

ANALYSIS OF THE PERFORMANCE ALLOWANCE SYSTEM IN IMPROVING EMPLOYEE PERFORMANCE

Isra Rajab¹, Dedy Takdir Syaifuddin², Abdul Hakim³

^{1,3}STIE Enam-Enam Kendari, Jalan Bunga Kamboja No.79, Kendari, Sulawesi Tenggara, Indonesia

²Universitas Halu Oleo, Jalan H.E.A. Mokodompit, Kendari, Sulawesi Tenggara, Indonesia

Email: israrajab181@gmail.com

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Abstract. This study investigates the effectiveness of the performance allowance system at PD. BPR Bahteramas Konawe in improving employee performance. The research explores the roles of transparency, fairness, and flexibility within the system and assesses its impact on employee motivation and productivity. The main issue addressed is identifying the key factors that influence the relationship between the allowance system and the achievement of organizational goals. The purpose of this research is to provide management with recommendations to refine the performance allowance system, enabling the company to achieve its strategic objectives and enhance its competitiveness in the financial sector. The study uses descriptive qualitative analysis with interviews as the primary data collection tool. The analysis focuses on important themes gathered from insights provided by the Chief Executive Officer, Operations Manager, and staff from various divisions. The findings reveal that the performance allowance system significantly enhances employee performance by offering both financial and non-financial incentives that recognize individual contributions. Success depends on setting clear targets, maintaining transparent evaluations, and utilizing technology for accurate assessments.

Keywords: Performance, Transparency, Allowance

Abstrak. Penelitian ini menyelidiki efektivitas sistem tunjangan kinerja di PD. BPR Bahteramas Konawe dalam meningkatkan kinerja karyawan. Studi ini mengeksplorasi peran transparansi, keadilan, dan fleksibilitas dalam sistem, serta menilai dampaknya terhadap motivasi dan produktivitas karyawan. Permasalahan dalam penelitian ini adalah mengidentifikasi faktor-faktor kunci yang memengaruhi hubungan antara sistem tunjangan dan pencapaian target organisasi. Tujuan penelitian ini adalah memberikan rekomendasi kepada manajemen untuk menyempurnakan sistem tunjangan kinerja, sehingga perusahaan dapat mencapai tujuan strategisnya dan meningkatkan daya saing di sektor keuangan. Penelitian ini menggunakan analisis kualitatif deskriptif dengan metode wawancara sebagai alat utama untuk mengumpulkan data. Analisis difokuskan pada tema-tema penting, yang diperoleh dari wawasan Direktur Utama, Manajer Operasional, dan staf dari berbagai divisi. Temuan mengungkapkan bahwa sistem tunjangan kinerja secara signifikan meningkatkan kinerja karyawan dengan menawarkan insentif finansial dan non-finansial yang mengakui kontribusi individu. Keberhasilan bergantung pada penetapan target yang jelas, penilaian yang transparan, dan pemanfaatan teknologi untuk evaluasi yang akurat.

Kata Kunci: Kinerja, Transparansi, Tunjangan

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INTRODUCTION

Human resource management (HR) is a vital component in achieving operational success and organizational strategy, especially in the banking sector (Anwar & Abdullah, 2021). In a highly regulated environment such as banking, HR plays a critical role in ensuring regulatory compliance while still driving service innovation (Fenwick & Vermeulen, 2020). Employees in this sector are required to have in-depth technical skills, sharp analytical abilities, and a comprehensive understanding of financial products. Effective HR management plays an important role in achieving the organization's strategic goals, strengthening competitiveness, and maintaining a good reputation (Hamadamin & Atan, 2019). The performance allowance system is one of the important tools in HR management to improve employee performance (Mudhofar, 2021). The system is designed to direct employee behavior in accordance with organizational goals by rewarding certain achievements. For Regional People's Credit Bank Bahteramas, a microfinance institution that focuses on regional economic development, the performance allowance system is a strategic instrument to increase employee productivity, motivation, and loyalty. The effectiveness of this system is crucial in helping banks achieve their business targets amid competition and evolving regulatory dynamics.

The performance allowance system has a significant influence on employee motivation and performance (Mwabu & Were, 2019). In the context of banking, this system not only serves as a reward for individual or team achievements, but also as a tool to increase employee loyalty. A well-designed, transparent, and realistic target achievement system can increase employee productivity and loyalty. This shows that the performance allowance system plays a crucial role in ensuring employees are motivated to work more efficiently and effectively (Fadillah & Ismail, 2018). In addition, fairness in the provision of performance allowances is also a crucial factor that affects employee satisfaction and performance. Injustice in the performance allowance system can result in decreased performance and employee loyalty (Akintunde & Anifowose, 2019). Performance allowances tailored to employees' individual characteristics can increase work engagement and satisfaction, which in turn has a positive effect on their performance (Balkin & Werner, 2023). Therefore, a fair, transparent, and flexible performance allowance system is the key to improving employee performance in Regional People's Credit Bank Bahteramas.

Although many studies have examined the effectiveness of the performance allowance system in improving employee performance, there is a gap in the literature that discusses the implementation of this system in the context of microfinance institutions such as Regional People's Credit Bank Bahteramas. Most previous studies focused more on large banks that

have different structures and resources. In the context of microfinance institutions, the challenges faced are different, especially in terms of resource limitations and the need to adapt the benefits system to the specific characteristics of employees and local goals.

This study seeks to fill this gap by analyzing how the performance allowance system can be optimized in the context of Regional People's Credit Bank Bahteramas. The study will examine specific aspects that have not been fully addressed in the previous literature, such as how the transparency, fairness, and flexibility of the performance allowance system can affect employee motivation and performance in microfinance institutions. Thus, this research not only contributes to the existing literature, but also provides practical insights for Regional Company management. Regional People's Credit Bank Bahteramasin developing a more effective allowance system.

Regional People's Credit Bank Bahteramas is a microfinance institution that plays an important role in encouraging local economic growth in Konawe Regency, Southeast Sulawesi. As a people's credit bank, this institution focuses on providing services to the local community, especially in providing financial access for small and medium enterprises. Along with the development of the financial industry and increasing market demands, Regional People's Credit Bank Bahteramas is faced with the need to retain high-performing human resources and have a strong commitment to the company's vision and mission. In this competitive environment, the performance allowance system is one of the important management tools to encourage employees to achieve optimal performance (Amadi et al., 2021); (Zaeni et al., 2022). However, initial observations show that there is a mismatch between the benefits system implemented and the expectations and needs of employees, which can affect their morale and loyalty (Liu & Liu, 2022). Therefore, this study will focus on analyzing how the performance allowance system in Regional Company works. Regional People's Credit Bank Bahteramas can be adjusted to more effectively improve employee performance.

This study aims to analyze the effectiveness of the performance allowance system in improving employee performance in PD. BPR Bahteramas Konawe. Specifically, this study will evaluate how aspects of transparency, fairness, and flexibility in the performance benefits system can affect employee motivation and productivity. In addition, this study also aims to identify factors that affect the relationship between the performance allowance system and the achievement of organizational targets. The expected contribution of this research is to provide practical recommendations for PD management. BPR Bahteramas Konawe in designing and implementing a more effective performance allowance system, so that it can help the company achieve its strategic targets and increase competitiveness in the financial sector. The objective

of this study is to analyze the effectiveness of the performance allowance system in improving employee performance at the Regional People's Credit Bank Bahteramas, as well as to identify the factors that influence the relationship between the performance allowance system and the achievement of organizational targets within the company.

METHOD

This research is qualitative research, qualitative research is research that produces and processes data that is descriptive, such as interview transcriptions, field notes, images, photos, video recordings and others (Busetto et al., 2020). Qualitative research aims to gain a general understanding of social reality from the perspective of participants (Rose & Johnson, 2020). This understanding is not determined in advance, but is obtained after analyzing the social reality that is the focus of the research. Based on this analysis, conclusions are then drawn in the form of a general understanding of abstract realities (Mezmir, 2020). The purpose of this study is to reveal the facts, circumstances, phenomena, variables and circumstances that occur during the research and present it as it is.

This research will be conducted at the PD headquarters. BPR Bahteramas Konawe, which is located in Konawe, Southeast Sulawesi. The selection of this location is based on its relevance to the focus of the research, namely the analysis of the performance allowance system in improving employee performance in the institution. By conducting on-site research, researchers can obtain more accurate and comprehensive data related to performance allowance practices and factors that affect employee productivity. The collected data will be analyzed using content analysis techniques, where narratives from interviews, observation notes, and documentation will be analyzed to identify key themes. The informants of this study were selected because of their important role in understanding the performance allowance system in Regional People's Credit Bank Bahteramas and its influence on employee performance. In detail, the research subjects include key informants such as from the President Director, Operations Manager and several sbaf from various divisions.

Data collection in qualitative research can be carried out through several methods, in-depth interviews, the researcher will conduct in-depth interviews with selected employees at various levels, including senior management, division heads, and staff. This interview will be conducted in a structured manner using a pre-prepared list of questions, but still provides room for spontaneous and in-depth responses from the informant. Participatory Observation,

researchers will directly observe daily activities in the workplace to gain insight into how the performance allowance system is implemented and how employees respond to the system. Documentation, the researcher will also collect official documents from the Regional People's Credit Bank Bahteramas, such as performance reports, internal policies, and financial records related to the performance allowance system. The collected data will be analyzed using content analysis techniques, where narratives from interviews, observation notes, and documentation will be analyzed to identify key themes (Roller, 2019). The triangulation process in qualitative data analysis to strengthen the validity of the findings. Therefore, researchers will combine data from various sources to build credible conclusions. The entire research process will comply with applicable research ethics, including obtaining the consent of all informants, maintaining the confidentiality of personal and organizational information, and using data only for the purposes of this research (Harriss et al., 2019). This methodology will ensure that the qualitative research conducted obtains in-depth and valid data, allowing researchers to thoroughly understand the implementation and impact of the performance allowance system in Regional People's Credit Bank Bahteramas.

RESULTS

This research was conducted in Regional People's Credit Bank Bahteramas, a financial institution that plays an important role in the local economy in Konawe, Southeast Sulawesi, for one month. The study involved in-depth interviews with four key informants, including the President Director, Operations Manager, and credit division staff, to analyze the performance allowance system and its impact on employee performance improvement. Effective human resource management, especially through performance allowances, is considered essential for motivating and increasing employee productivity, which contributes directly to the success of the organization. The results of this study will outline the impact of the performance allowance system on employee performance as well as the factors that can hinder the effectiveness of the system.

In an interview, President Director Ahmat explained that the performance allowance system in Regional Company People's Credit Bank Bahteramas Konawe is designed to recognize outstanding performance and encourage all employees to achieve their targets consistently. Ahmat considers this system as an effective tool in improving employee motivation and performance. According to him, this system not only links performance to rewards, but also assists management in identifying areas where employees need further

support or training. He also emphasized the importance of continuous evaluation and adjustment of the system to adapt to organizational needs and changing market conditions.

Syaiful, as the Operations Manager, views the performance allowance system as a crucial component in managing employees and daily operations. He emphasized that this system increases transparency in performance management and facilitates better dialogue between employees and management. This system also helps in strengthening the merit-based work culture in the company. Nonetheless, Syaiful sees room for improvement, especially in adjusting allowances to more specific performance challenges. From the perspective of Rizal, who is a Credit Division Staff, the performance allowance system is highly motivating and makes performance appraisals more objective. Rizal stated that this system provides encouragement for employees to not only meet but also exceed the targets that have been set. He also revealed that this system helps in designing a more effective credit strategy. However, Rizal highlighted the need for regular updates to the system to take into account external factors that affect the achievement of targets.

As part of the Finance Division, Rahmat assessed that the performance allowance system has proven to be efficient in improving the company's overall financial performance. He emphasized that this system allows for more accurate budget allocation for benefits based on actual performance. In addition, Rahmat suggested that the assessment criteria be expanded to include non-financial factors, which are also important in assessing overall employee performance.

Interviews with informants revealed that the performance allowance system in Regional People's Credit Bank Bahteramas is generally considered effective in motivating employees and improving their performance. Ahmat, the Managing Director, emphasized that the system has been well designed to reward outstanding performance, which in turn encourages employees to achieve their targets. This shows that recognition of individual contributions is a key factor in increasing employee motivation.

The results of this interview provide important insights into how the performance allowance system in Regional Company works. BPR Bahteramas Konawe is implemented and accepted by employees at various levels. While this system is generally effective in motivating employees, there are some areas that need to be improved to ensure that it remains relevant and fair to all employees. Improvements in transparency, fairness, and adaptation to external changes will be critical to maximizing the effectiveness of the performance allowance system in the future.

DISCUSSION

Effective Performance Allowance System in Improving Employee Performance in PD. BPR Bahteramas Konawe

Analysis from the interview shows that the performance allowance system in PD. BPR Bahteramas Konawe has significantly motivated employees to achieve and often exceed the targets that have been set. The system provides incentives both financially and non-financially, emphasizing not only the achievement of short-term targets but also the contribution to the company's long-term goals (Salman & Olawale, 2021). The implementation of this system supports motivational theories such as Job Satisfaction Theory and Herzberg's Motivation Theory, which emphasize the importance of recognizing individual contributions to increase productivity (Adanlawo & Nkomo, 2023); (Bohórquez et al., 2021); (Peramatzis & Galanakis, 2022). However, while this system has proven effective, there is still room for improvement, particularly when it comes to fairness and transparency of the system. Some employees feel that the process of setting targets and performance appraisals is less clear, which can affect their perception of the fairness of the system. This is in line with the Theory of Organizational Justice by Ali & Anwar (2021), which shows that the perception of fairness in organizations affects employee satisfaction and motivation.

In addition, the adaptation and flexibility of the performance allowance system to changes in market conditions is also an important factor. A system that is able to adjust the targets and assessment criteria based on the company's external and internal conditions is considered crucial to maintain the relevance and effectiveness of the system in encouraging optimal performance from employees. This study suggests that PD. BPR Bahteramas Konawe was able to improve the effectiveness of their performance allowance system by integrating technology that can provide real-time and objective feedback to employees regarding their performance. The use of this technology is expected to minimize bias in assessments and increase employee confidence in the implemented performance allowance system.

Factors Affecting the Relationship Between Performance Allowance Systems in Achieving Organizational Targets in Regional Company People's Credit Bank Bahteramas Konawe

This discussion evaluates the factors that affect the relationship between the performance allowance system and the achievement of organizational targets. Key findings suggest that clarity and fairness in target setting and assessment are important factors. Employees who clearly understand how their targets are set and how their performance is judged tend to have

higher motivation to achieve those targets. Organizational Justice Theory by Sumayya & Raziq (2019) supports this finding, showing that the perception of fairness in the performance appraisal process can increase employee job satisfaction and motivation.

In addition, the adaptation and flexibility of the performance allowance system to changes in market and internal conditions of the company is also an important factor. A system that can adjust the targets and assessment criteria according to the company's external and internal conditions is able to maintain relevance and effectiveness. The Theory of Planned Behavior by Conner (2020) supports this, by showing that the perception of control over the results achieved can increase employee motivation to achieve higher targets.

The use of technology in managing and measuring employee performance was also identified as an important factor. The adoption of cloud-based performance management technologies, as suggested by Stone et al., (2009), can aid in real-time data collection and more objective and efficient performance analysis. In PD. BPR Bahteramas Konawe, the use of this technology can increase accuracy and transparency in performance appraisals, reduce bias, and provide more frequent and detailed feedback to employees. Incentive design that is relevant to employee needs and motivations is also found to be a key factor in the effectiveness of the performance allowance system. According to Pink (2011), incentives that are adjusted to employees' intrinsic motivation tend to be more effective in motivating long-term performance. In Regional Company People's Credit Bank Bahteramas Konawe, the adaptation of incentives to reflect individual and team preferences can increase employee engagement and productivity. This shows that a deep understanding of employee motivation can help in designing a more effective benefits system.

A unique finding in the study was that some employees showed a strong preference for non-financial recognition, such as public praise and formal awards. This suggests that while financial incentives are important, non-financial recognition also plays a significant role in improving motivation and job satisfaction. Research by Cameron & Pierce (1994) supports these findings, which suggest that non-financial recognition can increase employees' intrinsic motivation and commitment to the organization (Matloob et al., 2021); (Sayed et al., 2021). Overall, the results of this study provide a solid basis for improving the performance allowance system in Regional Company People's Credit Bank Bahteramas Konawe. By responding to feedback from employees and continuously adapting the system to the current conditions, the company will be in a better position to maximize the potential of its human resources and achieve strategic goals effectively. Support from previous theories and research

shows that a well-designed, fair, transparent, and adaptive performance allowance system can significantly improve employee performance and satisfaction (Okiko, 2020).

CONCLUSION

This study concludes that the performance allowance system applied in Regional Company People's Credit Bank Bahteramas Konawe has proven to be effective in improving employee performance. By being designed to provide financial and non-financial incentives that recognize individual achievement and contribution to the company's long-term goals, the system is able to increase employee motivation and productivity. Key factors affecting the effectiveness of these systems include clarity and fairness in setting targets, transparency in performance appraisals, and the use of technology to support more accurate and efficient appraisals. The implementation of technology has been shown to improve accuracy and reduce bias in the assessment process, ultimately contributing to the achievement of organizational targets more effectively.

As a follow-up, it is recommended that Regional Company People's Credit Bank Bahteramas Konawe increases transparency and communication in the performance appraisal process through regular socialization and providing more frequent and detailed feedback. Additionally, companies need to adopt digital-based performance management technologies to enable real-time data collection and more objective analysis. Thus, this increase is expected to further motivate employees and support the company in achieving its strategic goals more efficiently.

RECOMMENDATIONS

To enhance the effectiveness of the performance allowance system at the Regional People's Credit Bank Bahteramas Konawe, it is recommended to improve transparency and communication in the performance evaluation process through regular socialization and more frequent feedback. Additionally, adopting digital performance management technology is necessary for real-time data collection and more objective analysis, reducing bias and increasing evaluation efficiency. This implementation is expected to further motivate employees and help the company achieve its strategic goals more effectively.

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