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DISCIPLINED, COMPETENT, AND REWARDED: UNPACKING THE DRIVERS OF EMPLOYEE PERFORMANCE IN ISLAMIC BANKING

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Abstract

This study investigates the effect of work discipline, competence, and reward on employee performance at a branch office of Bank Syariah Indonesia in Batam. Islamic banking has expanded rapidly in Indonesia, yet the human-resource conditions that sustain employee performance in sharia-compliant branch operations remain under-examined relative to conventional banking. A quantitative associative design was used, with a census of all 37 branch employees as respondents. Data were collected via a structured Likert-scale questionnaire and analyzed with multiple linear regression in SPSS 23, following classical assumption testing. The results indicate that work discipline ($t = 7.257$; $p = .000$), competence ($t = 3.015$; $p = .004$), and reward ($t = 3.581$; $p = .001$) each have a positive and significant partial effect on employee performance, and the three variables jointly explain 84.2 percent of the variance in employee performance ($R^2 = .842$; $F = 82.611$; $p = .000$). Work discipline is the most dominant predictor ($\beta = .514$), followed by reward ($\beta = .249$) and competence ($\beta = .241$). The findings suggest that consistent rule compliance, competence development, and a well-structured reward system are complementary and largely additive drivers of performance in this Islamic banking branch, with practical implications for human-resource practice in similarly structured sharia financial institutions.

Keywords: Work Discipline, Competence, Reward, Employee Performance, Islamic Banking

1. Introduction

Islamic banking has become one of the fastest-growing segments of Indonesia's financial sector, and its continued expansion depends heavily on the performance of front-line and back-office employees who translate sharia-compliant products and services into day-to-day customer outcomes (Zulkifli et al., 2023). Employee performance in this context is not only a commercial concern but also a governance one, since sharia financial institutions must simultaneously meet conventional performance benchmarks and maintain compliance with sharia principles (Zulkifli et al., 2023). Despite this dual mandate, empirical research on the specific human-resource conditions that drive employee performance inside individual Islamic bank branches remains comparatively limited next to the much larger literature on conventional banking performance (Al Rawas & Jantan, 2023).

Employee performance is broadly understood as the quality and quantity of work an employee achieves in carrying out assigned responsibilities within a given period (Atatsi et al., 2019). Three human-resource conditions are routinely identified in the literature as antecedents of this outcome: work discipline, competence, and reward. Work discipline reflects an employee's willingness to comply with organizational rules and standards, and its behavioral consistency has been linked to performance outcomes across banking and public-sector contexts alike (Bashir et al., 2020; Asif & Rathore, 2021). Competence captures the knowledge, skills, and behavioral repertoire that enable an employee to perform consistently at a high standard, and it has been identified as a key mechanism shaping employee performance in Indonesian sharia banking, including through its interaction with organizational innovation and knowledge sharing (Zulkifli et al., 2023). Reward, encompassing both monetary and non-monetary recognition, functions as an incentive mechanism that channels effort toward organizational goals, and its link to performance has been demonstrated across a range of financial and industrial settings, often mediated by job satisfaction (Alkandi et al., 2023; Chi et al., 2023).

At the branch office of Bank Syariah Indonesia examined in this study, performance targets have periodically fallen short of expectations, a pattern that branch management links to disruptions in work routine following the COVID-19 pandemic and subsequent unevenness in supervisory oversight. Attendance records show a decline in the disciplinary compliance rate in the years following the pandemic before partial recovery, while employees report mixed perceptions of how consistently competence is developed and how transparently rewards are allocated. These observations motivate an empirical test of whether work discipline, competence, and reward jointly and individually predict employee performance at this branch.

Based on the foregoing, this study tests four hypotheses: H1, work discipline has a positive and significant effect on employee performance; H2, competence has a positive and significant effect on employee performance; H3, reward has a positive and significant effect on employee performance; and H4, work discipline, competence, and reward simultaneously have a positive and significant effect on employee performance.

2. Literature Review

A. Employee Performance in Islamic Banking

Employee performance is the outcome of work in both quality and quantity that an individual achieves while carrying out assigned duties within a specified period (Atatsi et al., 2019). In Islamic banking specifically, employee performance sits within a distinctive institutional logic: because sharia banks pursue both material and non-material (ukhrawi) objectives, employee behavior is expected to satisfy conventional performance criteria while remaining consistent with sharia compliance. Recent evidence from Indonesian sharia banking identifies competence, organizational innovation, and knowledge sharing among the recurring mechanisms shaping employee performance in this industry (Zulkifli et al., 2023), factors closely aligned with the discipline–competence–reward model examined in this study.

B. Work Discipline and Employee Performance

Work discipline is an attitude of respect, honor, obedience, and compliance toward applicable regulations written or unwritten undertaken willingly, including a readiness to accept sanction for violations of assigned authority. Discipline is widely treated in the human-resource-management literature as a behavioral precondition for performance: without consistent compliance, other performance-enhancing investments such as training or reward are less likely to translate into stable output. Evidence from banking and public-sector settings supports a positive relationship between structured work conditions, of which discipline is a core component, and job performance (Bashir et al., 2020), and behavioral compliance has repeatedly been identified as a significant driver of performance in service and public organizations (Asif & Rathore, 2021).

C. Competence and Employee Performance

Competence refers to what high-performing employees do more consistently, across more situations, and with better outcomes than their peers encompassing results orientation, analytical capability, influence, integrity, relationship-building, and self-confidence. Competence is a recurring mechanism in Indonesian sharia-banking performance research, shown to operate alongside organizational innovation and knowledge sharing in shaping employee performance (Zulkifli et al., 2023), and it is conceptually grounded in the same human-capital logic that links firm-level performance to the depth and relevance of employee skill (Kwon & Rupp, 2013). In a sharia banking context, competence additionally extends to familiarity with sharia-compliant product structures, making its performance contribution potentially more consequential than in conventional retail banking.

D. Reward and Employee Performance

Reward is a form of appreciation extended in recognition of an employee's achievement, encompassing job content, pay, promotion opportunity, supervision, and coworker relations. Reward systems function as an incentive mechanism that channels employee effort toward organizational objectives, and their effect on performance has been documented across Saudi industrial sectors, where incentive and reward systems were shown to shape performance partly through employee job satisfaction (Alkandi et al., 2023), and in cross-national evidence where both financial and non-financial rewards were shown to mediate the relationship between leadership, job satisfaction, and job performance (Chi et al., 2023). Leadership congruence in how rewards and expectations are communicated has also been shown to matter for how reward systems translate into performance in banking settings specifically (Asrar-Ul-Haq et al., 2020).

Building on this review, the conceptual framework below (Figure 1) positions work discipline (X1), competence (X2), and reward (X3) as independent variables jointly predicting employee performance (Y).

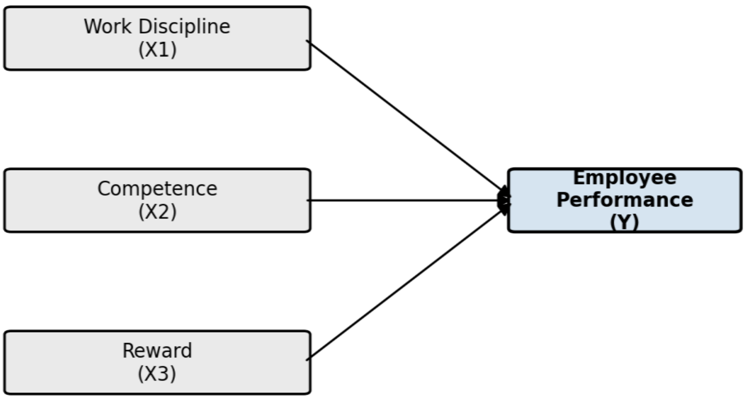

Figure 1. Conceptual Framework

Based on the framework above, the study proposes the following hypotheses:

H1: Work discipline has a positive and significant effect on employee performance.

H2: Competence has a positive and significant effect on employee performance.

H3: Reward has a positive and significant effect on employee performance.

H4: Work discipline, competence, and reward simultaneously have a positive and significant effect on employee performance.

3. Research Method

This study employs a quantitative, associative research design intended to test causal relationships between independent and dependent variables through statistical hypothesis testing (Bashir et al., 2020). The population comprises all employees of the studied Bank Syariah Indonesia branch office in Batam, totaling 37 individuals. Given the small and fully accessible population, a saturated-sampling (census) technique was used, meaning all 37 employees served as respondents. Three independent variables were operationalized: work discipline (X1), measured through indicators including goals and capability, exemplary leadership, fair treatment, legal sanction, and firmness; competence (X2), measured through indicators including results orientation, analytical capability, influence, integrity, relationship-building, and self-confidence; and reward (X3), measured through indicators including the work itself, pay, promotion opportunity, supervision, and coworker relations. The dependent variable, employee performance (Y), was measured through indicators of work quantity, quality, timeliness, attendance, and cooperative ability. All items used a five-point Likert scale from strongly disagree (1) to strongly agree (5), administered via a structured questionnaire supported by observation and interview. The instrument was assessed for validity and reliability prior to hypothesis testing, and the regression model was checked against the classical assumptions of normality, multicollinearity, and heteroscedasticity. Multiple linear regression was used to estimate $Y = a + b1X1 + b2X2 + b3X3 + e$, with partial effects assessed via the t-test, joint effect via the F-test, and explained variance via the coefficient of determination (R^2), computed in SPSS 23 at a 95 percent confidence level ($\alpha = .05$).

4. Results and Discussion

Questionnaires were distributed to all 37 employees of the studied branch, all of which were returned complete and valid. Table 1 summarizes the respondent profile.

Table 1. Respondent Profile (n = 37)

Characteristic	Category	n	%
Gender	Female	20	54.1
	Male	17	45.9
Age	21–30 years	30	81.1
	31–40 years	7	18.9
Tenure	< 5 years	27	73.0
	> 5 years	10	27.0
Education	Bachelor's degree (S1)	35	94.6
	Master's degree (S2)	2	5.4

The sample skews slightly female (54.1%), is dominated by younger employees aged 21–30 (81.1%), and is highly credentialed, with 94.6% holding at least a bachelor's degree. Tenure is comparatively short, with 73.0% of employees having less than five years at the branch — consistent with a workforce still in the earlier stages of career development in a relatively young banking unit.

Table 2. Multiple Linear Regression Results

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	7.512	2.625	-	-	-
Work Discipline (X1)	.475	.066	.514	7.257	.000
Competence (X2)	.212	.070	.241	3.015	.004
Reward (X3)	.256	.071	.249	3.581	.001

Holding other predictors constant, a one-point increase in work discipline is associated with a 0.475-point increase in employee performance, a one-point increase in competence with a 0.212-point increase, and a one-point increase in reward with a 0.256-point increase. All coefficients are positive, consistent with the hypothesized direction of effect. The standardized coefficients show work discipline as the strongest relative predictor (.514), followed by reward (.249) and competence (.241).

$$Y = 7.512 + 0.475X1 + 0.212X2 + 0.256X3 + e$$

Table 3. F-Test (ANOVA) Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	740.798	3	185.199	82.611	.000
Residual	138.993	33	2.242		
Total	879.791	36			

With F = 82.611 exceeding the critical F-table value of 2.88 at a significance level of .000 ($p < .05$), H0 is rejected and H4 is supported: work discipline, competence, and reward simultaneously exert a significant effect on employee performance.

Table 4. Coefficient of Determination (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918	.842	.832	1.497

The model yields $R^2 = .842$, indicating that work discipline, competence, and reward jointly account for 84.2 percent of the variance in employee performance, with the remaining 15.8 percent attributable to factors outside the model a strong explanatory fit for a branch-level field survey.

I. The Effect of Work Discipline on Employee Performance

Work discipline shows a positive and significant partial effect on employee performance ($t = 7.257 >$ t-table 2.039; $p = .000 < .05$), supporting H1 and confirming discipline as the most dominant predictor in the model ($\beta = .514$). This finding is consistent with evidence that structured work conditions, of which discipline is a core component, shape job performance in banking and comparable service settings (Bashir et al., 2020), and with broader evidence that behavioral compliance is a significant performance driver in public and quasi-public organizations (Asif & Rathore, 2021). Given the branch's relatively short average tenure, the strength of this effect suggests that disciplinary consistency rather than experience alone is what most reliably distinguishes higher performers among this younger workforce.

II. The Effect of Competence on Employee Performance

Competence shows a positive and significant partial effect on employee performance ($t = 3.015 > $ t-table 2.039; $p = .004 < .05$), supporting H2, with a standardized effect ($\beta = .241$) close to that of reward. This is consistent with Indonesian sharia-banking evidence identifying competence as a recurring mechanism shaping employee performance, alongside organizational innovation and knowledge sharing (Zulkifli et al., 2023), and with the human-capital view that the depth of employee skill is closely tied to organizational performance outcomes (Kwon & Rupp, 2013). Because the sample is highly credentialed (94.6% hold at least a bachelor's degree), this result suggests that formal qualification alone is not sufficient competence in this branch appears to depend on how that qualification is applied and refined on the job, including familiarity with sharia-specific product knowledge.

III. The Effect of Reward on Employee Performance

Reward shows a positive and significant partial effect on employee performance ($t = 3.581 > $ t-table 2.039; $p = .001 < .05$), supporting H3 and confirming reward as the second-strongest predictor ($\beta = .249$). This aligns with evidence from Saudi industrial sectors that incentive and reward systems shape employee performance, partly through job satisfaction (Alkandi et al., 2023), and with cross-national evidence that financial and non-financial rewards mediate the relationship between leadership, job satisfaction, and job performance (Chi et al., 2023). It is also consistent with evidence that congruence between what employees expect and what leadership communicates about reward and recognition matters for performance outcomes in banking contexts (Asrar-Ul-Haq et al., 2020). For a predominantly young, early-career workforce, this suggests reward transparency may be an especially salient lever.

IV. The Simultaneous Effect of Work Discipline, Competence, and Reward on Employee Performance

Taken together, work discipline, competence, and reward simultaneously exert a significant effect on employee performance ($F = 82.611 > $ F-table 2.88; $p = .000 < .05$; $R^2 = .842$), supporting H4. The relatively even distribution of standardized coefficients across the three predictors (.514, .241, .249) suggests that performance at this branch is not driven by any single lever but by the combined presence of consistent compliance, applied skill, and a functioning reward structure — a pattern broadly consistent with the systematic review finding that employee performance is jointly shaped by ability, motivation, and opportunity-related antecedents (Atatsi et al., 2019).

5. Conclusion and Recommendations

This study finds that work discipline, competence, and reward each have a positive and significant partial effect on employee performance at the studied Bank Syariah Indonesia branch, and that the three variables jointly explain 84.2 percent of the variance in performance. Work discipline is the most dominant predictor, followed by reward and competence, which are of broadly comparable magnitude. For branch management, the findings imply three priorities: sustaining intensive and consistent supervisory oversight to preserve disciplinary compliance, particularly given the branch's young and relatively short-tenured workforce; investing in ongoing competence development that goes beyond formal educational credentials to include applied and sharia-specific product knowledge; and maintaining a transparent, consistently administered reward structure, since inconsistent recognition risks eroding the performance gains associated with reward. Because the study is based on the full population of a single branch, generalization to other Islamic bank branches should be made cautiously. Future research could extend the model to include job satisfaction as a mediating variable, given its documented role in the reward-performance relationship elsewhere in the literature and could compare these dynamics across multiple sharia banking branches to test the stability of the findings.

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