502 and P-value of 0.006.

This result shows that giving fair punishment not only directly increases employee performance but also does so by increasing their commitment to the organization.

7. Reward (X1) has a positive indirect effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.209, with a T-statistic of 3.114 and P-value of 0.001. This means that consistently given rewards or recognition can increase employee performance by increasing their commitment to the organization.

Conclusion

1. Organizational Commitment (Z) has a positive effect on Employee Performance (Y) of 0.466. This indicates that employees who have 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 positive direct effect on Employee Performance (Y) of 0.255. This means that the application of 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 employees' awareness of organizational rules, thereby increasing their commitment.
4. Reward (X1) has a positive direct effect on Employee Performance (Y) of 0.257. Giving rewards or recognition can motivate employees to work more optimally, thereby increasing performance.
5. Reward (X1) has a positive direct effect on Employee Performance (Y) of 0.257. Giving rewards or recognition can motivate employees to work more optimally, thereby increasing performance.
6. Punishment (X2) has a positive indirect effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.244. This result shows that giving fair punishment not only increases performance directly but also through increasing employee commitment to the organization.
7. Reward (X1) has a positive indirect effect on Employee Performance (Y) through Organizational Commitment (Z) of 0.209. This means that consistently given rewards can increase employee performance by increasing their commitment to the organization.

Suggestions

1. Optimization of the Reward System
   The Representative Office of Bank Indonesia in North Sumatra Province is advised to continue improving a fair, transparent, and performance-based reward system. Providing appropriate recognition is expected to increase employee commitment to the organization and encourage sustainable performance improvement.
2. Application of Educational and Consistent Punishment
   The application of punishment should be done consistently, proportionally, and in an educational manner. This approach is expected not only to function as a tool for controlling behavior but also as a means of coaching employees to be more disciplined and responsible.
3. Strengthening Organizational Commitment
   Management needs to strengthen organizational commitment through effective communication, providing career development opportunities, and creating a supportive work environment. Strengthening organizational commitment will help maximize the influence of rewards and punishments on employee performance.
4. Periodic Evaluation of HR Policies
   Leaders are advised to conduct periodic evaluations of reward, punishment, and organizational commitment management policies to ensure alignment with organizational goals and employee needs, so that institutional performance can continue to be improved.

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