The Influence of Incentive Provision on Employee Performance with Work Discipline as a Mediating Variable at PT. Pegadaian Branch Selong

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Abstract. This research aims to determine the significance of the influence of incentive provision on employee performance with discipline as a mediating variable at PT. Pegadaian (State-Owned) Selong Branch. The population used in this study is all employees of PT. Pegadaian (State-Owned) Selong Branch, totaling 33 individuals. The research employed a causal associative approach with a quantitative method. Data collection was conducted using questionnaires. The data analysis tools utilized in this research were the outer model and inner model analyses through the Smart PLS version 3.0 software. The results of the study indicate that incentive provision has a positive and significant impact on the performance of employees at PT. Pegadaian (State-Owned) Selong Branch. Additionally, incentive provision has a positive and significant influence on the work discipline of employees at PT. Pegadaian (State-Owned) Selong Branch. Work discipline also has a positive and significant effect on the performance of employees at PT. Pegadaian (State-Owned) Selong Branch. Furthermore, incentive provision has a positive and significant impact on employee performance, with work discipline as a mediating factor at PT. Pegadaian (State-Owned) Selong Branch.

Keywords: Performance, Providing Incentives, Work Discipline.

A. INTRODUCTION

In facing the current wave of globalization, every aspect is required to be competitive and demonstrate the best performance of the company because only the best can endure and compete [1], [2]. Therefore, companies must have a strong human resource base. Human resources (HR) are one of the crucial factors in any organization or company. The success or failure of a company depends on the quality of its workforce. According to Kusumasari & Bagasworo [3], Performance (job performance) is the quality and quantity of work achieved by an employee in carrying out their responsibilities. On the other hand, according to (Cheng et al. [4], performance is the willingness of an individual or group to carry out an activity and complete it in accordance with the responsibilities and results expected. Armstrong and Baron, as cited in Albalush & Devesh [5], also explain that performance is about doing the work and the results achieved from that work.

Nugraha et al. [6] argues that discipline is a form of awareness and willingness of an individual to obey all company rules and social norms in place. Discipline reflects an attitude of respect that employees have towards the company's rules and regulations [7], [8]. Incentive as a monetary reward given by management to employees to encourage them to work with high spirits and perform well in achieving the organization's goals. In other words, job incentives are extra financial rewards provided by management as recognition of employees' job performance and contributions to the organization [9]. Stirpe et al. [10] states, Incentives are additional rewards given to specific employees whose performance exceeds the standard.
PT. Pegadaian (State-Owned) Selong Branch is a State-Owned Enterprise (SOE) in the financial sector of Indonesia that operates in three business lines: financing, gold, and various services. The products and services offered by this company are well-known among the public, and the company frequently promotes its services/products through electronic media advertising [11], [12]. The forms of incentives provided include, first, bonuses given to employees who complete their tasks on time. Typically, these bonuses are distributed by the company at the end of each year. Second, commissions are provided when employees successfully achieve their monthly sales targets. Lastly, incentives in the form of social security are offered, including medical treatment and health insurance.

The issues at PT. Pegadaian Selong Branch arise due to various challenges. Some employees are often late in completing tasks assigned by management, causing other work to be delayed. Additionally, there are employees who are consistently late or absent from work, and some employees demonstrate a lack of discipline when it comes to punctuality. Consequently, this lack of discipline results in low performance, making it difficult for the company to achieve its goals as expected. Below is the attendance data for PT. Pegadaian Selong Branch employees:

### Table 1 Absence data at PT Pegadaian Selong Branch in 2021

<table>
<thead>
<tr>
<th>Month</th>
<th>Without explanation</th>
<th>Paid leave</th>
<th>Sick</th>
<th>Permission</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>7</td>
<td>-</td>
<td>4</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>February</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>March</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>April</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>May</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>June</td>
<td>5</td>
<td>-</td>
<td>3</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>July</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

From the data above, it can be observed that the attendance rate fluctuates from month to month. In January, there were 15 employees absent, in February, 13 employees were absent, in March, 19 employees were absent, in April, 10 employees were absent, in May, 18 employees were absent, in June, 14 employees were absent, and in July, a significant absenteeism occurred with 22 employees being absent. This employee absenteeism has resulted in many pending tasks that remain unresolved. Consequently, the lack of employee discipline has led to a decline in the company's performance. Therefore, it is essential to provide incentives to stimulate motivation and enthusiasm among the employees.

### B. METHOD

The research methodology employed in this study is associative research (to understand the relationship between two or more variables) with quantitative analysis using PLS (Partial Least Squares) analysis [13]–[15], specifically through the SmartPLS version 3.0 software. The research was conducted at PT. Pegadaian Selong Branch. The study population consisted of all employees at PT. Pegadaian Selong Branch, totaling 33 individuals. The data collection technique used in this research was a questionnaire with a questionnaire as the tool. The data sources utilized in this study were secondary data, such as employee attendance data from Pegadaian, and primary data in the form of respondent feedback.

**Research Hypotheses:**

H1: It is suspected that there is a positive and significant influence of incentive provision on employee performance at PT. Pegadaian Selong Branch.

H2: It is suspected that there is a positive and significant influence of incentive provision on work discipline at PT. Pegadaian Selong Branch.
H3: It is suspected that there is a positive and significant influence of work discipline on employee performance at PT. Pegadaian Selong Branch.

H4: It is suspected that there is a positive and significant influence of incentive provision on performance through work discipline as a mediating variable at PT. Pegadaian Selong Branch.

C. RESULT AND DISCUSSION

Characteristics of Respondents

From the results of the questionnaire that was distributed to 33 respondents to employees of PT. Pegadaian Selong Branch, then an overview can be obtained regarding gender, age, last education, and length of work as explained in the following section:

Table 2 Characteristics of all Respondents

<table>
<thead>
<tr>
<th>No</th>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Characteristics by Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Man</td>
<td>24</td>
<td>73</td>
</tr>
<tr>
<td>2</td>
<td>Woman</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Characteristics Based on Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>20-29 Years</td>
<td>22</td>
<td>67</td>
</tr>
<tr>
<td>2</td>
<td>30-39 Years</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>40-49 Years</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>50&gt;Year</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Characteristics Based on Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Middle School / Equivalent</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>2</td>
<td>3-year diploma</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Bachelor degree</td>
<td>24</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Characteristics Based on Length of Work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1-3 Years</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>4-6 Years</td>
<td>19</td>
<td>58</td>
</tr>
<tr>
<td>3</td>
<td>7-10 Years</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>4</td>
<td>&gt;10 Years</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

Based on Table 2 above, it can be seen that out of the 33 respondents selected as samples, it can be concluded that employees at PT. Pegadaian Selong Branch, based on respondent characteristics, exhibit the following:

1. Gender: The majority of respondents are male, with a larger percentage of 73% or 24 respondents. Female respondents make up 27% or 9 respondents.
2. Age: In terms of age, respondents aged 20-29 years constitute the largest group with a percentage of 67% or 22 respondents, while those aged over 50 years form the smallest group with a
percentage of 6% or 2 respondents. Respondents in the 30-39 age group represent 15% or 5 respondents, and those in the 40-49 age group make up 12% or 4 respondents.

3. Education: Based on the highest level of education, respondents with a Bachelor's degree (S1) have the highest percentage, accounting for 73% or 24 respondents. Respondents with a Diploma as their highest education level have the smallest percentage at 9% or 3 respondents. Those with a high school diploma or equivalent education represent 18% or 6 respondents.

4. Length of Employment: Regarding the length of employment, respondents with 4-6 years of experience have the largest percentage, totaling 58% or 19 respondents. On the other hand, those with more than 10 years of experience have the smallest percentage at 3% or 1 respondent. Respondents with 7-10 years of experience account for 27% or 9 respondents, and those with 1-3 years of experience make up 12% or 4 respondents.

Outer and Inner Model Result

Outer model analysis is conducted to ensure that the measurements used are suitable for use (valid and reliable) [15]. The outer model is a measurement model that consists of indicators and the paths connecting them to their respective factors. Here are the results of the PLS algorithm scheme:

![Outer Model Analysis Results](image1)

After the estimated model meets the Outer Model criteria, then testing the structural model (Inner Model) is carried out. Testing the inner model is the development of a concept- and theory-based model in order to analyze the relationship between exogenous and endogenous variables that have been described in a conceptual framework. Evaluation of this model was carried out using R-Square Adjust, Effect size ($f^2$), Goodness of Fit Test, and Hypothesis Test. The following is the scheme of the proposed PLS program model:

![Results of the Inner Model](image2)
R-Square Adjust

The R-square value is a value that will indicate how much influence is exerted by the independent variables simultaneously used inside and outside of this study on the dependent variable.

Table 2 R-Square (R²) and F-Square (F²) Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square</th>
<th>F Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X)-&gt; (Z)</td>
<td>0.899</td>
<td>8.895</td>
</tr>
<tr>
<td>(X)-&gt; (Y)</td>
<td>0.906</td>
<td>0.318</td>
</tr>
<tr>
<td>(Z)-&gt;(Y)</td>
<td>0.191</td>
<td>0.191</td>
</tr>
</tbody>
</table>

Based on the above information, it can be concluded that the R-square value for the Work Discipline variable is 0.899, which means that 89.9% of the variability in Work Discipline can be explained by the Incentive variable, while the remaining 10.5% is explained by other unexamined variables in the study. The R-square value for the Employee Performance variable is 0.906, indicating that 90.6% of the variability in Employee Performance can be explained by the Incentive variable, while the remaining 9.4% is explained by other unexamined variables in this study. The influence of Work Discipline on Employee Performance is considered medium, as indicated by an f² value of 0.191, while the influence of Incentive on Work Discipline and Incentive on Employee Performance has f² values of 8.895 and 0.318, respectively, which are considered large and medium.

The assessment of goodness of fit is determined from the Q-square value. The Q-square value has the following interpretations: small = 0.1, medium = 0.25, and large = 0.38. The calculation results are as follows:

GoF = √(AVE x R²)

= √((0.682 x 0.903))

= √(0.616)

= 0.785

Based on the calculation above, it can be concluded that the GoF value is 0.785 which is included in the Large category.

Hypothesis Test Results

Based on the data analysis conducted, the results can be used to address the hypotheses in this research by examining the T-Statistics and P Values. Hypotheses are considered accepted if the t-statistic > 1.967 and P Value < 0.05. The results of the Hypothesis Test can be seen in Table 3.

Table 3 Hypothesis Test Results

<table>
<thead>
<tr>
<th>Influence</th>
<th>Original Sample (O)</th>
<th>Sample Average (M)</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>X -&gt; Y</td>
<td>0.543</td>
<td>0.544</td>
<td>0.164</td>
<td>3.314</td>
<td>0.001</td>
</tr>
<tr>
<td>X -&gt; Z</td>
<td>0.948</td>
<td>0.948</td>
<td>0.024</td>
<td>39.382</td>
<td>0.000</td>
</tr>
<tr>
<td>Z -&gt; Y</td>
<td>0.421</td>
<td>0.421</td>
<td>0.166</td>
<td>2.536</td>
<td>0.012</td>
</tr>
<tr>
<td>X -&gt; Z -&gt; Y</td>
<td>0.399</td>
<td>0.399</td>
<td>0.159</td>
<td>2.509</td>
<td>0.012</td>
</tr>
</tbody>
</table>

Based on Table 3, it can be determined that the t-statistic value for the influence of the Incentive variable on the Employee Performance variable is greater than the t-table value (1.967), specifically 3.314 with an effect size of 0.543 and a P-value < 0.05, which is 0.001. Therefore, it can be concluded that the influence of Incentive on Employee Performance is positive and significant, thus Hypothesis 1 is accepted. Also, based on Table 3, it is evident that the t-statistic value for the influence of the Incentive variable on the Work Discipline variable is greater than the t-table value (1.967), precisely 39.828 with an effect size of 0.948 and a P-value < 0.05, which is 0.000. Therefore, it can be concluded that the influence of Incentive on Work Discipline is positive and significant, hence Hypothesis 2 is accepted.
Based on Table 3, it can be seen that the t-statistic value for the influence of the Work Discipline variable on the Employee Performance variable is greater than the t-table value (1.967), specifically 2.536 with an effect size of 0.421 and a P-value < 0.05, which is 0.012. Therefore, it can be concluded that the influence of Work Discipline on Employee Performance is positive and significant, leading to the acceptance of Hypothesis 3. Furthermore, based on Table 3, it can be observed that the t-statistic value for the influence of the Incentive variable on the Employee Performance variable, mediated by Work Discipline, is greater than the t-table value (1.967), precisely 2.509 with an effect size of 0.339 and a P-value < 0.05, which is 0.012. Therefore, it can be concluded that Work Discipline positively and significantly mediates the relationship between Incentive and Employee Performance, leading to the acceptance of Hypothesis 4.

Incentives have a positive and significant effect on employee performance

Based on the conducted tests, it can be concluded that incentives have a positive and significant impact. This is indicated by the t-value being greater than the t-table value, specifically 3.314 > 1.988, and a positive t-value means that an increase in incentives will increase the performance at PT. Pegadaian Selong Branch. Additionally, the significance value of 0.001 is smaller than the α value of 0.05, so it can be concluded that there is a positive and significant influence of incentive provision on employee performance at PT. Pegadaian Selong Branch. The higher the incentives provided, the more employees feel appreciated for what the company offers, as seen from the high number of respondents answering the question on X8 with a score of 3.55.

This indicates that employees feel appreciated. Furthermore, the performance of employees also increases, as indicated by the high number of respondents answering the question on Y8 with a score of 3.91. This means that incentives and performance receive positive evaluations. Conversely, when incentives provided to employees are lower, their performance will also decrease, as seen from the low number of respondents answering the question on X3 with a score of 3.24 for incentives, and for performance, the respondents' score on Y2 is 3.67. This implies that the company needs to pay attention to both performance and incentive provision to determine if the incentives given are adequate.

In conclusion, it can be stated that the level of incentives given to employees directly impacts their performance. Therefore, incentive provision is crucial in an organization as it indirectly influences and motivates employees to perform at a high level. Leaders must pay attention to, observe, and understand their subordinates so that they can direct them appropriately and adapt their leadership style according to norms, preferences, and ethics to achieve the organization's goals. Thus, the level of employee performance can be influenced by the level of incentives received. This aligns with previous research conducted by Ghasempour Ganji et al. [3], [16]–[18], which found a positive and significant influence of incentives on employee performance.

Incentives have a positive and significant impact on Work Discipline

Based on the conducted tests, it can be concluded that incentives provide positive and significant results. This is indicated by the t-value being greater than the t-table value, specifically 39.382 > 1.988. A positive t-value means that when incentives increase, it enhances work discipline at PT. Pegadaian Selong Branch. Additionally, the significance value of 0.000 is smaller than the α value of 0.05, so it can be concluded that there is a positive and significant influence of incentive provision on work discipline at PT. Pegadaian Selong Branch.

The higher the incentives provided, the more employees feel appreciated for what the company offers. This can be observed from the high percentage of respondents answering the question on X8, which scored 3.55. As employees feel appreciated, their work discipline also improves, as indicated by the high percentage of respondents answering the question on Z6, which scored 3.52. This suggests that incentives and work discipline receive positive evaluations. Conversely, when incentives provided to employees are lower, their work discipline will also decrease, as seen from the low percentage of respondents answering the question on X3, which scored 3.24 for incentives, and for work performance, the respondents' score on Z4 is 3.21. This
implies that the company needs to pay attention to both work discipline and incentive provision to
determine if the incentives given are appropriate.

In conclusion, it can be stated that incentive provision is crucial in an organization. The policy
of providing incentives will provide a strong motivation for employees to work diligently. It will
also lead employees to be more responsible in completing tasks, adhering to procedures, and taking
responsibility for their work results, task completion accuracy, and efficient utilization of working
hours. Employees must follow the existing work rules and comply with policies that aim to achieve
the organization's goals. By promoting compliance, employees will consciously follow the rules set
by their leaders. This aligns with previous research conducted by Oubibi et al. [8], [19], [20], which
found a positive and significant influence of incentives on employee discipline at the Department of
Labor.

**Work Discipline has a positive and significant impact on Employee Performance**

Based on the conducted tests, it can be concluded that work discipline provides positive and
significant results. This is indicated by the t-value being greater than the t-table value, specifically
2.536 > 1.988. A positive t-value means that when work discipline increases, it enhances employee
performance at PT. Pegadaian Selong Branch. Additionally, the significance value of 0.012 is smaller
than the α value of 0.05, so it can be concluded that there is a positive and significant influence of
work discipline on the performance of PT. Pegadaian Selong Branch.

The higher the work discipline of employees, the better their work performance tends to be.
Work discipline is an important factor influencing employee performance. Employees who are
disciplined in carrying out their duties and responsibilities tend to have better work performance
than those who are less disciplined. In this regard, employees with high work discipline tend to be
more focused and consistent in carrying out their tasks and responsibilities, as seen from the high
percentage of respondents answering the question on Z6, which scored 3.52. When employees are
disciplined, their work performance also improves, as indicated by the high percentage of
respondents answering the question on Y8, which scored 3.91.

This means that performance and work discipline receive positive evaluations. Conversely,
when work discipline of employees is lower, their performance will also decrease, as seen from the
low percentage of respondents answering the question on Z4, which scored 3.21 for performance,
and for work discipline, the respondents' score on Y2 is 3.67. This implies that the company needs
to pay attention to the level of work discipline, whether employees are compliant and adhere to the
rules. When employees are obedient and follow the rules, it can improve their performance [20], [21].
In conclusion, the higher the work discipline of employees, the better the company's performance
will be, as disciplined employees tend to complete tasks efficiently and have a positive impact on
productivity. Conversely, when employees' work discipline is lower, the company's performance
will also be lower.

In summary, work discipline can be seen as highly beneficial, both for the organization and its
members. For the organization, work discipline ensures orderliness and smooth task execution,
resulting in optimal outcomes. For employees, it creates a pleasant working environment, which
boosts motivation in fulfilling their tasks [3], [22]. This aligns with the findings of a study conducted
by Hayat Bhatti et al. [1], [17], [20], which found a positive and significant impact of incentives and
work discipline on employee performance.

**Incentives have a positive and significant impact on employee performance through Work
Discipline**

Based on the conducted tests, it can be concluded that providing incentives and performance
through work discipline yield positive and significant results. This is evident from the t-value being
greater than the t-table value, specifically 2.509 > 1.988. A positive t-value implies that when work
discipline increases, it enhances employee performance at PT. Pegadaian Selong Branch.
Additionally, the significance value of 0.012 is smaller than the α value of 0.05, which means there is
a positive and significant influence of providing incentives on performance through work discipline as mediation at PT. Pegadaian Selong Branch.

The higher the incentives and work discipline, the higher the employee's performance, as indicated by the responses of the respondents to variables X8 with a score of 3.55, Z6 with a score of 3.52, and Y8 with a score of 3.91. This suggests that when employees are disciplined in carrying out their duties and responsibilities, they tend to have better work performance. To continuously improve discipline, there should be incentives to motivate employees to perform even better, ultimately enhancing their performance. Conversely, when discipline is low, and incentives are also low, the employee's performance will decrease, as seen from the low responses of respondents to incentives, discipline, and performance. Specifically, respondents answered questions X3 with a score of 3.24, Z4 with a score of 3.21, and Y2 with a score of 3.67. This implies that the company needs to pay attention to the level of work discipline and the incentives provided. When employees have low discipline and low incentives, their performance will also be low. Therefore, incentives are needed to motivate employees to improve their discipline, which, in turn, will lead to an improvement in their performance.

Consequently, with good performance, work discipline among employees is expected to improve as well. Work discipline is a reflection of the company. When a company has good performance, it indicates that the level of discipline within the organization is also good [23], [24]. Providing incentives to employees can be a solution to enhance discipline without the need for punitive measures that could potentially have negative consequences within the organization. This aligns with the findings of a study by Hayat Bhatti et al. [17], [18], [25], which found a significant direct impact of training program implementation and incentive provision on employee performance, with work discipline as a mediating variable.

D. CONCLUSION

Based on the study conducted at PT Pegadaian Selong Branch, it can be concluded that incentives exert a positive and significant influence on employee performance, directly and indirectly through the mediating variable of work discipline. This suggests that when employees receive suitable and motivating incentives, their performance improves. Furthermore, these incentives also positively affect work discipline, encouraging employees to adhere to organizational rules and procedures. Consequently, improved work discipline contributes to enhanced employee performance. These findings support the acceptance of all four hypotheses in the research, emphasizing the crucial role of incentives and work discipline in fostering better employee performance within the organization.

E. REFERENCES


Author declaration
Author contributions and responsibilities
The authors made major contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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Declaration of generative AI and AI-assisted technologies in the writing process
During the preparation of this work the author did not use AI to write, edit, or other things related to the manuscript.