

---

## THE INFLUENCE OF INTERNAL CONTROL ON EMPLOYEE PERFORMANCE WITH REWARD SYSTEM AS A MODERATING VARIABLE

**Nugrahadi Fajria Irawan**  
Padjadjaran University, Indonesia  
[Nugrahadifajria@gmail.com](mailto:Nugrahadifajria@gmail.com)

**Abstract :** This study aims to determine the ability of the reward system in moderating the influence of internal control on employee performance at PT.Kawan Era Baru Bandung Branch. The factors tested in this study are the independent variable is internal control, the dependent variable is employee performance, while the moderating variable is the reward system. The research method used is the explanatory method. The population in this study were employees at PT.Kawan Era Baru Bandung Branch. The sampling technique used is non-probability sampling technique with purposive sampling technique so that the number of samples is 96 employees. The analytical method used is moderated regression analysis using the SPSS Version 23.00 program. The results showed that internal control and reward systems affect employee performance, and the reward system can moderate the relationship between internal control and employee performance at PT.Kawan Era Baru Bandung branch. In addition, the magnitude of the influence of internal control, reward system, and interaction moderation in contributing to employee performance is 65.6%.

**Keywords:** Employee Performance, Internal Control, and Reward System

### INTRODUCTION

The Textile and Textile Product Industry (TPT) is ranked 3rd in national exports and absorbs up to 2.79 million workers with production that is able to meet 70% of domestic clothing needs. Throughout 2018, the textile sector has contributed 1.22% to the National Gross Domestic Product (GDP) and an export surplus of USD4.31 billion. The value of textile exports alone reached USD 12.28 billion, or contributed 8.17% of the total national export value. The textile industry also has a big role in contributing to the country's foreign exchange. Total investment in this sector in 2018 reached Rp573 trillion, up 16.9% from 2017. The textile sector contributed 5.05% of foreign investment (PMA) and 3.07% of domestic investment (PMDN) (Kementrian Perindustrian Republik Indonesia, 2016).

The development of the textile industry has made the level of competition more competitive. Therefore, it is important for companies to be able to improve their organizational performance to achieve company goals. One of the important factors that need to be considered in an organization is human resources. Human resources are important assets that must be owned by organizations in achieving organizational goals, therefore employees must be utilized as much as possible to achieve organizational goals that have been set (Fathoni, 2015). Today many organizations realize that human resources are the most important organizational problem, because it is through human resources that other resources in the company can function or run. Human resources in this case, namely employees, become one of the sources of organizational capital in achieving organizational goals. Therefore, it is important for organizations to be able to manage and improve employee performance (Rivai & Sagala, 2015). Employee performance is the result produced by certain job functions or activities at certain jobs

during a certain period of time, which shows the quality and quantity of the work (Bernardin & Russel, 2015).

One of the companies engaged in the textile industry is PT.Kawan Era Baru. PT. Kawan Era Baru is one of the textile industry companies that was founded in 2000 which operates in the field of textile machinery, industry and testing equipment. PT. Kawan Era Baru has business operations selling and providing quality services, with the best solutions ranging from spare parts, accessories, instruments and textile machines imported directly from Asia (China, India, Japan, Korea, Taiwan, etc.) , Europe (Austria, France, Germany, Italy, Switzerland, etc.), UK and US, according to customer requirements. PT. Kawan Era Baru has developed into a company that not only serves customers engaged in textiles but also non-textile companies. Below will be presented sales data of PT.Kawan Era Baru Bandung Branch for 2016-2020 as follows:

**Table 1. Annual Sales Data of PT.Kawan Era Baru Period 2016-2020**

No	Tahun	Produk Tekstil dan non-Tekstil			Keterangan
		Penjualan	Target	Realisasi %	
1.	2016	106.896	135.000	79%	Tidak Tercapai
2.	2017	103.431	135.000	77%	Tidak Tercapai
3.	2018	123.192	135.000	91%	Tercapai
4.	2019	115.492	135.000	86%	Tidak Tercapai
5.	2020	102.867	135.000	76%	Tidak Tercapai

Source: PT.Kawan Era Baru Bandung Branch

Based on table 1.1 above, it shows that in 2016-2020 the company's sales level has not been optimal, this can be seen from the failure to achieve sales targets in 2016-2018 and 2019-2020 from the target set by the company of 90%. Not achieving the company's target shows that the employee's performance is still low.

One way to improve employee performance is by increasing the implementation of the company's internal control. Internal control is very helpful in realizing the achievement of improving the performance of employees who have an important role for the organization, because an organization depends on employee performance. Internal control is used by an organization to ensure that organizational resources are used effectively and efficiently towards the achievement of organizational goals. The achievement of high performance is due to the implementation of effective control. Organizational failure in achieving the goals that have been set can occur due to weaknesses in one or several stages in the internal control process (Adhama, 2014).

In addition to improving the implementation of the company's internal control, in supporting employee performance, a reward system is also needed. The application of a good reward system will increase motivation from within employees and from the leadership so that it will be an impetus for employees to work more productively so that company goals can be met. Motivation in employees is driven by a good reward system from the company which will increase employee morale and loyalty to the company so that it will create employees who have good performance (Robbins & Judge, 2016).

Internal control is a process influenced by the board of directors, management, and other entity personnel, designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance (Redding et al.,

---

2013). The Committee of Sponsoring Organization of the Treadway Commission (COSO) in Redding et al., (2013) states that the dimensions of internal control are as follows:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and communication
5. Monitoring

The reward system is a service reward given by the company to the workforce because they have contributed energy and thoughts for the progress and continuity of the company in order to achieve the goals that have been set both in the short and long term (Mulyadi, 2014). According to Mulyadi (2014) states that the dimensions of the reward system are as follows:

1. Intrinsic reward system
2. Extrinsic Reward System

Employee performance is the result of work that can be achieved by a person or group of people in an organization in accordance with their respective authorities and responsibilities in an effort to achieve the goals of the organization concerned legally, not violating the law and in accordance with morals and ethics (Prawirosentono, 2014). According to Prawirosentono (2014) states that the dimensions of employee performance are as follows:

1. Quantity of work that exceeds the average of other employees.
2. Better quality of work than other employees.
3. Work efficiency that exceeds other employees.
4. Quality standards that exceed existing official standards.
5. Employees try harder than they should.
6. Employees have high professional standards.
7. Employees have the ability to carry out the main job well.
8. Employees use common sense in carrying out their work well.
9. Employees do the job right.
10. Employees do the main job well.
11. Employees provide creativity in the main job well.

Internal control is used by an organization to ensure that organizational resources are used effectively and efficiently towards the achievement of organizational goals. The achievement of high performance is due to the implementation of effective control. Organizational failure in achieving its goals can occur due to weaknesses in the internal control process. Employee performance will be shown by how much the goals can be achieved and internal control can provide adequate confidence in achieving these goals (Simamora, 2014). The COSO executive summary states that internal control can help entities achieve performance and profitability targets, and company resources. Internal controls can help ensure reliable financial reporting, and can help ensure that companies comply with laws and regulations, avoiding reputational damage and other consequences. In short, it can help entities achieve the desired goals, one of which is improving employee performance (Redding et al., 2013).

H1: Internal control affects employee performance.

The performance sought by the company from a person depends on the ability,

motivation, and support of the individual received. The reward system in this study is seen from the perception of employees in motivating involving a person's desire to show performance. A person's performance is considered unsatisfactory, often caused by low motivation (Mathis & Jackson, 2015). Motivation in employees is driven by a good reward system from the company which will increase employee morale and loyalty to the company so that it will create employees who have good performance (Robbins & Judge, 2016).

H2: Internal control affects employee performance.

H3: The reward system can moderate the effect of internal control on employee performance.

### METHODS

The research methodology used in this research is explanatory. The population in this study were employees at PT.Kawan Era Baru Bandung Branch. The sampling technique used in this study is a non-probability sampling technique with a purposive sampling technique so that the number of samples in this study amounted to 96 employees. The types and sources of data used were primary data, while the data collection technique used a questionnaire. The independent variable is internal control, the dependent variable is employee performance, while the moderating variable is the reward system. The data analysis used is moderated regression analysis using SPSS Version 23.00.

### RESULTS AND DISCUSSION

**Tabel 2. Moderated Regression Analysis**

Variable	Coefficient
C	15,099
Internal control	0,112
Reward System	0,248
Interaction Moderation	0,002

Source: SPSS Output Results

Based on table 2. above, it shows that the model of the moderated regression analysis equation formed is:

$$Y = 15,099 + 0,112 X_1 + 0,248 X_2 + 0,002 X_1 * X_2$$

Based on the regression equation above, it shows that the variables of internal control, reward system, and interaction moderation have a positive influence on employee performance variables.

**Table 3. Partial Hypothesis Testing**

Variable	t-Value	P-Value	Result
Internal control	2,165 > 1,986	0,033 < 0,05	H <sub>1</sub> Diterima
Reward System	3,013 > 1,986	0,003 < 0,05	H <sub>2</sub> Diterima
Interaction Moderation	2,132 > 1,986	0,036 < 0,05	H <sub>3</sub> Diterima

Source: SPSS Output Results

Based on table 3. above partially shows that the variables of internal control, reward system, and interaction moderation have an effect on employee performance variables.

**Tabel 4. Simultaneous Hypothesis Testing**

Variable	F-Value	P-Value
Internal control		
Reward System	58,581 > 2,70	0,000 < 0,05
Interaction Moderation		

Source: SPSS Output Results

Based on table 4. above simultaneously shows that the variables of internal control, reward system, and interaction moderation have an effect on employee performance variables.

**Table 5. Testing the Coefficient of Determination**

Information	Value	Percentage
R-squared	0,656	65,6%

Source: SPSS Output Results

Based on table 5. above shows that the magnitude of the influence of internal control variables, reward systems, and interaction moderation on employee performance variables is 65.6%.

### **The Influence of Internal Control on Employee Performance**

The results showed that internal control had an effect on employee performance. Internal control is used by an organization to ensure that organizational resources are used effectively and efficiently towards the achievement of organizational goals. The achievement of high performance is due to the implementation of effective control. Organizational failure in achieving its goals can occur due to weaknesses in the internal control process. Employee performance will be shown by how much the goals can be achieved and internal control can provide adequate confidence in achieving these goals (Simamora, 2014). The COSO executive summary states that internal control can help entities achieve performance and profitability targets, and company resources. Internal controls can help ensure reliable financial reporting, and can help ensure that companies comply with laws and regulations, avoiding reputational damage and other consequences. In short, it can help entities achieve the desired goals, one of which is improving employee performance (Redding et al., 2013).

Internal control is very helpful in realizing the achievement of improving the performance of employees who have an important role for the organization, because an organization depends on employee performance. Internal control is used by an organization to ensure that organizational resources are used effectively and efficiently towards the achievement of organizational goals. The achievement of high performance is due to the implementation of effective control. Organizational failure in achieving the goals that have been set can occur due to weaknesses in one or several stages in the internal control process (Adhama, 2014). The results of this study are in line with the results of previous studies conducted by Dewi (2012), Aditya (2015), and Yanto et al., (2013). The results of his research indicate that the reward system has an effect on employee performance.



---

### **The Influence of Reward System on Employee Performance**

The results showed that the reward system had an effect on employee performance. The performance sought by the company from a person depends on the ability, motivation, and support of the individual received. The reward system in this study is seen from the perception of employees in motivating involving a person's desire to show performance. A person's performance is considered unsatisfactory, often caused by low motivation (Mathis & Jackson, 2015).

The application of a good reward system will increase motivation from within employees and from the leadership so that it will be an impetus for employees to work more productively so that company goals can be met. Motivation in employees is driven by a good reward system from the company which will increase employee morale and loyalty to the company so that it will create employees who have good performance (Robbins & Judge, 2016). The results of this study are in line with the results of previous studies conducted by Hadinoto (2014) and Kartika (2014). The results of his research show that the reward system has an effect on employee performance.

### **The Influence of Internal Control on Employee Performance With Reward System As Moderating Variable**

The results showed that interaction moderation had an effect on employee performance. That is, the reward system can moderate, namely strengthening the relationship between internal control and employee performance. Internal control is very helpful in realizing the achievement of improving the performance of employees who have an important role for the organization, because an organization depends on employee performance. Internal control is used by an organization to ensure that organizational resources are used effectively and efficiently towards the achievement of organizational goals. The achievement of high performance is due to the implementation of effective control. Organizational failure in achieving the goals that have been set can occur due to weaknesses in one or several stages in the internal control process (Adhama, 2014).

The application of a good reward system will increase motivation from within employees and from the leadership so that it will be an impetus for employees to work more productively so that company goals can be met. Motivation in employees is driven by a good reward system from the company which will increase employee morale and loyalty to the company so that it will create employees who have good performance (Robbins & Judge, 2016). Based on the description above, it can be explained that the application of a good reward system in the company will be able to increase employee motivation so that they will be able to work optimally in achieving company goals effectively and efficiently and will strengthen the relationship between internal control and employee performance, therefore the reward system is used as a moderating variable to determine whether the reward system can moderate the effect of internal control on employee performance.

### **CONCLUSIONS**

Based on the results of the study, it can be concluded that the variables of internal control, reward system, and interaction moderation have an effect on employee performance variables. These results indicate that the reward system can moderate, namely strengthening the relationship between internal control and employee performance.

## REFERENCES

- Adhama, D. (2014). Pengaruh Penerapan Sistem Pengendalian Internal Pemerintah (SPIP) dan Kejelasan Sasaran Anggaran Terhadap Akuntabilitas Kinerja Instansi Pemerintah (AKIP). *Tesis*. Universitas Pasundan Bandung
- Aditya, M. I. (2015). Pengaruh Pengendalian Internal Terhadap Kinerja Pegawai Dinas Perhubungan Provinsi Jawa Barat. *Skripsi*. Universitas Widyatama Bandung
- Bernardin, H. J., & Russel, J. E. . (2015). *Human Resource Management*. New York : McGraw-Hill.
- Dewi, S. P. (2012). Pengaruh Pengendalian Internal dan Gaya Kepemimpinan Terhadap Kinerja Karyawan SPBU Yogyakarta. *Jurnal Nominal, Vol. 1* (No. 1, Tahun 2012). Universitas Negeri Yogyakarta.
- Fathoni, A. (2015). *Manajemen Sumber Daya Manusia*. Bandung : Rineka Cipta.
- Hadinoto, A. Y. S. (2014). Analisis Pengaruh Kesejahteraan Karyawan Terhadap Kinerja Karyawan Melalui Motivasi Sebagai Variabel Moderating. *Skripsi*. Universitas Sanata Dharma Yogyakarta.
- Kartika, S. A. (2014). Pengaruh Gaya Kepemimpinan terhadap Kinerja Karyawan dengan Motivasi sebagai Variabel Moderating. *Skripsi*. Universitas Muhammadiyah Surakarta.
- Kementrian Perindustrian Republik Indonesia. (2016). *Industri Tekstil dan Alas Kaki Ditargetkan Naik 6,3 Persen*. <https://www.kemenperin.go.id/artikel/14989/Industri-Tekstil-dan-Alas-Kaki-Ditargetkan-Naik-6,3-Persen>.
- Mathis, R. L., & Jackson, J. H. (2015). *Manajemen Sumber Daya Manusia* (Edisi 9). Jakarta : Salemba Empat.
- Mulyadi. (2014). *Akuntansi Manajemen* (Edisi 2). Yogyakarta : STIE YKPN.
- Prawirosentono, S. (2014). *Manajemen Sumber Daya Manusia : Kebijakan Kinerja Karyawan : Kiat Membangun Organisasi Kompetitif Era Perdagangan Bebas Dunia*. Jakarta : Rajawali Press.
- Redding, K. F., Sobel, P. J., & Head., M. J. (2013). *Internal Auditing: Assurance & Advisory Services* (Third Edit). Unites Stated Of America : The Institute of Internal Auditors Research Foundation (IIARF).
- Rivai, V., & Sagala, E. (2015). *Manajemen Sumber Daya Manusia Untuk Perusahaan Dari Teori ke Praktik*. Jakarta : Rajawali Pers.
- Robbins, S. P., & Judge, T. A. (2016). *Perilaku Organisasi* (Edisi 16). Jakarta : Salemba Empat.
- Simamora. (2014). *Membuat Karyawan Lebih Produktif Dalam Jangka panjang (Manajemen SDM)*. Yogyakarta : STIE YKPN.
- Yanto, H., Syafrizal Chan, & Yuhelmi. (2013). Pengaruh Budaya Organisasi, Komitmen Organisasi, dan Pengendalian Internal Terhadap Kinerja Pegawai Yang Dimediasi Oleh Akuntabilitas Publik. *Jurnal Akuntansi, Vol. 3*(No. 2, Tahun 2013). Universitas Bung Hatta.