

# Impact of Motivation on Employees Performance in Pakistan

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## **Abstract**

This paper aims to study the effects of intrinsic and extrinsic motivation on employee's performance. Employees obviously work for the organization for monetary benefits but these monetary compensations and rewards are not the sole requirement of all employees. Some of them need salary increment and bonuses to get themselves motivated while others need recognition and non-monetary benefits. The study was aimed to discuss how the extrinsic and intrinsic motivation can hinder or increase the motivation level of employees. Several motivational theories have also been discussed in this paper that helps in better understanding of why and how employees are motivated. Intrinsic and extrinsic motivation is said to have significant impact on employee's performance. Our study examined 60 female and 143 male respondents (n=203) of banking sector to study the effects of intrinsic and extrinsic motivation on employee's performance. There was a positive relationship of intrinsic and extrinsic motivation of employees with their performance. With the increase in intrinsic and extrinsic motivation, employee's performance tends to increase as well. We also have

discussed some of the future directions and recommendations so that it can help future researchers to study the other constructs that can affect employee's performance.

**Keywords:** Employee's Performance, Motivation, Extrinsic Motivation, Intrinsic Motivation, Human Resource

## 1. Introduction

Whenever we talk about the organizational performance it's not only the capital and financial resources that contributes in goal achievement but the human resource as well that makes a distinction. In today's era of high competition, the retention of workforce is the major concern of all organizations (Deci, Koestner et al. 2001). It is very important to retain the highly skilled, experienced and reliable employees because they are considered an asset for the organization. Researches have shown that highly motivated employees are more productive and perform better (Waiyaki 2017). The level of energy that employees possess, commitment to their work and creativity altogether is a reflection of employee's motivation. Motivation is derived from the Latin word "movere" which means "to move" (Baron, Henley et al. 2002). Herzberg, Mausner et al. (1959) defined employees' motivation as "performing a work-related action because you want to". Motivation is the reason for whatever people act. It is an internal drive that arise in individuals and force them to complete any task and to satisfy their needs that have been unsatisfied (Lindner 1998). It is the process that forces individuals to move towards and achieve any goal (Hanus, Fox et al. 2015). Motivation is also known as the process through which the behavior of an individual gets a direction and purpose (Kreitner and Kinicki 1995). It is the most important concept of Psychology. This term "motivation" can be traced back to early 1880's. Before this, all the social theorists and philosophers used term "will" or motivated human behaviors (Forgas, Williams et al. 2005). Motivation is the interpretation of the human and infrahuman behavior (Bunch 1958). When there is a maintaining stimulus that drives the series of actions, this is known as motivation (Smith and Guthrie 1923). Sherrington (1906) specified motivation as "A motive is a relatively persistent stimulus that dominates the behavior of an individual until he reacts in such a manner that he is no longer affected by it". When there is a gathering of perceptions, beliefs, actions, values and interests, this is known as motivation and it is domain specific (Lai 2011).

Motivated employees can bring best outcomes and goal achievement. Managers in any organization are usually responsible for getting the things done through employees. A good manager must know how to motivate the employees to achieve organizational goals but that is easy to say than implementation. Motivation helps the employees to coordinate and cooperate so that there can be the best possible utilization of human resource (Shahzadi, Javed et al. 2014). In contemporary organizations where there is a tug of war for competitive advantage, a key element for talent retention is motivation (Stanley 2012). Organizations must create a workplace environment that is motivating and where employees want to stay and grow (Waiyaki 2017). Organizations do need financial resources to achieve the goals but we cannot deny the importance of human resource as well. An organization is strong only if its workforce is strong that is why the employees needs to be treated with care and tenderness (Cowling and Mailer 2013). Employees' performance is based on many of factors out of which motivation is considered important one. Motivated employees are autonomy-oriented and self-driven. Not only that motivation increase performance but also job involvement and willingness to take responsibilities also increases as employees become more motivated.

Learning through trainings can affect the employee's motivation because satisfaction increases with the training (Rowden and Conine Jr 2005) and satisfied employees perform better (Tsai, Yen et al. 2007).

The responsibility of motivation is not only on the line manager rather it is three-fold. It falls on the top management, immediate boss and the employee as well (Bhuvanaiah and Raya 2015). Motivated employees are not only good team-workers but also enjoy autonomy. Collaboration is also an outcome of the motivation (Stanley 2012). Employees can be motivated and de-motivated based on the Herzberg's Two-Factor Theory. This theory not only distinguishes the intrinsic motivation from extrinsic but also explains how this categorization can be used to motivate the employees (Staw 1976). Employees can be motivated intrinsically as well as extrinsically at the same time so that their performance can be enhanced (Amabile 1996). According to a study, employees can be motivated intrinsically and extrinsically and both stems out of the different rewards. Intrinsic motivation comes from within the employee himself. While the extrinsic motivation is not for one's own sake but comes for the monetary reward and recognition (Silva, Arrieta et al. 2018). Employees can be motivated by both factors. Organizations can adapt different ways to motivate the employees. For intrinsic motivation, organizations must provide task variety, task identity, task importance, skill variety, autonomy and feedback while for motivating the employees extrinsically, salary, job security and high commitment to peers and supervisors are needed (Obiekwe 2016).

### *1.1 Problem Statement*

Employee motivation is very important so that employee turnover and under-performance issues can be mitigated (Steers, Porter et al. 1996). If the labor force is poorly motivated, it can be costly to the organization because less motivated work force will result in frequent absenteeism, low morale, increased expenses, high staff turn-over and low productivity (Jobber and Lee 1994). Demotivation is an important factor that contributes to high turn-over (Waiyaki 2017). Researches have shown that despite of above average salaries, there is high turnover rate in some organizations. This points out to the fact that only monetary rewards and benefits do not contribute in motivating employees (Aguinis and Glavas 2012). Therefore, it was suggested that increasing salary is not enough to get better and increased employee's performance (Jones, George et al. 2013). Every employee needs individual motivation plan and managers must not follow one-size-fits-all approach to motivate the employees (Jones, George et al. 2013). Most of the researches have shown that motivated employees perform better but some researchers argue that not only motivation but skills, supplies and equipment also contribute in the increased performance (Certo 2003).

Therefore, we decided to study the effect of motivation on the employee's performance. This paper not only helps to identify the effect of intrinsic and extrinsic motivation on employee's performance but also differentiates between these two. This paper aims to counter the problem that how intrinsic and extrinsic motivation can help to determine and study the employees' performance in organizations.

## *1.2 Gap Analysis*

It is evidenced from a study Waiyaki (2017) that employees need motivation based on reward and recognition and their performance is hindered in absence of motivation. But results are based on one entity with small sample size of 50 however that puzzle needs to be resolved with further investigation. It is important to study employees' motivation and its effects on their performance in a different demographic environment and specific sectors. Employers must assess the motivation level of all employees based on nature of industry and work environment such as motivation of employees with or without risk of job security, health and safety requirements. Kuranchie-Mensah, Amponsah-Tawiah et al. (2016) discussed the issue in mining industry where work environment is risky and employees need motivation but more studies needed to investigate the motivation factor in other contexts such as job security and intrinsic motivation. It can be done in qualitative or quantitative design. This will help to identify the antecedents of motivation and what impact they may cause on work performance (Kuranchie-Mensah, Amponsah-Tawiah et al. 2016). Previously another study has studied that extrinsic rewards-performance relationship in comparison to intrinsic rewards-performance relationship. In this study a comparative analysis was done in three different industries however it was suggested that intrinsic and extrinsic motivation should be studied simultaneously (Kuvaas, Buch et al. 2017). A study conducted in Norway also examined 166 employees of banking sector and it was found that intrinsic motivation has significant relationship with extrinsic rewards that is why another study was needed to see the effect of extrinsic rewards on performance as well (Olafsen, Halvari et al. 2015). Another study in educational sector of Pakistan also has examined the effects of motivation over employee's performance and this led us to examine the same model in other industry. It was observed motivation is important factor to job performance therefore different aspects of motivation are important to discuss in detail (Ali, Dahie et al. 2016). A study in Pakistani educational sector also examined the relationship between training effectiveness and intrinsic motivation factor with employees' performance. Here, the sample was based on employees from private and public sector schools and suggested that behavior of employees diverse based on demographics and work environment however further investigation are required to be conducted in other sectors (Shahzadi, Javed et al. 2014). So, banking sector employees' performance could be studied either these employee's exhibit same behavior if motivated Kenyan technical training industry also showed that enhancing employees' motivation helps to attain better performance. Not only has the teaching but non-teaching staff performed better if they are motivated (Kiruja and Mukuru 2018). But the research was limited to only Kenyan training institutions that lacks the factor of generalizability, so a research was needed that examines the employee's behavior in different demographics. A study conducted in Norway showed that intrinsic motivation is significantly related to employee's performance (Kuvaas, Buch et al. 2017). So, there was a room to study the effects of extrinsic motivation on performance. Another study discusses the concept of self-determination theory it tends to describe that human motivation based on the inherent human growth and innate psychological needs however it is beyond the external control yet immensely self-determined.

Therefore, intrinsic and extrinsic motivation is one of the main components to drive human behavior at work environment (Gagné, Forest et al. 2010). This argument is further validated with empirical evidence collected from Canadian airline industry whereas the sample was collected from pilots. It was noted that motivation at work scale is dependent on intrinsic motivation, extrinsic motivation and identified regulation (Gagné, Forest et al. 2010). However, there is a sheer need to study the impact of intrinsic motivation and extrinsic motivation on performance on employees in the context of banking sector employees.

### *1.3 Research Objective*

The primary focus of this study was to determine the effects of intrinsic as well as extrinsic motivation on employee's performance. The question to be examined in this study is that whether intrinsic and extrinsic motivation has an impact on the employee's performance or not. Each research study is either conducted at environmental level, organizational or marketing level. Our study is conducted at organizational level with the employees of different banks of Karachi. Our study is related to HRM and enhancement of employee's performance. This is because our study helps to understand how the employee's performance can be increased so that individual as well as organizational goals can be met. This study takes into account only the effect of motivation on employee's performance and no other factors are considered that have positive or negative impact on employee's performance. This study is unidimensional and includes the employee's performance as a whole and hence quantity/quality of work, self-reliance or productive work habits are not studied separately.

- (i) To study the impact of intrinsic motivation on Employee's Performance?
- (ii) To study the impact of extrinsic motivation on Employee's Performance?

### *1.4 Significance*

There are three important ways in which this study will add to the existing literature of employee motivation and employee's performance. First of all, this study examines the banking sector employees of Pakistan and gives an insight how Pakistani bankers are motivated and how they can improve their performance. This study will shed a light on the motivational needs of employees that are working in the banks of Pakistan. This study will also act as to guide to other organizations specially banks that how employees must be motivated in order to enhance their performance. This study's data will also help the future researchers to conduct the similar studies and will help the organizations to formulate strategic guidance for formulating motivational programs for their employees.

### *1.5 Research Question*

- (i) Does intrinsic motivation affect the Employee's Performance?
- (ii) Does extrinsic motivation affect the Employee's Performance?

## **2. Literature Review**

### *2.1 Intrinsic Motivation & Performance*

The intrinsic motivation or motivation without money is the phenomenon in which an individual want to do a task because he or she wants to do it. There are no external pressures on him/her for completing that task and performance better. In an exploratory study Hennessey, Moran et al. (2015), it has been described that motivation caused by intrinsic stimuli.

Whenever we describe intrinsic motivation, researchers have related it to the doer of the task. Task completion in this case gives the pleasure and satisfaction and that ultimately effect the work environment and performance. Exploratory studies only explain relationship on theoretical basis (Hennessey, Moran et al. 2015).

Employee's performance is closely related to the motivation of the employees. A study conducted in secondary schools of Somalia showed that motivated teachers were better performers. 80 respondents were selected and questionnaires were distributed among them. It was found that teacher's motivation had a significant impact on performance (Ali, Dahie et al. 2016). In organizations, employees are given certain tasks and targets upon fulfilling which the employees are considered a good performer or bad ones. Contribution of the employees whether direct or indirect, to the organizational goals is also referred to as employee's performance (Rich, Lepine et al. 2010).

The cognitive evaluation theory says that intrinsic motivation can be molded by the external events. If the reward for a specific task to be done is informational then there will be higher intrinsic motivation because the individual will feel more competent and if the reward is controlling, then intrinsic motivation will be less because the individual feels powerless and incompetent (Deci and Ryan 1985). There is another interesting dimension of intrinsic motivation. If employees are given rewards for the task that is already an area of interest for them, then intrinsic motivation can decrease or in other word it may affect the performance of employees (Lepper, Greene et al. 1973). Another interesting theory is self-determination theory that supports the human behavior and intrinsic motivation. This theory states that different types of motivation are not additive and it helps to differentiate the different types of motivation. The basic assumption of this theory is that individuals have natural inclination towards the intrinsic motivation and goal integration. It also states that it is not necessary that greater rewards and compensations give the better outcomes, the phenomenon that is supported by agency theory (Olafsen, Halvari et al. 2015).

In a research conducted in Norway, 166 employees of a bank were surveyed and results showed that pay and salary are unrelated to intrinsic work motivation but procedural justice regarding pay has significant impact on the intrinsic motivation which ultimately impact on performance of employees (Olafsen, Halvari et al. 2015). However, this study noted the antecedents of intrinsic motivation. The "optimal experience" or "flow" has been known as the highest levels of the intrinsic motivation (Csikszentmihalyi 1996). Another study conducted showed that there is a positive association between intrinsic motivation and performance of employees. This study was conducted to explore the dependency of performance of employees on intrinsic motivation. Total 630 employees and managers

working on 106 gas stations were studied and results showed that employees perform better if motivated intrinsically. It is direct association between intrinsic motivation and performance of employees (Kuvaas, Buch et al. 2017).

Another study explains there are different outcomes of the intrinsic motivation and there is found a positive relationship between the intrinsically motivated employees and their satisfaction and performance. This study was aimed to found out the large sample from 49 countries in order to study how employees from more developed countries are distinctive from employees those who are based in developing countries. Results evident that employees from developed countries are more intrinsically motivated and then performed better (Huang, Van de Vliert et al. 2003).

In the context of Pakistan another study was conducted in government and private schools showed that faculty member's intrinsic motivation had a significant impact on their job performance. Data was collected from 160 respondents with the objective to study association amid intrinsic motivation and job performance. It was found that intrinsic motivation was positively related to performance (Shahzadi, Javed et al. 2014).

## *2.2 Extrinsic Motivation & Performance*

Extrinsic motivation basically refers to as the external goal achievement that motivates an individual to achieve the task (Hennessey, Moran et al. 2015). There are number of factors that stimulate the extrinsic motivation. These factors can be categorized as social and environmental as well. Competition, surveillance, evaluation, Rewards, control over task engagement and the time limits are all factors that control the extrinsic motivation in any individual (Deci and Ryan 1985).

A study on 4 leading mining companies of Ghana has shown that employees are motivated by both intrinsic and extrinsic factors to performance better. Sample of 145 employees were studied from four mining companies named AngloGold Ashanti Ltd., Goldfields Ghana Ltd., Chirano Gold Mines Ltd. and Newmont Ghana Ltd and results indicated a strong impact of extrinsic motivation (pay and remuneration) on employee's performance.

A study conducted in Public Middle Level Technical Training Institutions of Kenya also revealed a strong correlation between employee's motivation and performance. 315 employees from teaching and non-teaching staff were surveyed and results showed that enhancing the employee's motivation results in better performance of employees (Kiruja and Mukuru 2018).

Some researchers have a view that with the passage of time, there are some constraint-oriented motivators that become internalized and individual no more see them as extrinsic motivators. They become the eternal part of the individual's personality and identity (Frey 1997, Hennessey, Moran et al. 2015).

Nevertheless, some other researchers still consider them the extrinsic motivators because they do not have the enjoyment part and experience in completion of the task (Deci and Ryan



1985). Individuals are not all the time aware of their motivating factors. In cases where the behaviors are over justified and it has both the internal and external causes, the individuals will start to discount the internal causes like enjoyment and interest. “Crowding out” the intrinsic motivators by extrinsic motivators is possibility in this case (Frey 1997).

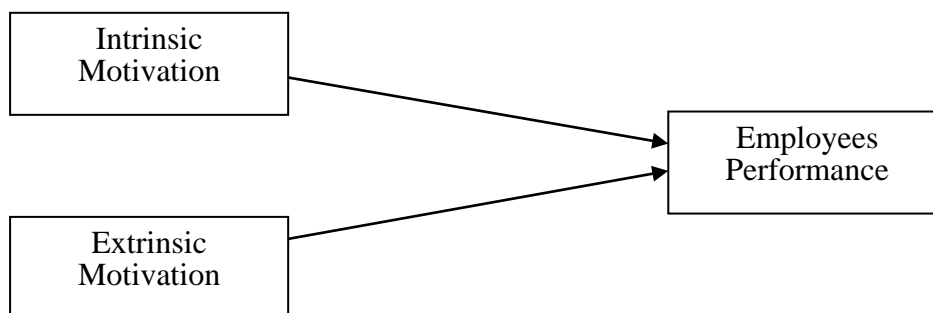
A study collected sample of 630 employees and store managers of 106 gas stations located in Norway showed that extrinsic motivation is negatively associated with performance (Kuvaas, Buch et al. 2017). There is a misconception that extrinsic motivation should always be avoided. While intrinsic motivation always has positive outcomes. Employees usually think that whatever they do have effects on their pay and bonuses (extrinsic motivators) and thus the extrinsic motivators can become a problem in organization.

If the motivation to work is dependent on the tangible incentives, then there exists an extrinsic motivation. According to the expectancy theory by Vroom (1964) both the extrinsic as well as intrinsic motivation is the predictor of the employee well-being and performance. According to some other researchers, the intrinsic and extrinsic motivation are independent of each other (Kuvaas, Buch et al. 2017) while others say that there is a correlation that is most likely to be negative (Deci, Koestner et al. 1999).

Another research examining the extrinsic motivation and performance was conducted in educational sector analyzing 950 students of engineering programs. This study revealed that there exists a significant relationship between extrinsic motivation and students’ performance (Silva, Arrieta et al. 2018). In the similar context another study was conducted in Nairobi. It has collected a sample of 50 employees of Pam Golding Properties to study role of intrinsic motivation on work performance. Results showed that motivation has a significant impact on employee’s performance. Management used to involve the employees while setting the goals and, in this way, they were motivated and their performance was increased (Waiyaki 2017).

### 2.3 Theoretical Framework

This research investigated for one independent variable and two dependent variables. The independent variable includes Intrinsic Motivation and Extrinsic Motivation. While the Employee’s performance is the dependent variable.



Theoretical Framework

## *2.4 Hypothesis*

Following are the hypothesis of this study:

H1: Intrinsic Motivation has significant impact on banking sector employees' performance

H2: Extrinsic Motivation has significant impact on banking sector employees' performance

## **3. Research Methodology**

### *3.1 Nature of Study*

The survey was cross-sectional and research was explanatory in nature. The primary data was collected from questionnaires that were distributed among the bank employees in Karachi. The income of these individual was between PKR-30000-100000. The age of the respondents was between 20-60 years.

### *3.2 Population and Sample*

The target population for this research paper is employees those are working anywhere in government or private sector banks in Karachi. In convenience, sampling a major portion of the population is excluded while only a smaller sample is chosen from entire population and results are generalized to whole population. In our sample of total 200 participants, male and female respondents filled the questionnaires. Age of the participants was ranging between 20-60 years and their qualification was ranged between Bachelors to post-graduate level.

### *3.3 Instrument Development*

Questionnaires distributed was in English because almost 80% of the employees are expert in English. Moreover, official language of Banks in Pakistan is English. Questionnaires were distributed mainly in the customer care, HR, Finance and general operations. Following are the instruments in detail. The questions of employee performance were adopted from (Forgas, Williams et al. 2005). It had 4 items. The questions of the intrinsic and extrinsic motivation were adopted from (Gagné, Forest et al. 2010) with 3 items each. All the questionnaires were tested by a pilot run of 50 respondents and their results were satisfactory. The reliability of the questionnaires was up to the mark.

### *3.4 Content Validity*

The content validity was guaranteed by the researcher of this study because the ethical consideration has been significantly considered during the survey. Moreover, the sample questionnaire was initially distributed among the experts in order to analyze its relevance to the topic. The variables selected by the researcher were surely related to the research theme and deviation from topic was highly evaded.

### *3.5 Tools and Techniques*

The statistical techniques to examine the data were partial least square (PLS) and reliability statistics using the Statistical Package for Social Sciences SPSS software and Smart PLS.

## 4. Data Analysis

### 4.1 Descriptive Statistic

The Descriptive statistics are as follows:

#### 4.1.1 Descriptive Statistic

Gender of Respondents	Groups	Frequency	Percentage
	Female	60	29.6
	Male	140	70.4
Age	26-35	95	47.8
	36-45	35	17.7
	46-55	20	9.9
	Above 55	5	2.5
	Below 26	45	22.2
Education	Bachelor	102	51.2
	Masters	88	42.4
	MS/PhD	9	4.4
	Internees	4	2.0
Department	Finance	48	23.6
	HR/Admin	36	18.0
	Supply Chain	1	.5
	IT	24	12.0
	Audit Dep	1	.5
	Sales/Marketing	47	23.6
	Operation	38	18.7
Experience	1-3 Ye	91	45.3
	4-6 Ye	46	23.2
	7-9 Ye	33	16.7
	Above	30	14.8

Above table describes the demographic profile of respondents including male (70.4 %) and female (29.6%), 26-35 years old (47.8 %), 36-45 years old (17.7 %), 46-55 years old (9.9), above 55 years old (2.5 %), and below 26 years old (22.2 %). For qualification, bachelors are

(51.2 %), masters are (42.4 %), MS/PhD are (4.4 %) and internee are (2.0 %). 45.3 % are 1-3 years of experience, 23.2 % are 4-6 years of experience, 16.7 % are 7-9 years of experience and 14.8 % are above 9 years of experience.

Questions	Mean	S.E	Std. Dev
I am motivated in this job because I enjoy this work very much.	3.86	.065	.924
I am motivated in this job because I have fun doing my job.	3.82	.063	.890
I am motivated in this job for the moments of pleasure that this job brings me.	3.72	.060	.850
I am motivated in this job because this job affords me a certain standard of living	3.72	.065	.914
I am motivated because this job allows me to make a lot of money	3.39	.069	.981
I do this job for the paycheck	3.55	0.06	.928
I adequately complete assigned duties.	3.81	.058	.821
I fulfill responsibilities specified in job description.	3.95	.063	.887
I perform tasks that are expected from me.	3.89	.064	.910
I meet formal performance requirements of the job.	3.86	.060	.843

There are 3 items in the questionnaire for intrinsic motivation. All mean values of the items for intrinsic motivation lie within the range of 3.72-3.86. The mean value for first and second item is 3.86 and 0.82 respectively which is above average and the standard deviation for both are 0.924 and 0.890 respectively that shows that values are close to the mean of data set. The mean value of third item is 3.72 and standard deviation is 0.850 and 0.914 respectively. The mean value of first item of extrinsic motivation is 3.72 and standard deviation is 0.850 and 0.914 respectively. This shows that mean value lies above average and lower standard deviations show that the values are not dispersed away from mean value. The mean value for the second item of extrinsic motivation is 3.39 that is also above average and standard deviation is 0.981 which is also low indicating that values are close to the mean of data set.

There are total 4 items in the questionnaire of employee's performance. The mean value of first item is 3.81 which is also above average and lower standard deviation of 0.821 also indicates that there is less dispersion from mean value. Same goes for the mean values of second and third items which are 3.95 and 3.89 respectively. Both are above average and

associated standard deviations are 0.887 and 0.910 which shows that the values are close to the mean value of data set. The mean value of last item is 3.86 which is also above average and standard deviation is 0.843 which shows that values are not spread far away from the mean of data set.

#### 4.2 Inferential Statistics

The inferential statistics are as follow:

##### 4.2.1 Measurement of Outer Model

The goal of measure of fit in the measurement model is to study about the reliability and validity of the instrument and to check its reliability and validity we perform test of convergent validity and discriminant validity in software naming Smart PLS.

##### 4.2.2 Composite Reliability

Reliability of the measurement instruments was evaluated using composite reliability. All the values were above the normally used threshold value i.e. 0.70. This is the accepted reliability value range. Estimation of reliability can be done by degree of constancy that lies amongst various variables (Hair 2010). Below is the table of composite reliability.

<b>Variables</b>	<b>Composite Reliability (Cronbach's Alpha)</b>
<b>Employees Performance</b>	.856
<b>Intrinsic motivation</b>	.765
<b>Extrinsic Motivation</b>	.717

The ideal value of Cronbach alphas is 0.7 to 1. A questionnaire/data is said to be reliable and solid if Cronbach alpha falls between mentioned ranges (Ekwoaba, Ikeje et al. 2015). The total numbers of items for employee performance are 4 and the Cronbach Alpha value is 0.856. This is showing a solid and reliable Cronbach Alpha's. The Cronbach Alpha for first independent variable intrinsic motivation has a value 0.765 with number of items 3. This is also a reliable coefficient. The Cronbach Alpha for the second independent variable Extrinsic Motivation is 0.717 with number of items 3. This coefficient is also reliable if compared to the range (0.7-1.00). Hence, all three variables are reliable.

##### 4.2.3 Factor Loadings Significant

Below is the mentioned table of (CFA) confirmatory factor analysis with the loadings. Construct with the loading of .5 are consider as strong loading variables whereas the constructs with the loading of below .5 are considered as less are better to be removed from the table.

<b>var</b>	<b>Constructs</b>	<b>Item loading</b>	<b>T-value</b>	<b>P-Value</b>
Intrinsic Motivation	IM-1	0.822	14.745	0.000

	IM-2	0.857	28.680	0.000
	IM-3	0.791	21.389	0.000
Extrinsic Motivation	EM-1	0.777	12.690	0.000
	EM-2	0.718	8.804	0.000
	EM-3	0.740	12.123	0.000
Employees Performance	EP-1	0.846	30.532	0.000
	EP-2	0.849	25.380	0.000
	EP-3	0.852	33.634	0.000
	EP-4	0.792	14.978	0.000

It has been shown that all the constructs related to independent variables intrinsic motivation, extrinsic motivation and dependent variable employees' performance are having loading values more than 0.70 thus it supports strong loading. On the other hand, t values are supported to be more than 1.96 for all constructs along with p values < 0.05 (more than 99 percent confidence).

#### 4.2.4 Convergent Validity

Convergent validity is the level of agreement in at least two measures of a similar construct (Carmines and Zeller 1979). Convergent validity was assessed by inspection of variance mined for each factor (Fornell and Larcker 1981). Conferring to Fornell and Larcker (1981), if the, variance extracted value is greater than 0.5 then convergent validity is established. Following table displays the result.

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
Employees Performance	.856	0.902	0.689
Intrinsic motivation	.765	0.789	0.679
Extrinsic Motivation	.717	0.864	0.656

Above table evidently shows that variance extracted values are greater than 0.5 for all the variables including employees' performance, intrinsic motivation and extrinsic motivation. However, it supports convergent validity.

#### 4.2.5 Discriminant validity

Discriminate validity can be defined as any single construct when differs from other constructs in the model (Carmines and Zeller 1979). Discriminate validity results are satisfactory when the constructs are having an AVE loading more than 0.5 which means that minimum 50% of variance was took by the construct (Chin 1998). Discriminate validity is established if the elements which are in diagonal are significantly higher than those values in

off-diagonal in the parallel rows and columns.

	Employee Performance	Extrinsic Motivation	Intrinsic Motivation
Employee Performance	0.835		
Extrinsic Motivation	0.556	0.746	
Intrinsic Motivation	0.526	0.542	0.824

Above table evidently shows that discriminate validity results are satisfactory AVE loading more than 0.5 which means that minimum 50% of variance was took by the construct.

#### 4.2.6 PLS Algorithm

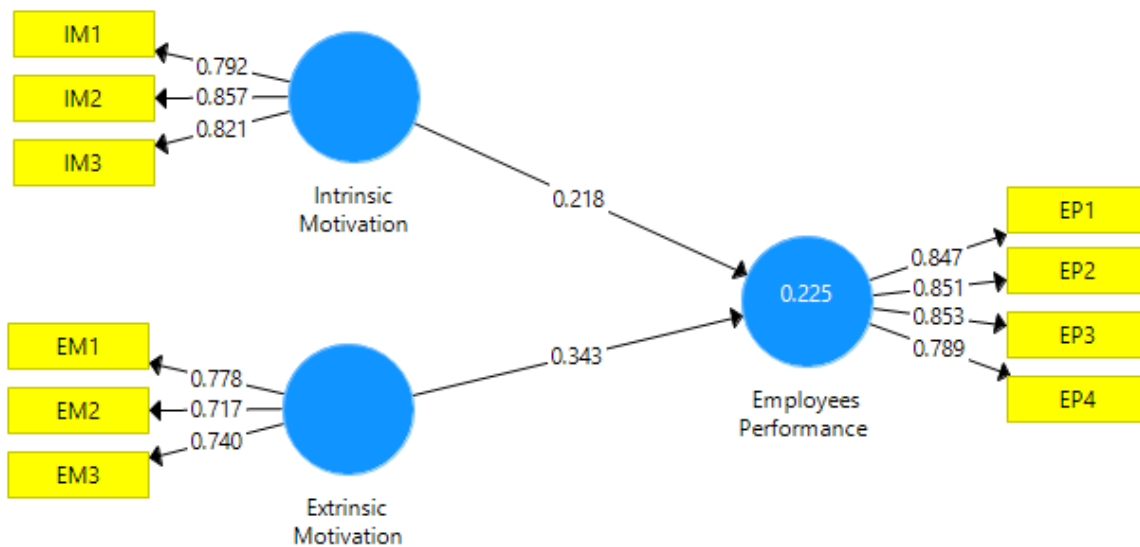


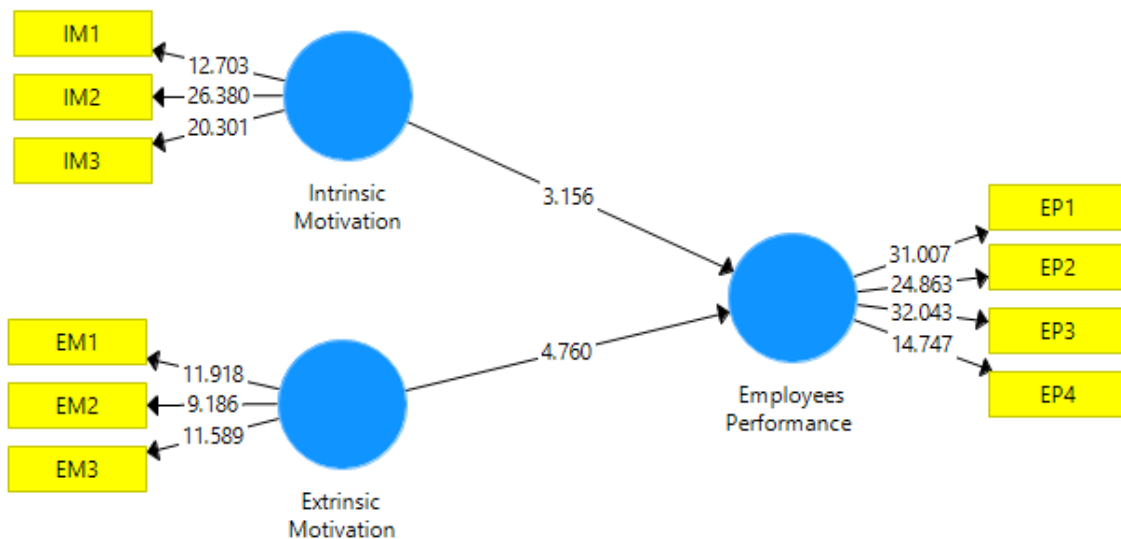
Table shows that R square value is 0.218 that postulates the variation caused in employee’s performance due to intrinsic motivation. This clearly demonstrates that intrinsic motivation has 21.8 % impact on employees’ performance. Next, it is shown that R square value is 0.343 that postulates the variation caused in employee’s performance due to extrinsic motivation. This clearly demonstrates that extrinsic motivation has 34.3% impact on employees’ performance.

4.2.7 Hypothesis Testing

Hypothesis	Standard Deviation (STDEV)	T –values	P –values	Decision
H1: Intrinsic Motivation has significant impact on banking sector employees’ performance	0.072	3.156	0.000	Supported
H2: Extrinsic Motivation has significant impact on banking sector employees’ performance	0.069	4.760	0.002	Supported

Above is the table which displays the results of hypothesis, the variables (intrinsic motivation and extrinsic motivation) having relationship positive with employees’ performance as the both of p values are less than 0.05 which confirms that intrinsic motivation and extrinsic motivation will have a positive impact on employees’ performance. The T values show there is a significant difference among the variables including intrinsic motivation and extrinsic motivation and employee’s performance and the P values depicts the decision no relation has been rejected and the alternative hypothesis have been supported on the basis of p values.

4.2.7 PLS Bootstrapping



In above table, we can see the t-values and their significance. If t-value is greater than 1.96 and the level of significance is less than 0.05 then our hypothesis is accepted and indicating the acknowledgement of the study. However, if the t-value less than 1.96 and level of significance is more than 0.05, then our hypothesis is rejected and null hypothesis is accepted. In our study, we see that intrinsic motivation and employee performance have the t-values > 1.96 with level of significance 0.05. So, our hypothesis is accepted that intrinsic motivation has a positive impact on employee performance. This is because the value is significant at



level 0.05. The t-values of extrinsic motivation are greater than 1.96 and level of significance 0.05 that also clearly indicated that extrinsic motivation is positively associated with the employee's performance.

## **5. Discussions and Analysis**

The reason to conduct this study was to examine the effect, direction and size of the intrinsic and extrinsic motivation (independent variables) on employee's performance (dependent variable). These variables were recognized after having an insight into a broad literature review. It is examined that intrinsic motivation and extrinsic motivation, both have a significant impact on the employee's performance.

### *5.1 Intrinsic Motivation*

Employees must be intrinsically as well as extrinsically motivated so that they can perform well and in turn individual and organizational goals can be achieved. According to Agency theory, only monetary rewards are what employees require which contradicts our first hypothesis that intrinsic motivation has significant impact on employee's performance. Our results show that employees also need recognition and intrinsic motivation to perform better. The self-determination theory is in accordance with our study. This theory basically indicates that human beings are naturally inclined towards intrinsic motivation (Olafsen, Halvari et al. 2015). Our study is also in accordance with the cognitive evaluation theory. According to this theory, external events are responsible to shape the intrinsic motivation of employees. Intrinsic motivation is high if the reward for specific task is informational because employee feels empowered and competent (Deci and Ryan 1985). For managers, Maslow's hierarchy need theory has an important implication. Employees consider those managers more supportive and considerate who follows any strategies related to pyramid of need (Champagne and McAfee 1989). "Managers have the responsibility to create a proper climate in which employees can develop to their fullest potential. Failure to provide such a climate would theoretically increase employee frustration and could result in poorer performance, lower job satisfaction, and increased withdrawal from the organization" (Porter, Bigley et al. 2003). Another theory that supports our results is Herzberg's theory. Mere elimination of factors that create job dissatisfaction is not enough for managers. They have to motivate employees (Deci, Driver et al. 1993). Not only in organizations, has this study had the implications for educational institutions and students as well. The teacher's motivation is positively related to the performance (Ali, Dahie et al. 2016). Managers can involve the employees in decision-making so that employees get motivated (Waiyaki 2017).

### *5.2 Extrinsic Motivation*

Employees are not only motivated by extrinsic rewards but also from intrinsic rewards. Both of our hypotheses are supported by the Equity Theory that individuals are motivated not only by the rewards they receive but also from the rewards other employees receive. Also, Job design and task itself is a key for employee motivation (Ramlall 2004). Achievement theory also indicates that performance and motivation can vary according to the strength of need for

achievement (Kreitner and Kinicki 1995). Previous studies have also shown that employees who are more motivated perform better (Kiruja and Mukuru 2018). Most of the theories related to motivation have discussed how work performance is affected by the motivation and extrinsic and intrinsic motivations are mediated by incentives and performance. Organizations must address the intrinsic and extrinsic motivation issues of the employees separately. Extrinsic motivation is not all the time beneficial for employees. They need intrinsic motivators as well (Kuvaas, Buch et al. 2017). Researches have shown that extrinsic motivation tends to decrease the intrinsic motivation and they are actually opposing to each other not synergistically positive (Deci, Koestner et al. 2001). Not only tangible incentives but punishments also reduce intrinsic motivation; the willingness of employee for any task performance for its own sake (Bowles and Polania-Reyes 2012). So, our study is also supported by the theories as well as literature that employees needs to be motivated extrinsically as well as intrinsically.

## **6. Conclusion**

The purpose of this paper was to examine the effect of intrinsic and extrinsic motivation over employee performance. So, this paper was attempted to study the relationship and hence the results showed that intrinsic as well as extrinsic motivation affects the employee performance. The impact is significant and managers must motivate their employees extrinsically and intrinsically so that they perform well and their individual goals are achieved. Once the individual goals are achieved, the organizational goals are also met. The employees can be motivated extrinsically by offering good salary packages, remunerations and other monetary rewards. The non-monetary rewards can also be the source of motivation for the employees. Literature shows the same that non-monetary rewards are also a great source of motivation for employees. In some researches, it has been shown that performance is not greatly affected by extrinsic motivation but intrinsic however, our results show that performance is greatly affected by extrinsic motivation rather than intrinsic. This can be shown in the discussion portion where the coefficients are examined in regression analysis. In some of the researches, there is significant evidence that extrinsic motivation also affects the employee performance that supports our results. Extensive literature review shows the same.

Despite of the intrinsic motivation, some employees do not perform well while in some cases, the monetary rewards and extrinsic motivation also did not help the employees to perform well. This is because motivation is not the sole reason to achieve excellent performance. Some other factors other than motivation are also contributors to the employee's performance. These factors are discussed in the literature review above. The managers must identify the gaps in the employees and plan accordingly. Managers and good leaders can discriminate that which employee needs extrinsic motivation and which one needs intrinsic. In this way the manager can categorize and set a strategy for motivating the employees. A good manager must try to assign the specific tasks to his employees and then he should analyze that which employee needs monetary rewards and which one needs non-monetary reward to accelerate the performance. This paper was attempted to measure the size and effect of the intrinsic and

extrinsic motivation on employee's performance so that managers in the organization can help their employees to perform better.

## **7. Recommendations & Future Research**

From this study, we can conclude and analyze that managers must be motivating their employees to get better performance. Not only the monetary rewards, but the non-monetary benefits are also a source of motivation for the employees. We recommend the immediate managers that they must not only assign the tasks to the employees but also keep an eye on the motivation of employees as well. The HR department must also check not only for the monetary rewards of the employees like bonuses and appraisals but the intrinsic needs of the employees must also be kept in mind. There is an implication for the top management too other than the immediate managers. The top management must also keep an eye on the extrinsic and intrinsic motivators. They can become good leaders if they motivate each and every employee according to their needs. Obviously, every employee has different needs and every employee needs a different motivator for the better performance. Not all employees need a monetary reward in order to perform better. While for some of the employees, monetary reward is all they want and they perform better if they are motivated extrinsically. We also suggest the future researchers to investigate some other variables that affect the employee performance along with intrinsic and extrinsic motivation. The effect of gender can also be studied as a moderator while studying the effect of intrinsic and extrinsic motivation on employee's performance.

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