

The Effect of Extrinsic and Intrinsic Rewards on Employee Performance with Mediator of Distributive Justice at Full-Fledged Islamic Banks in Malaysia

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ABSTRACT

The issues of unfairness rewards that can affect the employee's performance makes this study aims to examine the effect and relationship between intrinsic and extrinsic on employee performance with mediator of distributive justice at full-fledged Islamic banks in Malaysia. Besides, the equity theory is used since it has relations in explaining the rewards and employee performance with mediation of distributive justice as well as in the methodology, a questionnaire (5-Likert Scale) is designed to collect relevant data and the minimum required sample size in this study needs about 77 respondents. The data will be analysed using Statistical Package for the Social Sciences (SPSS) and Partial Least Square-Structural Equation Modelling (PLS-SEM) analysis. The population that will be chosen is the employees from executive, non-executive and managerial positions who work with Islamic Banks in Malaysia (Sabah states). The findings revealed that both rewards (extrinsic and intrinsic) and employee performance has a significant effect and relationship to distributive justice as a mediator variable. To ensure equitable and equal distribution of rewards among employees, organizations should establish their policies, organizational structures, and reward systems. This will undoubtedly improve the organization's growth and goodwill. The organizations should design their policies, organizational structures and reward systems that ensure just and fair based distribution of rewards among employees and it surely led to enhance the goodwill and growth of organization.

Keywords: *Intrinsic Rewards, Extrinsic Rewards, Employee Performance, Distributive Justice, Islamic Banks*

1.0 INTRODUCTION

Every organization in the modern business world aims to gain a competitive edge in its operations by making effective and efficient use of its resources, including its workforce, which is its most valuable asset and plays a critical role in achieving organizational growth through their dedication and performance (Sureephong & Dahlan, 2020). However, with increasing workplace challenges, criteria for success, and attainment of planned goals, businesses and institutions must retain their employees, particularly those who have gained expertise in their field of work within a specific work environment. Recently, with the growth of technology, the customer has become explicitly aware of the commercial and service areas, requiring organizations to choose competencies and talents from among these consumers (Mohammed & Farah, 2022).

Banks are entities that raise public funds in the form of savings and transfer them to the public in credit or another form to improve the community's standard of living (Adriani, 2021). There are two types of banks: commercial banks and Islamic banks (Ali et al., 2020). This study is focused with Islamic banks, which operate on the Shariah Act, although various principles are supplied to generate the following profits, such as profit-sharing, purchasing, selling, leasing, services, and so on. Banks' ability to generate huge profits is also heavily influenced by the performance of internal parties such as human resources, capital utilization, and customer relations, as well as external parties such as consumer loyalty to the bank. Banks, as intermediary institutions, must be able to produce good performance to gain public trust (Edy, 2020). Sharia banking business operations are fundamentally an expansion of banking services for those who require and wish to pay incentives that are not based on the interest system that has been defined in Islamic law (Imamuddin et al., 2020).

Furthermore, challenges in employee performance related to a lack of employee participation in decision-making, poor working environment, etc. (Ismail et al., 2015). The existence of unfair rewards implementation that can lead to a dampening in moral, reduced engagement in the organizations, and an increase in the desire to leave the organization, especially in Islamic banking (Orajaka, 2021).

Aside from that, businesses' inequality in distributive rewards may have an impact on employee performance (Okechukwu et al., 2014). Employees with low salaries may feel injustice of several kinds at work (Kristen et al., 2015). When they are paid reduced salaries, they will find it challenging to meet their fundamental financial necessities. This issue could be more concerning if Islamic banks, who are fully committed to adopting Islamic principles in their business operations and workplace, commit injustice against their employees (Ayub, 2019). In addition, when individuals think that what they contribute much exceeds what they get from the organizations, there is an issue with the reward management system, and this could lose their commitment to the organization as well as damage their performance (Okoli et al., 2020). Furthermore, there aren't much research on banking in Malaysia's Human Resource Management (HRM) sector, particularly when it comes to fully operational Islamic banks. Furthermore, most earlier studies focused only on Islamic leadership, Islamic marketing, and Islamic finance and accounting. This is further corroborated by Rana and Malik's (2017) findings that the issue of employee performance and rewards in fully operational Islamic banks has only been touched upon in a small number of studies.

Numerous research into the relationship between rewards and employee performance have also been conducted; some of these studies have discovered a strong positive correlation. Despite such findings, some researchers discovered a negative effect, which suggests that the empirical study varies from a positive to a negligible negative relationship and is inconsistent. There are some gaps in the literature that make this study interesting. Employees of Islamic banks have received less attention when it comes to managing their performance and implementing awards (Hamir et al., 2018). Samal (2019) also suggested that future studies on the banking sector (Islamic banks) should restructure human resources management since it is critical to the contribution of employees to the banks' overall expansion. Additionally, in order to strengthen the generalizability of the findings, Akter et al. (2020) recommended that researchers carry out a similar study with other sectors that rely on service industries, such as banking sectors.

In the modern banking industry, employee performance is crucial to the success of the company, especially in fully operational Islamic banks. Motivational techniques are frequently used to improve performance and include both intrinsic (like personal development, recognition) and extrinsic (like financial incentives,

promotions) rewards. Nevertheless, these rewards' efficacy varies depending on the situation. The importance of both intrinsic and extrinsic rewards in affecting employee performance has been emphasized by recent studies. Alimawi and Laili Muda (2022) discovered that both reward types have a positive effect on employee performance in the Malaysian banking industry. These findings were also supported by research conducted in Pakistan's banking industry, which highlighted the importance of rewards in improving performance.

Despite these revelations, little is known about how distributive justice—a particular conception of fairness—mediates the link between performance and rewards. The fairness of outcome distributions, including rewards and recognition, as perceived by employees is the subject of distributive justice. This view is especially prominent in Islamic banking institutions, which are based on the ideas of justice and equity. Furthermore, Ravesangar and Fauzi (2022) stated distributive played role as a mediator between performance and extrinsic motivation in Malaysian banks, little is known about the precise mediating function of distributive justice in Islamic banks. This discrepancy is crucial because knowledge of this mediation may help create more efficient incentive schemes that adhere to Islamic moral principles.

Thus, the purpose of this study is to examine how employee performance is affected by both intrinsic and extrinsic rewards, with an emphasis on the mediating function of distributive justice at fully operational Islamic banks. Closing this gap will yield important information for creating incentive schemes that are both efficient and morally consistent with Islamic banking.

2.0 LITERATURE REVIEW

2.1 Employee Performance

The effectiveness and efficiency with which people fulfill their principal responsibilities and duties as outlined in their official job description is known as employee performance. According to Robbins and Judge (2017), it represents a significant human contribution to the business. Additionally, the term job performance or actual performance, which describes a person's work performance or actual accomplishment, is the source of the term employee performance. The definition of performance is the work quality and quantity accomplished by an employee in carrying out his duty in accordance with the duties assigned to him or her (Nina & Yhanty, 2019).

Employee performance is regarded as an insignificant component. Organizational performance greatly influences employee productivity and competitiveness (J. Van Beurden et al., 2018). Despite investing in employees' possibilities, there has been limited effectiveness in improving effective employee performance (Na-nan et al., 2019). The successful completion of a task to achieve a predetermined goal is the definition of employee performance (Ombanda, 2021). Performance affects an organization's earnings as well as its reputation (Hameed & Waheed, 2011). Task performance and contextual performance are components of employee performance (Kalay, 2016). According to Robbins and Judge (2017), employee performance is the outcome of a person's efforts in terms of both quantity and quality when performing tasks in accordance with their assigned responsibilities. In some circumstances, performance depends on a person's abilities, skills, and efforts. Employees' skills and abilities are comparatively stable in the near term. An organization's top priority has always been to achieve high performance through efficiency and productivity. A highly satisfied workforce is absolutely necessary to achieve that, but since employees are an organization's engine room, their level of commitment can be purposefully decreased when they are unhappy with the nature of the work they do.

Task performance denotes fulfilling tasks defined in the job description, whereas contextual performance implies doing activities that, while vital, do not fall within the allocated job roles (Manrique & Ting-Ding, 2017). Task performance refers to an employee's efforts to complete given tasks and obligations outlined in their job description. Contextual performance refers to an employee's social ties with juniors, seniors, and customers, as well as their efforts beyond the work mandate. However, it improves the social and mental health of the organization. Performance evaluations are used to determine employee salaries, promotions, and discipline.

Employee performance appraisal gives feedback, and programs are designed to improve performance, helping people develop skills to maximize their potential (Susanto et al., 2023). Employees with strong perceived organizational support say that they have more responsibility, which collectively helps the organization achieve its goals, raises rewards for critical performance, and such employees are highly

devoted to the organization (Endri et al., 2020). Employee performance encompasses behaviors and outcomes that are consistent with organizational goals and necessary for attaining a competitive advantage. Therefore, Human Resources Management strives to improve this aspect (Noe et al., 2019). According to Mathis et al. (2017), employee performance dimensions encompass behaviors, results, and characteristics. The outcomes dimension focuses on the efficacy and efficiency of an employee's labor as well as the amount and quality of the work they generate. The behavior dimension considers things like teamwork, attitude at work, communication with supervisors, and following work schedules.

The characteristics dimension assesses an employee's personal qualities, including their willingness to take the initiative to start new projects and their capacity to offer insightful suggestions to the company. The purpose of this study is to measure employee performance in all three of these important areas, which represent different facets of a person's contribution to the company. The study offers a thorough evaluation of employee performance by analyzing results, behaviors, and characteristics, which is essential for comprehending and enhancing both individual and organizational achievement.

2.2 Rewards

A reward is a type of acknowledgment of the gift/reward that is applied to specific coaching aims, such as gifts for people who diligently perform charity acts. The indications for measuring the award variable are as follows. Salary, prizes, accolades, and leave-ending allowance (Marleyna et al., 2022; Smith, 2022). External and internal environments are the two groups of elements that influence the reward (Apriyanti et al., 2021). The external environment arises from factors outside of the firm, such as the labor market, the economy, government regulations, and trade unions. Salameh and Zamil (2020) assert that rewards are an essential instrument that management can apply to transfer employee performance in a way that is favored. It seeks to recruit new employees to retain existing ones and inspire them to achieve better results. All organizational components, including decision-making processes and the distribution of incentives to staff members in recognition of their contributions on behalf of the business, are included in prizes. Furthermore, the primary objective of rewards is to enhance organizational performance and assist the business in achieving its strategic objectives.

According to Islamic law, compensation is both the right of the employee and the obligation of the employer, as agreed upon in an *ijarah* contract (Mahfud, 2019). According to Islam, genuine wages are recompense for the services supplied by a worker. Deprivation of salaries is a wicked deed that will result in retribution from Allah SWT. Eziokwu & Onuaha (2021) claim that employees can be motivated by both extrinsic and intrinsic benefits. Employees are given these as a reward for their hard work and dedication. If people are not motivated to persevere, a hostile environment will emerge. Intrinsic incentives come directly from the work itself and include things like meaningful work, autonomy, growth chances, and societal effect (Manzoor et al., 2021). Furthermore, corporations often use extrinsic rewards such as money, perks, incentives, and recognition to promote productivity (Noko & Nwuzor, 2021). In "intrinsic rewards," we refer to incentives already in place for employees at an institution. Employees feel intrinsically motivated when they achieve their aims. These are psychological in nature and reward individuals for their efforts and achievements. Intrinsic rewards that elicit a positive emotional response are more likely to motivate employees to improve and make long-term behavioral changes (Ryan & Deci, 2020). Extrinsic rewards are ones whose amount and reception are decided by others and have nothing to do with the job itself. In the past, when labor was usually more repetitive and bureaucratic and adherence to rules and procedures was essential, extrinsic incentives were more common (Mansor et al., 2012; Tsadik, 2017).

This viewpoint is consistent with that of Tsadik (2017), who claimed that intrinsic incentives motivate workers to perform better by satisfying their intrinsic components. According to Giancola (2014), instances of intrinsic rewards include career advancement and acknowledgment. Additionally, noted are opportunities for growth, challenging and fascinating careers, and the use and expansion of skills and abilities. The feeling that one's labor is vital and that one has the authority to employ one's own resources is known as responsibility. Tizhe (2020) asserts that intrinsic rewards are essential for maintaining worker satisfaction because they have an impact on employees' attitudes and feelings, whereas extrinsic rewards provide them tangible objects to relate to, which enhances their ability to fulfill fundamental needs.

2.3 Distributive Justice

Distributive justice focuses on analyzing fairness in terms of rewards (Swalhi et al., 2017). Distributive justice is a component of organizational justice, alongside procedural, interpersonal, informational,

temporal, and geographical justice (Abasi, 2014). Justice encompasses both equality and disparity, ensuring fair distribution of goods, honors, and prizes while honoring each individual's unique value (Biswas & Ramaswami, 2013). Rewarding employees with timely promotions, regular salary payments, training, and an open appraisal system can enhance job satisfaction, reduce attrition, and increase performance (Oluwafemi, 2013).

The law of equal distribution states that all members should be given equal possibilities for reward without regard for any feature such as aptitude, and the required distribution rule should be distributed based on employees' personal requirements. Because these distribution criteria are based on values, knowing which is accurate and which is incorrect is difficult. However, they can be adapted to alternative distribution rules or utilized to resolve conflicts of opinion on justice by consensus among members (Park, 2020). Employee perceptions of the overall fairness of the entire range of investments made and the associated compensation are implied by distributive justice (Ismail et al., 2015).

Additional research offered suggestions for distribution along with justification (Anjum et al., 2016). Distributive justice, according to Yavuz (2010), entails allocating responsibilities, opportunities, incentives, punishments, positions, status, pay, and promotions to members of an organization according to their similarities and differences. There may be distributive injustice for employees if resources are not distributed according to performance and merit. Distributive justice encompasses both equitable reward distribution and fair treatment of employees (Randeree, 2013). Distributive justice recognizes that not all workers receive equal treatment and that outcomes are allocated differently in the workplace. Sometimes items are distributed fairly, such as when the best competent individual is promoted. Sometimes advancement is predicated on political relationships among high management team members (Agbim et al., 2018).

Fairness is important in how businesses run their incentive systems. When it comes to how organizations run their incentive programs, fairness is crucial. The systems and procedures for incentives could be disastrous if workers don't think they're fair. If employees do not believe that awards are fair, then reward systems and processes may fail. Rewards can be managed using ideas such as reward philosophy, distributive justice, equity, consistency, and transparency. The effectiveness of rewards can be regarded if they are fair and have an impact on developing transparency about information on how the reward system operates and how employees are rewarded (Okoli et al., 2020). Distributive justice was found to be the most powerful component in shaping perceived fairness. Previous study has shown the significance of distributive justice (Bauwens et al. 2019). Their findings suggest that distributive justice is a key factor in the impression of fairness.

2.4 Underpinning Theories

Equity theory, which Adam (1965) developed, was applied to support the study's framework. Equity Theory states that individuals care more about fairness than the exact quality of the results they obtain. By contrasting the ratios of inputs (contributions) and outputs (rewards) with those of other members of an organization, equity or fairness is evaluated. When people perceive equity at work, they feel satisfied. Since it brought to light the conduct and attitudes of employees toward companies, the inability to explain the feeling of fairness was the main problem for governments and corporations (Adams, 1965). It was discovered that the examination of perceived fairness by employees of different groups in one division of an organization made it possible to conclude that the incentives were not deemed to be fair if input was higher than that of other colleagues.

Equity Theory served two main functions. Initially, the concept aimed to clarify how individuals evaluate the fairness of interpersonal relationships. Explaining the effects of unequal connections was the second objective of the theory. When people perceive equity at work, they feel satisfied. If not, people will alter their actions or perceptions to change unpleasant, unfair circumstances into agreeable, fair ones. Three factors are identified by the equity theory: reference variables, outcome variables, and input variables. An employee's contributions to an organization are known as input variables. These include time, self-sacrifice, commitment, energy, skills, and trust in organizational management. The outcome factors are pay, performance recognition, and praise. In an organizational context, referent persons or groups, such as coworkers or groups of colleagues are referred to as the reference variable. When workers think their output-to-outcome ratio is similar to that of a reference colleague, especially one whose inputs can be equal to their own, they become more motivated.

Actions to remedy or minimize perceived injustice may include departure from employment, in extreme cases, a decrease in job quality, an increase in absenteeism, and reduced responsibilities. One of the repercussions of perceived workplace injustice, particularly when employees are underpaid, is rage. The dissatisfied and underpaid employee may strive to overcome this uncomfortable condition of unfairness by a variety of methods. One, they change their inputs (contribution) or outcomes (returns) through cognitive distortion. Two, they end the exchange relationship. Three, they change the reference of comparison. Four, they change the inputs or outputs of the others. In the first situation, employees are more likely to put in less effort at work. In the second scenario, individuals are more likely to leave the organization or begin making efforts to depart, which is known as an exit or intention to exit response. In the third instance, they explain the current injustice and hope that it will improve - loyalty response. In the fourth circumstance, they raise their voices to request an increase in their rewards - voice response. If none of the four-response strategies work, people are likely to lose trust in the organization and become skeptical (Rizvi, 2017). In extreme cases, where inequity is perceived to persist, an employee could resign his appointment. In any case, the consequences are not good for an organisation. Such an employee may remain in employment, but with far less input, and hence, diminished performance (Agbim et al., 2018).

2.5 Hypothesis Development

Based on an in-depth literature review, empirical evidence shows contradictory findings on the effect of extrinsic and intrinsic rewards on employee performance with mediates of distributive justice. Therefore, the hypotheses to be tested in the study are as follows.

H₁: Extrinsic rewards have a significant effect to the distributive justice.

H₂: Intrinsic rewards have a significant effect to the distributive justice.

H₃: Distributive justice have a significant effect to the employee performance.

H₄: Distributive justice mediates the relationship between extrinsic rewards and employee performance.

H₅: Distributive justice mediates the relationship between intrinsic rewards and employee performance.

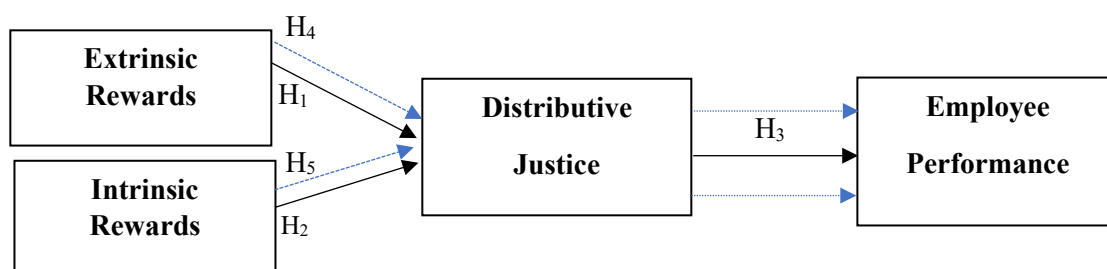


Figure 1. Framework of the study

3.0 METHODOLOGY

The study applied explanatory and survey research design with a quantitative approach. The population in this study is employees that worked at the selected three branches of Islamic Banks in Malaysia located in Sabah which includes Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB) and Malaysia Building Society Berhad (MBSB).

Other than that, this study adopted from Kline (2015) that recommended to estimate the minimum sample size by using G*Power 3.0 software (Faul et al., 2009). Hence, the minimum sample size estimated for this study was 77 respondents, with power at 80%, alpha set at 0.05 and a medium effect size at 0.15. For the PLS-SEM analysis in this study, a sample size of 77 respondents was used. Although this figure might seem low, it aligns with the literature's suggestions for research using PLS-SEM, which works best with small to medium sample sizes and intricate models (Hair et al., 2021). Because of its reputation for successfully managing non-normal data and small sample sizes, PLS-SEM is a suitable option for exploratory research and theory development (Sarstedt et al., 2022). Kock and Hadaya (2018) state that, depending on the model complexity and statistical power needs, a minimum sample size of 30 to 100 can be appropriate in PLS-SEM. Additionally, the sample size in this study satisfies the "10-times rule," which is frequently used in PLS-SEM and states that the minimum sample size should be at least ten times the highest number of structural paths aimed at a specific construct, or the maximum number of indicators used for a single construct (Hair et al., 2021). Thus, 77 respondents are deemed statistically sufficient for the PLS-SEM model's analysis and interpretation in this investigation.

Purposive sampling was used to select the employees (executive, non-executive and managerial) from selected full-fledged Islamic banks to complete the questionnaire. The measure for independent variable (extrinsic and intrinsic rewards) were adapted from (Gashaw, 2018), (Aye, 2019) and (Firman, 2021), while the measure for dependent variable (employee performance) was adapted from (Agbenyo, 2018) and (Tizhe, 2020) and for mediator variable (distributive justice) was adapted from (Burri, 2021). The measurement scales were assessed on a 5-Likert scale that ranged from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was validated by Research Ethics Committee (REC) from Universiti Teknologi Mara (UiTM).

4.0 RESULT

4.1 Profile of Respondents

Table 1: Profile of Respondents

Description	Frequencies	Percentange (%)
<i>Gender</i>		
Male	37	48.1
Female	40	51.9
<i>Age</i>		
20-35 years old	34	44.2
35-45 years old	38	49.2
46-60 years old	5	6.5
<i>Marital Status</i>		
Single	23	29.9
Married	54	70.1
Widowed	-	-
<i>Education</i>		
SPM	4	5.2

Diploma	15	19.5
Degree	57	74.0
Master	1	1.3
PhD	-	-
<i>Current Position</i>		
Managerial	25	32.5
Non-Managerial	52	67.5
<i>Department</i>		
Operations/Savings/Investment	28	36.4
Credits/Loans	41	53.2
Recovery	1	1.3
Others	7	9.1
<i>Years of service in the bank</i>		
1-3	30	39.0
4-6	11	14.3
7-9	13	16.9
More than 9 years	23	29.9
<i>Salary range</i>		
RM2000-RM4000	35	45.5
RM5000-RM8000	35	45.5
>RM9000	7	9.1
Source: Author's own work		

The profile of respondents were presented of frequency distribution so that can understand more in details. In summary, 51.9% of respondents that answered the questionnaires was from female while 49.4% were aged between 35 to 45 years old. Besides, 70.1% of the respondents were married and 74% most of them were degree's holder. The current position of the respondent was 67.5% from non-managerial with 53.2% comes from credits/loans department. Other than that, 39% of the respondent had experienced in 1-3 years of service in the bank with 45.5% of salary range (RM2000-RM4000) and (RM5000-RM8000). Table 1 showed the summarizes of the respondent's profile.

4.2 Analysis of the Measurement Model

As being suggested by Cain et al., (2017), this study choose of Partial Least Square-Structural Equation Modelling (PLS-SEM) Based on a previous assessment of the data's multivariate normality. As a result, to propose the research model, this study used the PLS-SEM since there is better correlation between the indicators that build up the same construct or latent variables, which includes composite variables that are done and to estimate the composite variables, PLS-SEM is better than SEM (Rigdon, 2016). There are two ways of procedures to evaluate the validity and reliability of the measurement model were fully being tested using the method that proposed by (Anderson & Gerbing, 1988). That is, all the variables that presented in this study were modelled as reflective constructs. The analysis that being evaluated was the internal consistency, convergent validity and discriminant validity (Hair et al., 2022). Based on the table 2 below, the models satisfied all those criteria where the item factor loadings must above 0.70 while for the Cronbach alpha, composite reliability and Average Variance Extracted (AVE) must also above 0.70, 0.70 and 0.50 respectively (Hair et al., 2022).

Table 2: Factor loadings and Reliability

Constructs	Loadings	Cronbach alpha (α)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Extrinsic rewards				
ER1	0.915			
ER2	0.812	0.856	0.874	0.913
ER4	0.915			
Intrinsic rewards				
IR1	0.956	0.922	0.939	0.951
IR2	0.958			
IR4	0.876			
Employee Performance	0.844	0.761	0.766	0.862
EP1	0.830			
EP2	0.792			
EP4				
Distributive Justice	0.937	0.967	0.967	0.976
DJ1	0.971			
DJ2	0.944			
DJ3	0.961			
DJ4				
Source: Author's own work				

Ramayah et al., (2018) posited Heterotrait-Monotrait (HTMT) ratio to determine the correlation indicator between various occurrences by dividing the geometric mean value of the Heterotrait-Monotrait correlation by the average correlation of Heterotrait-Monotrait. Because there are two constructs, average geometric mean use is necessary. The HTMT ratio should be less than 1.00 in the proper model, where the heterotrait correlation is smaller than the monotrait correlation as showed in Table 3.

Table 3: Heterotrait-Monotrait (HTMT) Ratio

Construct	Distributive Justice	Employee Performance	Extrinsic Rewards	Intrinsic Rewards
Distributive Justice				
Employee Performance	0.867			
Extrinsic Rewards	1.001	0.796		
Intrinsic Rewards	0.941	0.948	0.993	
Source: Author's own work				

4.3 Path Analysis

Later, the bootstrapping process with 5000 samples was used to test mediation in PLS-SEM and investigate the route modeling's coefficient of significance. The result of path coefficient was summarized on Table 4 below:

Table 4: Structural model and hypothesis testing

Hypothesis	Path	Mean/Beta (β)	Std. Error	t-value	Supported
H ₁	IR to DJ	0.379	0.110	3.413***	Yes
H ₂	ER to DJ	0.578	0.108	5.350***	Yes
H ₃	DJ to EP	0.760	0.050	15.110***	Yes
H ₄	ER to DJ to EP	0.437	0.078	5.581***	Yes
H ₅	IR to DJ to EP	0.290	0.092	3.062***	Yes
<p>Notes: **$p < 0.05$; ***$p < 0.01$; IR: Intrinsic Rewards; ER: Extrinsic Rewards; DJ: Distributive Justice; EP: Employee Performance</p> <p>Source: Author's own work</p>					

Based on findings from table 4 above, path (IR to DJ) and (ER to DJ) have positive and direct effect to mediator variable (distributive justice) with significant level of $p < 0.01$, thus supporting H₁ and H₂. Likewise, a positive and direct effect to employee performance for path (DJ to EP) with significant level of $p < 0.01$, and H₃ was supported. Therefore, all result of the hypothesis was valid to positive relationship and confirmed that distributive justice gave an influence as a mediator for rewards (extrinsic and intrinsic) and employee performance.

PLS-SEM (mediation analysis) is used to examine the effects of intrinsic rewards (IR) and extrinsic rewards (ER) on employee performance (EP). According to the findings, DJ significantly mediated the IR → EP and ER → EP pathways. In particular, Extrinsic Rewards (ER) demonstrated a significant indirect effect on EP through DJ ($\beta = 0.437$, $t = 5.581$, $p < 0.001$), indicating that employees' performance is positively impacted when they believe extrinsic rewards like bonuses, promotions, or recognition are distributed fairly. This result is consistent with that of Ali et al. (2023), who highlighted that the efficacy of extrinsic incentives in motivating employees is increased when perceptions of fairness in reward distribution are present. The impact of Intrinsic Rewards (IR) on Employee Performance was also found to be mediated by DJ ($\beta = 0.290$, $t = 3.062$, $p < 0.001$). It has been demonstrated that when employees feel that the organization is fair in how efforts and results are balanced, intrinsic rewards which are related to internal fulfilment, personal development, or a sense of purpose, promote better performance. Even self-driven motivation can be increased when workers feel that results are distributed fairly and justly at work, argue Zada et al. (2022). These results demonstrate distributive justice's crucial mediating role, acting as a psychological mechanism that converts intrinsic and extrinsic motivators into improved job performance. This is further corroborated by Sarwar et al. (2023), who claimed that distributive justice increases employees' organizational trust and performance willingness in addition to reinforcing the motivational value of rewards, whether internal or external. Therefore, DJ's inclusion in the structural model improves the theoretical soundness and empirical applicability of the motivation-performance links in organizational behaviours studies.

5.0 DISCUSSION AND CONCLUSION

This study found indications that intrinsic rewards induce a positive relationship with distributive Justice as a mediator. Distributive justice refers to the perceived fairness in the deployment of resources and rewards within an organization. Intrinsic benefits, such as personal admiration and a sense of accomplishment, are non-monetary and pertain to the job itself. According to research, when employees perceive fairness in incentive distribution, their intrinsic motivation improves, resulting in higher job satisfaction and performance. Similarly, a positive and significant relationship has been observed between extrinsic reward and distributive justice because organizations can improve their employees' performance by providing better monetary incentives because employees in the private sector, particularly in banking, do not expect long-term association or career growth. This indicates that employees are motivated to work if they believe that monetary incentives or economic rewards are fairly distributed among all employees of a firm.

Wan et al. (2024) found that the outcomes of this study are thus consistent with the expectation or equity theory, which claims that employees will be motivated if they are provided with equitable and fair compensation based on the amount of work they perform for their firm. Aside from that, the study demonstrated a positive association between distributive justice and employee performance, with substantial results. This result is partly compatible with the findings of (Kalay, 2016). Kalay (2016) observed that distributive justice has a considerable impact on task performance. Human resources are the most crucial part of every organisation. Employee attitudes and behaviours are influenced by their view of fairness. It might result in positive or negative employee performance. Employee performance can be positive or negative when fulfilling job tasks as well as roles that are not formally expected of them. Employees who obtain a fair portion of the job resources for carrying out their job roles and other responsibilities not formally required of them (but which contribute to the success of their jobs and the organization) will record better job performance (Chukwujiokwe et al., 2021). This emphasizes how crucial it is to encourage staff members to actively participate in company events and promote a sustainable, green workplace, since this will ultimately improve worker performance. These results highlight how important human resource management procedures are as a component of the business's overall operations management plan. To boost employee performance, the study promotes policies that give proactive employee attitudes, increased workplace security, and increased motivation for work top priority.

This study found a link between distributive justice, rewards (both extrinsic and intrinsic), and employee performance in selected Malaysian Islamic banks. As with any other study, this conclusion should be taken considering the following limitations. First, just a few such studies have been undertaken in Malaysia (with an emphasis on the Sabah states). As a result, there was a limited body of literature to work with.

Second, the study is constrained by the issue of methodological bias, which relates to the withdrawal of information in questionnaire surveys. Thus, additional research can use a qualitative or triangulation method. Third, the study has a confined geographic scope, limiting it to specific locations that are easily accessible for data collecting. The geographic scope of future research can be expanded by conducting a comparative study with other bank branches that focus on different elements comprises a gender-balanced sample of public sector workers in addition to more varied nations or regions. The potential for self-response bias in measuring the indicators of the variables used in the empirical model is one of the study's limitations. This may be because of the respondents' anonymity or confidentiality, which may lead to irregularities in the data measurement outcomes and discrepancies among the variables being assessed (Asmanto & Fachrunnisa, 2024).

Additional research might explore other possible factors that may impact employee performance, such as organizational culture, leadership philosophies, and technical advancements, and offer more thorough details on how data collection tools are modified and verified for industries. These initiatives would increase the research's generalizability and methodological rigor while also offering a deeper comprehension of the relationships between the variables in question. To give a more thorough analysis of these important aspects, the section on the green work environment needs to contain more thorough research on green initiatives connected to organizational policies on employee engagement and job motivation.

Future researchers, academicians, and students may use this study to better understand the effects and significance of various rewards on employee performance. The outcomes of this study will bring new

knowledge to the scant body of literature on the impact of compensation on employee performance in the entire Malaysian banking sector. It is beneficial to encourage other academics to carry out more research in this area to have a better understanding of the employee performance rewards system. Furthermore, Zamri et al. (2024) proposed that adding more variables would improve the conceptual framework of the subsequent study. Lastly, the researchers hope that other researchers will be able to carry out this study using other analytical techniques, like PLS-SEM.

The endeavours will also contribute to and enhance the corpus of existing literature on this topic in connection with the banking industry. Likewise qualitative approaches provide a more thorough investigation of the realities of employees' lives when working from home, looking at how work-life balance, organizational support, and intermediary motives interact to affect job satisfaction. Additionally, it would be beneficial to examine how employee experiences in remote work environments are influenced by external factors including company culture and economic conditions (Liang et al., 2022).

In summary, this study highlights the significance of continuing research to advance our knowledge and application of HRM practices in enhancing organizational performance, even as it offers helpful insights into the variables influencing employee performance in the banking sector.

Declaration of Generative AI and AI-assisted technologies

QuillBot and Grammarly were used to write this article and check for grammatical errors. With the use of these tools, the author was able to review and revise the work and take full responsibility for its publication.

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