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The Effectiveness of Rewards And Incentives In Increasing The Performance of Retail Employees In Pamekasan Regency

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ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui dampak insentif dan remunerasi terhadap kinerja karyawan pada perusahaan ritel yang berlokasi di Kabupaten Pamekasan. Penelitian ini menggunakan metodologi kuantitatif seperti survei dan analisis regresi linier berganda. Penelitian ini menggunakan populasi 364 pekerja ritel di Kabupaten Pamekasan dan memilih sampel sebanyak 191 karyawan dengan menggunakan algoritma Slovin. Temuan penelitian menunjukkan bahwa insentif parsial memiliki dampak yang menguntungkan dan substansial terhadap kinerja. Insentif memiliki dampak yang menguntungkan dan substansial terhadap kinerja. Selain itu, penelitian ini menemukan bahwa insentif dan remunerasi memiliki dampak yang substansial terhadap kinerja karyawan. Temuan penelitian ini memiliki relevansi praktis bagi manajemen perusahaan ritel dalam merumuskan strategi insentif dan pembayaran untuk meningkatkan kinerja karyawan.

ABSTRACT

The objective of this research is to determine the impact of incentives and remuneration on the performance of employees in retail enterprises located in Pamekasan Regency. The research utilises quantitative methodologies such as surveys and multiple linear regression analysis. The research used a population of 364 retail workers in Pamekasan Regency and selected a sample of 191 employees using the Slovin algorithm. The research findings suggest that partial incentives have a beneficial and substantial impact on performance. Incentives have a favourable and substantial impact on performance. Additionally, this research discovered that incentives and remuneration had a substantial impact on employee performance. The findings of this research have practical relevance for retail firm management in formulating incentive and pay strategies to enhance employee performance.

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1. INTRODUCTION

In the age of globalisation and intensifying economic rivalry, organisations across different industries, such as retail, must possess the ability to compete in order to sustain and enhance their performance [1]. The success of a company is closely tied to the performance of its employees, since they play a crucial role in fulfilling the organization's objectives. Hence, it is important for firm management to have a comprehensive understanding of the aspects that impact employee performance and efficiently oversee them [2].

Employee performance is significantly influenced by rewards and incentives. Employees are given prizes as a means of expressing gratitude for their accomplishments or efforts. Rewards may include both monetary forms, such as bonuses and incentives, as well as non-monetary forms, such as awards and recognition. Compensation encompasses all types of remuneration or recompense that workers get in return for their efforts to the organisation, such as salaries, allowances, and other perks [3].

Studies indicate that equitable and competitive incentives and remuneration have the potential to enhance employee motivation, thus leading to an improvement in their performance. Herzberg's Two-Factor Theory states that motivational elements, such as incentives and recognition, may enhance employee work happiness and performance. On the other hand, hygiene factors, such fair wages, play a crucial role in preventing job discontent [4].

Retail enterprises in Pamekasan Regency, like those in other regions, have difficulties in maintaining and enhancing the performance of their personnel. In order to be competitive in the retail market, organisations must constantly reinvent their human resource management methods, particularly in regards to incentives and pay. Pamekasan Regency, situated on Madura Island, has unique dynamics within the realm of retail commerce. As urbanisation and economic development continue to rise, there is a rising need for highly skilled personnel.

According to a research conducted by Bala & gawuna [5], a positive pay structure is a key factor in enhancing employee performance and productivity. An equitable and competitive remuneration package not only serves as a magnet for high-caliber personnel, but also plays a crucial role in fostering long-term employee retention [6]. Furthermore, appropriate incentives have the potential to enhance employees' inherent drive, which is crucial for maintaining long-term success [7].

Aside from internal considerations, external factors such as economic circumstances, government restrictions, and market rivalry also have effect on incentive and compensation programs in retail organisations. The local government policies in Pamekasan Regency have a significant impact on the development of the retail business as they actively promote investment and stimulate local economic growth. This presents retail organisations with chances to enhance their human resource management systems, particularly in the areas of incentives and remuneration.

Nevertheless, there are still constraints in comprehending the precise impact of incentives and remuneration on employee performance in retail enterprises, particularly in Pamekasan

Regency. In order to discover the most relevant aspects and optimise incentive and compensation programs, firms must engage in more extensive research.

This research seeks to examine the impact of incentives and remuneration on employee performance in retail enterprises located in Pamekasan Regency, building upon the provided background information. This research is anticipated to provide theoretical and practical contributions to the advancement of efficient human resource management techniques in the retail business. This research will specifically investigate:

a. The research seeks to determine the influence of reward on employee performance in retail enterprises situated in Pamekasan Regency.
b. The research is examining the impact of incentives on employee performance in retail enterprises located in Pamekasan Regency.
c. Examining the impact of reward and incentives on employee performance in retail enterprises located in Pamekasan Regency.

2. METHOD

2.1 Research Framework

This study employs a quantitative methodology with an explanatory research design. Explanatory study seeks to uncover and clarify the cause-and-effect connection between reward, incentive, and employee performance characteristics in the retail industry. The quantitative technique was used for this research due to the need of numerical data for statistical analysis of the effects of rewards and incentives on employee performance. The research is based on the following conceptual framework:

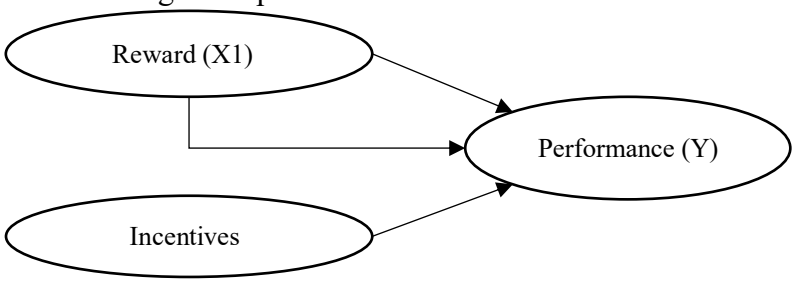

Figure 1. Research Framework

This model has two distinct categories of variables: dependent variables and independent variables. The research includes rewards and incentives as the independent variables. The dependent variable selected was performance. The investigation yields the following hypotheses:

2.2 Hypothesis

The following are the hypotheses that emerged from this study:

a. Reward has a significant effect on employee performance;
b. Incentives has a significant effect on employee performance;
c. Reward and incentives have a significant effect on employee performance.

2.3 Population and Sample

The survey included the whole workforce employed in several retail establishments within Pamekasan Regency. The population consisted of 364 workers. We used a straightforward random sampling methodology to ascertain the sample. The sample size was determined using the Slovin formula, resulting in a sample size of 191 at a 95% confidence level and a 5% margin of error.

2.4 Literatur Review

2.4.1 Reward

Human resource management use incentives as a vital instrument to incentivise workers, enhance job contentment, and foster enhanced performance. The objective of this study is to examine the current body of literature on the idea, theory, and empirical research pertaining to incentives within the field of human resource management.

Rewards are a sort of acknowledgement bestowed to workers as a manifestation of gratitude for their exemplary performance [8]. Motivation theories, like Herzberg's Two Factor Theory, propose that incentives have the potential to enhance employee motivation and performance. Rewards may be classified as either financial or non-financial, including bonuses, employee of the month accolades, or extra vacation time [4].

Rewards might be tangible or intangible. Robbins and Judge [2] assert that incentives play a crucial role in inspiring people to enhance their performance. Rewards may be classified into two primary categories: intrinsic and extrinsic. Intrinsic reward refers to the gratification that workers get directly from the nature of their job, including feelings of accomplishment, acknowledgement, and accountability. Extrinsic rewards, in contrast, refer to rewards that originate from sources external to the employee, such as bonuses, salaries, and perks [3].

2.4.2 Incentives

Incentives are a crucial component of human resource management that serves to stimulate people, enhance their performance, and ultimately accomplish the objectives of the company. The objective of this study is to examine the ideas, principles, and practical research concerning incentives within the field of human resource management.

Incentives are a sort of remuneration provided to workers with the aim of motivating them to enhance their performance. There are two types of incentives: financial and non-financial. Incentives, as defined by Ritala et al., [7], are supplementary benefits granted in recognition of specific accomplishments in performance. Incentives are used to motivate staff to reach greater goals and enhance their efficiency.

There are two forms of incentives: financial and non-financial. Financial incentives refer to rewards provided in the form of monetary compensation or other financial advantages. Financial incentives include several forms such as bonuses, commissions, allowances, and stocks. Armstrong and Taylor [3] state that financial incentives are designed to provide extra motivation to workers in order to enhance their performance.

Non-financial incentives are rewards that provide value to workers without involving monetary compensation. Non-financial incentives include several forms of motivation that may not involve monetary rewards. These might include acknowledgement and appreciation, prospects for professional growth, and the ability to have a flexible work schedule. Robbins and Judge [2] found that non-financial rewards have the potential to enhance employee intrinsic motivation and provide a more gratifying work environment.

2.4.3 Performance

Employee performance is a crucial factor in human resource management that directly impacts the overall effectiveness and efficiency of the organisation. Employee performance pertains to an individual's capacity to accomplish organisational goals and objectives by means of accomplishments that are assessed both objectively and subjectively.

Performance refers to the degree of task accomplishment that indicates the effectiveness with which workers do their job. According to Campbell [9], performance is a quantifiable action that directly corresponds to the objectives of an organisation. Employee performance refers to the anticipated work outcomes of a person in a certain employment role [10].
Performance may be influenced by several things, including rewards and incentives. Robbins and Judge [2] state that performance is determined by three factors: ability, motivation, and the chance to carry out the work. Therefore, it is important to note that although someone may possess exceptional skills, their performance may not reach its full potential if they lack sufficient motivation and supporting opportunities.

Managers or leaders in the company must take into account these aspects to guarantee that each person can attain the anticipated level of performance [11]. Organisations often assess performance by using diverse metrics, including productivity, efficiency, effectiveness, and quality [12]. Performance is the outcome of the interplay between several interconnected components. In order to attain maximum efficiency, businesses must prioritise several factors that might impact the capacity, drive, and circumstances of workers to carry out their tasks [13]. Therefore, proficient administration of performance may assist businesses in efficiently and successfully attaining their objectives.

3. RESULT AND DISCUSSION

3.1 Data Analysis

3.2.1 Validity Test

Validity testing, according to Sugiyono [14], is the evaluation of how well a research instrument measures the desired results. The assessment of validity is a crucial determinant of the excellence of research measuring tools. Sugiyono [14] categorises validity into many forms, including content validity, which assesses the extent to which the instrument's contents effectively measure the variables, usually via evaluations conducted by experts or specialists. Construct validity assesses the extent to which an instrument accurately reflects the intended theory or notion.

This is often examined using component analysis to validate the relationship between the items in the instrument and the variables being evaluated. Criterion validity, consisting of predictive validity and concurrent validity, evaluates the correlation between scores obtained

from an instrument and pertinent external criteria. Validity testing is conducted to verify that the measuring equipment used in research provide precise results and align with the intended study goals. The validity tests for this research are outlined below:

Table 1. Validity Test

Variables	Indicators	R-Value	R-Table
Reward (X_1)	$X_{1.1}$	0,412	0,1413
	$X_{1.2}$	0,316	0,1413
	$X_{1.3}$	0,761	0,1413
Incentives (X_2)	$X_{2.1}$	0,481	0,1413
	$X_{2.2}$	0,816	0,1413
	$X_{2.3}$	0,613	0,1413
Performance (Y)	$Y_{1.1}$	0,456	0,1413
	$Y_{1.2}$	0,881	0,1413
	$Y_{1.3}$	0,624	0,1413
	$Y_{1.4}$	0,778	0,1413

These results suggest that all instruments meet the required validity test criteria, as shown by the estimated r-value surpassing the r-table value.

3.2.2 Reliability Test

As stated by Sugiyono [14], reliability testing is a crucial stage in research that assesses the consistency and stability of the data obtained from an instrument. Reliability pertains to the degree to which a research instrument yields consistent outcomes whether used under same circumstances or replicated at various points in time. In this research, the reliability test was conducted using the Cronbach alpha coefficient technique, which assesses the internal consistency of the instrument's items. This coefficient quantifies the level of correlation between the items in a questionnaire and their assessment of the same concept. An instrument is deemed dependable if its Cronbach alpha value exceeds 0.7. Any instrument with reliability test scores below 0.7 is considered unreliable. The reliability test used in this study adheres to the following outline:

Table 4. Reliability test

Variables	Cronbach's Alpha
Reward (X_1)	0,792
Incentives (X_2)	0,812
Performance (Y)	0,809

The analysis's results reveal that all variables exhibit Cronbach's alpha values over 0.7, hence confirming the reliability of the research variables.

3.3 Analysis of Classic Assumption Test

Ghozali [15] defines the classical assumption test as a set of tests conducted to verify if the linear regression model satisfies the fundamental assumptions required for trustworthy and accurate regression analysis outcomes. Conducting this test is crucial in order to verify that the used model yields precise estimations and outcomes that may be accurately comprehended. The following traditional assumption tests were used in this study:

3.3.1 Normality Test

Statistical Test for Normality We assess the normality of the residual data obtained from the regression model [15]. The importance of this assumption resides in the fact that linear regression depends on the normal distribution of residuals in order to carry out statistical inference. In this work, we used the Kolmogorov-Smirnov test technique to assess the normality of the data. In the SPSS program, the data is considered to be regularly distributed if the p-value is larger than 0.05. If the p-value is below 0.05, the data is not normally distributed. The outcomes of the normalcy test are as follows:

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		191
Normal Parameters[a,b]	Mean	-.0793199
	Std. Deviation	.34730766
Most Extreme Differences	Absolute	.116
	Positive	.116
	Negative	-.081
Test Statistic		.116
Asymp. Sig. (2-tailed)		.183[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The normality test findings show that the data utilised follows a normal distribution, since its significance value is larger than 0.05.

3.3.2 Multicollinearity Test

Multicollinearity refers to the presence of high correlation between two or more independent variables in a statistical model. Tests ascertain the presence of a strong correlation between independent variables in the regression model. Multicollinearity may disrupt the estimate of regression coefficients and lead to erroneous interpretation of findings. This is a test. The examination of the variance inflation factor (VIF) and tolerance values is how we execute this test. If the result reveals multicollinearity, it means that there is a high degree of correlation between the predictor variables. To assess the presence of multicollinearity in the regression model, we use the Variance Inflation Factor (VIF) and tolerance, according to the prescribed parameters.

a. If the Variance Inflation Factor (VIF) value exceeds 10 or the tolerance is less than 0.10, it may be concluded that there is multicollinearity.
b. If the Variance Inflation Factor (VIF) value is below 10 or the tolerance is over 0.10, it may be inferred that there is no indication of multicollinearity.

Table 3. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Reward (X1)	.208	4.311
	Incentives (X2)	.208	4.311

a. Dependent Variable: Performance (Y)

The results indicate that there is no multicollinearity, as shown by a Variance Inflation Factor (VIF) value below 10 or a tolerance value over 0.10.

3.3.3 Heteroscedasticity Test

The heteroscedasticity test examines whether the variance of the residuals remains consistent over the whole range of independent variable values. Heteroscedasticity refers to the situation when the residual variance is not constant or exhibits a certain pattern. This condition might have an impact on the accuracy of the estimate. To evaluate the disparity in variance within a regression model across many studies, use the heteroscedasticity test. The Glejser test is used to ascertain the presence of heteroscedasticity, in accordance with the prescribed criteria:

a. If the p-value is greater than or equal to 0.05, we may conclude that there is no heteroscedasticity.
b. If the significance value is below 0.05, it may be deduced that there is heteroscedasticity.

Table 4. Heteroscedasticity Test

Model		Standardized Coefficients Beta	t	Sig.
1	(Constant)		1.124	.198
	Reward (X1)	.061	.921	.331
	Incentives (X2)	.084	.661	.451

a. Dependent Variable: Abs_RES

According to the study's results, with a significance value more than $\alpha = 0.05$, it may be concluded that there is no heteroscedasticity present.

3.4 Hypothesis Test

Multiple linear regression analysis aims to determine the correlation between one or more independent variables and a dependent variable, or to evaluate the influence of a single independent variable on a dependent variable. The regression analysis test uses the Statistical Package of Social Science (SPSS) software.

3.4.1. T-test

The t-test is a statistical technique used to assess the disparity in means between two groups or to evaluate the impact of an independent variable on a dependent variable in a regression model, particularly when the sample size is very small. This test aims to ascertain if the observed disparity or impact is statistically significant or just a result of random chance. The requirements for establishing the existence of a link between the independent variable and the dependent variable are as follows:

a. If the t value or significance is smaller than $\alpha=0.05$, it indicates a significant partial effect between the independent variable and the dependent variable.
b. If the t value or significance level exceeds $\alpha=0.05$, it may be inferred that there is no significant correlation between the independent variable and the dependent variable.

Table 5. t-Test

Model		Standardized Coefficients Beta	t	Sig.
1	(Constant)		9.146	.000
	Reward (X1)	.217	5.912	.000
	Incentives (X2)	.416	2.316	.018

a. Dependent Variable: Performance (Y)

The t-test results demonstrate that reward has a statistically significant influence on performance. The effect of incentives on performance is significant. The results demonstrate statistical significance, shown by a p-value of less than 0.05.

3.4.2 F-test

Regression analysis often employs the F test to see whether the independent variables together have a substantial impact on the dependent variable. Regression analysis often utilises this test to see whether the independent variables together have a substantial impact on the dependent variable. The conditions for establishing a causal link between the independent variable and the dependent variable are as follows:

a. If the F value or significance is less than 0.05, it suggests a partial impact between the independent and dependent variables.
b. The independent variable and the dependent variable are considered not significant if the F value or significance is greater than or equal to 0.05.

Table 6. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	291.871	2	96.741	64.715	.000[b]
	Residual	142.511	188	1.411		
	Total	434.422	190			

a. Dependent Variable: Performance (Y)
b. Predictors: (Constant), Incentives (X2), reward (X1)

The results of the F-test demonstrate that the joint influence of reward and incentives has a considerable impact on performance. The significance value, which is below 0.05, shows this.

3.4.3 Coefficient of Determination (R^2)

Regression analysis use the coefficient of determination as a metric to evaluate the extent to which a regression model elucidates the variability in the dependent variable. R^2 often represents the coefficient of determination, which measures the degree to which the independent variables in the model can account for the variability in the dependent variable.
The coefficient of determination (R^2) measures the extent to which a linear regression model effectively describes the data. The range of R^2 values is from 0 to 1.

a. R^2=1: Indicates that the model explains 100% of the variation in the dependent variable.
b. R^2=0: Indicates that the model does not explain any variability.

Table 7. R-Square

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811[a]	.605	.581	1.34217

a. Predictors: (Constant), Incentives (X2), Reward (X1)
b. Dependent Variable: Performance (Y)

The R-Square study reveals that 60.5% of the variance in performance can be ascribed to the combined impact of reward and incentives, and the remaining 39.5% is related to other factors.

4. CONCLUSION

The findings of this study may be summarized as follows:

a. Rewards have a beneficial and substantial impact on the performance of retail personnel in Pamekasan Regency.
b. Incentives have a beneficial and substantial impact on the performance of retail personnel in Pamekasan Regency.
c. Rewards and incentives have a strong and favourable impact on the performance of retail personnel in Pamekasan Regency.

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