Reward and recognition for employee motivation in Nepalese microfinance institutions

ABSTRACT

The main purpose of this study was to examine the impact of intrinsic, extrinsic reward, and recognition on employee motivation in Nepalese microfinance institutions. To obtain this objective, a descriptive and causal relational research design was used in the study. Cross-sectional data were used, comprising a structured questionnaire, and distributed among 300 employees of Microfinance Institutions (MFIs) using simple random sampling. Out of which, 191 (63.67%) useful questionnaires were received. The correlation and regression analysis of the study revealed that extrinsic reward and recognition had a positive and significant relationship with employees' motivation. The findings of study indicated that the higher the level of extrinsic reward and recognition in the MFIs, the higher the employee motivation, which leads towards the higher sustainability of the MFIs. However, intrinsic reward had an insignificant relationship with motivation. Further, this study contributes to the field of employee management in the organization and establishes the foundation for adaptation and application of employee motivation while increasing outreach, loan portfolio quality, poverty alleviation, and business promotion in the field of microfinance institutions. The results of the study will be useful to regulatory authorities, Human Resource (HR) analysts, Banking and Financial Institutions (BFIs), and MFIs. Subsequent research in the same discipline that encompasses the more general areas of study ought to be done.

Contribution/Originality: The previous studies mainly emphasized intrinsic reward and organizational performance with employee motivation, extrinsic reward, and job quality, including employee recognition and status within the organization. The current study focuses on the integrated relationship between intrinsic and extrinsic reward, recognition, and employee motivation in the Nepalese context of microfinance institutions (MFIs) for outreach and better loan portfolio quality.

1. INTRODUCTION

A successful organization needs motivation from its employees to keep up with work in a proper way and help it survive. Motivation is all about identifying a need in employees and encouraging them to fulfill it in a seamless manner, encouraging workers to grow their skill sets in order to better serve the demands of the company. It should be the duty of every branch manager to collaborate with staff members to ascertain their unique needs and align them with the requirements of the company (Wistawan & Damayanti, 2019). Investing in personnel is a
crucial management strategy employed by businesses. Employers utilize a variety of HR technologies to motivate, develop, and enhance worker performance. Therefore, the most crucial elements of the human management system have been its reward management strategies. The incentive system is a key component of Human Resource Management (HRM) that strategically collaborates with the organization's management. Additionally, it plays a crucial role in how well employees work (Güngör, 2011). Motivation and rewards are indicators of individual fulfillment. One of the elements influencing a person's performance is their level of motivation. Employers need to take care of their employees' requirements while boosting employee performance.

Professional workers may have aspirations or expectations that will influence how motivated they are to work and carry out their tasks, whereas rewarding employees try to increase their motivation for work so that they generate quality work (Malinda, 2022). Some employees may experience challenges with low motivation as a result of having different expectations, attitudes, and actions at work, which causes them to lose interest in the company (Hanaysha & Hussain, 2018). Thus, any institution may be transformed with the right kind of employee motivation. In order to improve productivity, employers and managers must be aware of the requirements and expectations of their workforce (Rodriguez, Neighbors, Rinker, & Tackett, 2015).

Moreover, employees may get a reward, gift, or award as part of an organization's efforts to boost productivity and keep staff members broad. Rewards are delivered in a variety of ways, including profit sharing, commissions, bonuses, and salary (financial). However, there are other factors that are equally significant, such as non-financial rewards that meet the psychological requirements of employees, such as recognition and chances to grow, as well as opportunities for participation in decision-making (Malinda, 2022). In the same way, rewards have a significant impact on employee performance since they can both motivate employees to regulate their performance and determine how productive their performance is. Thus, a manager needs to understand the role that financial incentives play in inspiring and motivating employees. However, if talented individuals lack motivation, even the absence of financial incentives may make them less productive (Seng & Arumugam, 2017).

An organization can become dynamic, high-quality, productive, and have strong morale by paying careful attention to recognition and awards (Koning, 1993). The study reflected that low effort pursued by employees and poor conditions of reward had shown the least appreciative outcomes, whereas high effort having officers, and situation of maximum reward conditions had the best results (Cho, Chen, Toh, & Ang, 2021). The intrinsic rewards of employees can be a valuable intangible asset for a company (Fang, Gao, & Hu, 2021; Hai & Park, 2021). According to Barber and Bretz (2000), reward management systems have a positive influence on an organization's capacity to draw in, hold on to, and motivate high-potential employees, which leads to high performance levels. Ryan and Deci (2017) outlined how external influences affect employee motivation. They emphasized the need to take extrinsic reward elements into account in order to intentionally increase creativity and innovation. Contextual elements, such as HRM procedures, are intended to affect employees' motivation, which in turn affects results like the completion of creative and innovative tasks. The study demonstrates how external motivators' help people stay motivated. However, creative and inventive behavior still produces inconsistent results.

The theoretical perspective on motivation can be traced to existing doctrines. So, a collection of behaviorism and human psychology theories known as reinforcement factors directly influence how people behave. It discusses several behaviorism and human psychology theories of motivation. Content theorists Maslow (1946) and Herzberg (1968) emphasize the fulfillment of needs. The question of what precisely motivates people—that is, what creates, sustains, and regulates goal-directed behavior is at the center of this theory. There is an assumption that everyone responds to motivating factors in a very similar way and that there is only one best way to motivate everyone, and that method focuses on meeting the needs of the individual. Herzberg separated factors linked to hygiene and motivation, which are intrinsic to the profession and external, respectively. Thus, while characteristics related to hygiene might reduce job dissatisfaction, factors related to motivation can only increase and enhance the job satisfaction of employees (Herzberg, 1968). Job satisfaction can arise from the presence of motivational components,
but it cannot occur in the absence of these variables. Thus, factors linked to poor cleanliness may contribute to job discontent, whereas factors linked to better hygiene may diminish unhappiness without increasing job satisfaction.

The importance of rewards and the process of motivation are highlighted by process theorists Porter and Lawler (1968) and Vroom, Grant, and Cotton (1969). Conversely, the focus of the process theory, unlike the content theory, is on the goals and protocols that motivate staff members rather than their needs. They attempt to elucidate and characterize the ways in which people begin, continue, and direct activities meant to satisfy demands or reduce or remove internal tension. It highlights the advantages for that individual. Armstrong and Murlis (2007) claim that there is a connection between Taylor's theory of employee motivation and incentives and penalties that are directly tied to productivity. When employees receive internal benefits instead of external ones, they are more likely to participate in their work (Chen & Kao, 2014; Hai & Park, 2021; Shin & Grant, 2019).

Moreover, extrinsic rewards are those that come from outside the scope of one's employment. While organizational rewards (such as condition of working zone, satisfaction in relation to pay, financial benefits, and job promotion opportunities) are those provided by the organization with the goal of motivating performance and preserving membership, social rewards (such as friendly, helpful, and supportive coworkers and considerate supervisors) are those that are derived from interactions with others on the job (Mottaz, 1985).

Further, it is the practice of praising, recognizing, and awarding staff for their high-quality goods and services, as well as their efficient work habits and goal-achieving efforts. Recognizing employees' achievements has some advantages that improve their performance as well as the organization's overall productivity. First and foremost, receiving recognition makes workers joyful and content with their work. Employees who enjoy their work feel driven and appreciated for their efforts (Tayyab & Saira, 2021). Furthermore, behaviors driven by the underlying need for competence and autonomy are known as intrinsically rewarding activities. Attributed to intrinsic rewards are actions that are performed in the absence of any obvious external circumstances (Deci, 1976). Thus it is seen that setting challenging goals is actually encouraged and that employees are motivated by feedback and well-defined goals (Arashi & Baradarani, 2014; Younies & Na, 2020). Huang, Backman, Backman, McGuire, and Moore (2019) stated that extrinsic rewards typically have minimal impact on improving job performance in public enterprises. Human resource managers can use rewards and recognition as an instrument to inspire employees by recognizing and awarding highly deserved personnel. A variety of incentive schemes are available to them, such as "employee of the month" and meeting compliments. In addition, they can provide these employees with educational support and salary increases (Younies & Na, 2020). While recognition strategies place an emphasis on intrinsically motivated actions, reward strategies primarily focus on extrinsic behaviors. It seems meaningful that financial incentives should be highly motivating, and empirical evidence supports this notion by demonstrating a strong relationship between pay and job performance. It was discovered that using social recognition programs led to an average 17 percent boost in employee performance (Stajkovic & Luthans, 2003).

In the same way, recognition refers to the process through which the performance of an employee is assessed and the level of gratitude the company shows for it. Additionally, it outlines how an organization rewards and elevates its employees in light of their contributions and accomplishments. Giving employees recognition involves elevating their status within the company. This is a key element in determining an employee's motivation (Danish & Usman, 2010). Therefore, two essentially distinct human motivational processes are reward and recognition (Hansen & Smith, 2002). Thus, showing recognition to employees is an effective kind of motivation and a "potent tool" in managerial functions (Hancock, 2022; Luthans, 2000). A more diversified view of global reward management is made possible by differentiating between various compensation policies and employee categories, such as senior and middle management and operational staff. This allows for a wider and more global perspective on reward management practices. Global reward management, however, involves more than just choosing between localization and uniformity (Festing & Tekieli, 2021). In the context of Nepal, it has been discovered that Nepal's institutions in the service sector's reward systems positively correlate with and affect employee performance.
(Pradhan, 2022). Another finding showed that the primary variables that make up a broad-based reward system include work-life balance, benefits, career potential, performance, job empowerment, and compensation. These elements were discovered to be significantly good in their relationships with employee motivation (Gautam, 2019). Further, in reality, school administration plays an insufficient role in employee incentives for successful performance (Chaudhary & Chaudhary, 2021). Additionally, in order to maintain their motivation, teachers invariably depend on rewards—both monetary and non-monetary. For example, because the schools' existing reward system is time-based rather than performance-based, they lack motivation (Khadka, 2021). The usefulness of intrinsic incentives, such as job autonomy, task relevance, and recognition, in fostering highly content employees is demonstrated by the strong correlation that exists in the banking sector between intrinsic reward and job satisfaction. The aforementioned discussion demonstrates the lack of coherence and research in the microfinance sector that evaluates the link between reward and recognition for employee motivation. Thus, the main purpose of this study is to assess how rewards and recognition affect employee motivation in MFIs.

The remaining section of the study is divided into the following segments: The methodology, statistics, and sample are all described in Section two. The findings of the empirical study are stated in the third segment, and the summary and conclusions, further future research are discussed in the last segment.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Theoretical Foundation

2.1.1. Theories of Motivation

Reinforcement variables are a group of approaches in human psychology and behaviorism that have a direct impact on human behavior. We'll discuss some human psychological and behaviorism theories about motivation.

2.1.2. Theory of Equity

The workplace behavioral psychologist Lawler (1968) established what is now known as the equity theory of motivation, or Lawler's equity theory. Fairness serves as the foundation for equity theory, which holds that people are driven by it. If a person perceives equity between themselves and a peer, according to equity theory, a person will modify their work to suit the circumstances in order to get the same outcome. An employee may decide to work less by establishing justice in their eyes if they discover that a peer is performing the exact same task and receiving the same compensation, as an illustration of equity theory in action. With this in mind, Lawler (1968) argues that people will be more motivated if they believe that equity (fairness) is valued more highly. Similarly, an individual will be demotivated if they observe any type of unfairness. This theory demonstrates that individuals are bothered by their own rewards and also by what others get in their comparisons. It is seen that the teaching staff is expected to treat everyone equally in a fair and just way to promote their efficiency and better performance. Thus, it links with boosting the ability of teachers as a major component of motivation.

2.1.3. Intrinsic Reward

Those in charge of monitoring employee participation in work tasks must take into account intrinsic motives since not all employees participate in tasks just for the purpose of completing them. Employee performance, conduct, and well-being are immediately and favorably impacted by an activity or group of people that provide intrinsic motivation (Skinner, 1953). High accomplishment motivation among employees is one of the key elements of an effective organization. Research has demonstrated that workers who exhibit high achievement motivation have a strong inclination towards achieving both personal and organizational success. They tend to be goal-oriented, highly determined, and firm (Epstein & Harackiewicz, 1992). Moreover, intrinsic refers to non-financial or non-cash rewards, including success, the satisfaction of a job well done, and personal progress (Mottaz, 1985). Further, a behavior is deemed intrinsically driven if it is carried out in the absence of any obvious external
circumstances. Intrinsically motivated behavior is considered to be that which is propelled by an underlying demand for autonomy and competence (Deci, 1976). The findings showed that employees who enjoy their work feel driven and appreciated for their efforts (Tayyab & Saira, 2021).

Based on the theory and findings of empirical studies conducted in previous time, the study purposes hypothesis of the research as follows:

\[ H_1: \text{Intrinsic reward has a positive and significant relationship with employee motivation.} \]

2.1.4. **Extrinsic Reward**

Extrinsic rewards are the more evident benefits that come with a job contract, such as pay and benefits (Malhotra, Budhwar, & Prowse, 2007). Similarly, an employee's whole compensation package from their employer includes social security, a base pay, performance-based pay, food stamps, housing subsidies, and health insurance. These are known as extrinsic benefits (Miao, Newman, Sun, & Xu, 2013). Further, extrinsic incentives are those that are monetary or money-related, such as fringe perks, incentive payment plans, pay, and promotions (Mottaz, 1985). Huang et al. (2019) concluded that extrinsic rewards typically have an impact on improving job quality.

Human resource managers can use rewards and recognition as an instrument to inspire employees by recognizing and awarding highly deserved staff members. Ryan and Deci (2017) stated that extrinsic motivations need to be taken into account in order to consciously increase creativity and invention. Contextual elements, such as HRM procedures, are intended to affect employees' motivation and, in turn, results like inventive and creative output. Studies reveal that while external motivators can boost motivation, inventive and creative work still produces a range of outcomes. Rand (2020) claimed that money is the way through which one obtains the material items that humans require to thrive. Furthermore, one can avoid doing things they enjoy less and spend more time doing things they enjoy more when they have money to buy time.

Based on the theory and findings of the empirical study conducted previously, the study purpose hypothesis of the research is as follows:

\[ H_2: \text{Extrinsic reward has a positive and significant relationship with employee motivation.} \]

2.1.5. **Recognition**

The practice of awarding an individual a specific status inside an organization, known as recognition, has a significant impact on employee motivation (Danish & Usman, 2010). The method used to evaluate an employee's performance and the degree of appreciation the organization expresses for it are referred to as recognition. It also describes how a company recognizes and advances its workers in light of their accomplishments and efforts (Danish & Usman, 2010). Furthermore, demonstrating recognition to employees is an effective kind of motivation and a "potent tool" in managerial functions (Hancock, 2022; Luthans, 2000).

Based on the theory and findings of the empirical study conducted previously, the study purpose hypothesis of the research is as follows:

\[ H_3: \text{Employee recognition has a positive and significant relationship with employee motivation.} \]

2.1.6. **Motivation**

The process of becoming motivated begins with a physiological or psychological need or deficit that drives action towards a reward or goal (Luthans, 1995). Human motivations stem from needs that are perceived, either consciously or unconsciously. Water, air, shelter, food, sleep, self-esteem, status, affiliation, affection, accomplishment, and self-assertion are examples of fundamental requirements and secondary needs, respectively (Knooz, 2008).

A fundamental justification for motivation is the capacity to alter behavior. Because human behavior is focused on achieving certain goals, motivation is a force that compels one to take action (Güngör, 2011). Employee
motivation is linked to rewards and sanctions that are directly related to output. Job motivation is described as the drive resulting from an individual's satisfaction with their work and increased likelihood of performing work-related activities (Armstrong & Murlis, 2007).

2.2. The Conceptual Framework

Respondents rated every variable on the questionnaire using a five-point Likert scale that started from 1 (strongly disagree) to 5 (strongly agree).

![Conceptual Framework Diagram]

Source: Herzberg (1968).

Figure 1 illustrates the relationship between motivation, the dependent variable, and three key independent variables: intrinsic reward, extrinsic reward, and recognition.

2.3. Reliability of Variables

Table 1 depicts that if the Cronbach's Alpha value for all the variables is higher than 0.7, then we can conclude that all the variables are reliable. It means the internal consistency of survey items is reliable. Furthermore, we can state that all the variables consistently measure the same characteristics. Overall value of Cronbach's Alpha is 0.90, which is considered good and acceptable for the measurement of the dependent variable under study.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic reward</td>
<td>6</td>
<td>0.903</td>
</tr>
<tr>
<td>Extrinsic reward</td>
<td>6</td>
<td>0.854</td>
</tr>
<tr>
<td>Recognition</td>
<td>6</td>
<td>0.853</td>
</tr>
<tr>
<td>Motivation</td>
<td>6</td>
<td>0.869</td>
</tr>
<tr>
<td>Overall</td>
<td>4</td>
<td>0.900</td>
</tr>
</tbody>
</table>


3. RESEARCH METHODOLOGY

Descriptive and causal relationship research designs form the basis of the study. The study's primary data were collected from 10 MFIs in the Central Region of Nepal between May and August 2023 in order to fulfill its research objectives. Employees of MFIs operating in various branches and the head office, including senior managers, officers, and field-level employees, were given structured questionnaires to complete through Google for the collection of cross-sectional data. The data was gathered using a simple random sampling technique. The data was collected, including all the employees of microfinance institutions (MFIs), after distributing the questionnaire.
randomly to the Chief Executive Officer (CEO), Deputy Chief Executive Officer (DCEO), Credit Department Chief, Compliance Chief, Supervision Chief, Cluster Chief, and Field Level employees (managerial level, officer level, and operating level). The respondents were given 300 questionnaires in total and received 191 (63.67%) of them as useful questionnaires. This provided valuable data used in the study. The data used in previous studies were limited to lower-level employees; however, this study covers all levels of employees in the field of microfinance.

3.1. Instrumentation

A structured questionnaire was developed to assess the dimensions of intrinsic reward, extrinsic reward, and recognition and motivation. A five-point Likert scale was used to rate each item on the questionnaire, with responses ranging from 1 (strongly disagree) to 5 (strongly agree). Participants rated how much they agreed with each variable's related statements using this scale. When Cronbach's Alpha was used to confirm the data's reliability, a value higher than .07 was obtained, suggesting strong reliability.

3.2. The Model Specification

The model created for this research is predicated on the idea that reward and recognition, both intrinsic and extrinsic, are essential for driving behavior. The structure of the calculated model is as follows:

\[ M = \alpha + \beta_1 IR_i + \beta_2 ER_i + \beta_3 REG_i + \epsilon_i \]

Where,
- \( M_i \) = Motivation.
- \( IR_i \) = Intrinsic reward.
- \( ER_i \) = Extrinsic reward.
- \( REG_i \) = Recognition.

4. RESULTS AND DISCUSSION

4.1. Respondent's Demographic Characteristics

Table 2 illustrates that the demographic characteristics of respondents showed 42 (22 percent) female respondents and 149 (78 percent) male respondents. It revealed that the majority of participants, 72 (37.7 percent), belonged to the 26 to 35-year-old age group, with 23 (12 percent) of them falling into the 36 to 45-year-old age group. 13 (17.3 percent) of respondents were between the ages of 18-25, while just 34 (17.8 percent) were between the ages of 46-55. Regarding marital status, the majority of participants, 142 (74.0 percent) were married, while 49 (26.0 percent) were single.

The majority of respondents' educational backgrounds were master's degrees at 87 (44.5 percent), followed by bachelor's degree at 65 (34 percent). Only 39 respondents, or (20 percent), were at 10+2 and Secondary Education Examinations (SEE) levels. Field-level respondents made up the majority of survey participants, 79 (41.34 percent), followed by officers respondents, 64 (33.5 percent) and managerial respondents, only 48 (25.1 percent).

The majority of respondents, 55 (28.8 percent), had experience ranging from five to ten years, while 50 participants (26.2 percent) found five. Only 33 (17 percent) respondents still had between 10-15 years of experience, whereas 53 (27.7 percent) had experience between 15 and above. Majority of participants, i.e., 118 participants (61.8%), had above-average monthly income of 40,000 rupees followed by 41 participants (21.5 percent) of income between 30,001-40,000. Out of them, 18 (9.4 percent) represented income levels between 25,001-30,000. Only 14 participants (7.3 percent) were between 13,200-25,000 in income level in the survey.
Table 2. Demographic variables.

<table>
<thead>
<tr>
<th>Demographic variables</th>
<th>Demographic characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>18-25</td>
<td>23</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td>26-35</td>
<td>72</td>
<td>37.7</td>
</tr>
<tr>
<td></td>
<td>36-45</td>
<td>55</td>
<td>27.7</td>
</tr>
<tr>
<td></td>
<td>46-55</td>
<td>34</td>
<td>17.8</td>
</tr>
<tr>
<td></td>
<td>56 and above</td>
<td>9</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Male</td>
<td>149</td>
<td>78.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>42</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>Marital status</strong></td>
<td>Single</td>
<td>49</td>
<td>25.7</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>142</td>
<td>74.3</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>SEE</td>
<td>3</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>10+2 level</td>
<td>36</td>
<td>18.8</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>65</td>
<td>34.0</td>
</tr>
<tr>
<td></td>
<td>Master and above</td>
<td>87</td>
<td>45.5</td>
</tr>
<tr>
<td><strong>Designation</strong></td>
<td>Field level</td>
<td>79</td>
<td>41.4</td>
</tr>
<tr>
<td></td>
<td>Managerial level</td>
<td>48</td>
<td>25.1</td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td>Less than 5</td>
<td>50</td>
<td>26.2</td>
</tr>
<tr>
<td></td>
<td>5- Less than 10</td>
<td>55</td>
<td>28.8</td>
</tr>
<tr>
<td></td>
<td>10- Less than 15</td>
<td>33</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>15 years and more</td>
<td>53</td>
<td>27.7</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>13200 to 25000</td>
<td>14</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>25001 to 30000</td>
<td>18</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>30001 to 40000</td>
<td>41</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>Above 40000</td>
<td>118</td>
<td>61.8</td>
</tr>
<tr>
<td><strong>Total observation</strong></td>
<td></td>
<td>191</td>
<td>100.0</td>
</tr>
</tbody>
</table>


4.2. Relationship between Intrinsic, Extrinsic Reward, Employee Recognition and Motivation

The association between intrinsic and extrinsic rewards and employee recognition is intricate and multifaceted. These three components each play a unique but interconnected role in motivation, a psychological concept influenced by a variety of factors.

Intrinsic rewards (IR): Intrinsic rewards are frequently linked to feelings of independence, mastery, and purpose. Employee motivation and intrinsic rewards are significantly correlated. Strong motivators can be found in intrinsic rewards. When workers feel their professions to be personally rewarding and intriguing, they are more likely to be engaged and motivated in their work. Here, the correlation coefficients for intrinsic reward and extrinsic reward (0.647), intrinsic reward and employee recognition (0.636), and intrinsic reward and motivation (0.60) are positive and significant.

Extrinsic rewards (ER): Extrinsic rewards are material or outside incentives offered by a company, like pay, bonuses, promotions, and benefits. Extrinsic rewards and employee motivation have a complicated relationship. Employees can be motivated in the short term by receiving tangible benefits or incentives for their efforts through extrinsic rewards. Here, the correlation coefficients for extrinsic reward and employee recognition (0.783) and extrinsic reward and motivation (0.736) are positive and significant.

Recognition (REG): Employee recognition includes praising an employee for their efforts, accomplishments, or contributions. Extrinsic rewards and recognition are connected because both help to encourage and help employees recognize their contributions. Employee motivation and satisfaction are frequently best achieved when extrinsic rewards and employee recognition are combined.

The general state of these significant factors in the study's context is clarified by these findings, which also serve as a basis for additional analysis and interpretation. Here, the correlation coefficient for employee recognition and motivation (0.756) is positive and significant.
4.3. Association of Intrinsic, Extrinsic Reward and Employee Recognition on Employee Motivation

Table 3 of Pearson’s correlation matrix shows that intrinsic reward is positively associated with motivation. It indicates that a higher level of intrinsic reward would lead to higher employee motivation. Similarly, extrinsic reward is positively correlated with motivation. It means a higher extrinsic reward leads to a higher level of employee motivation. Moreover, recognition has been positively associated with motivation. It depicts that the higher the level of recognition in the microfinance institutions, the higher would be employee motivation. The association between employee motivation and intrinsic and extrinsic rewards, as well as employee recognition, is a well-researched subject in organizational psychology and human resource management. Any organization's productivity and success depend heavily on its workforce’s motivation. Thus, there are significant direct variations between the explanatory variables used in the study.

Table 3. Pearson’s correlation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. deviation</th>
<th>Intrinsic reward</th>
<th>Extrinsic reward</th>
<th>Recognition</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic reward</td>
<td>3.925</td>
<td>0.676</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extrinsic reward</td>
<td>3.969</td>
<td>0.689</td>
<td>0.647**</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td>4.028</td>
<td>0.709</td>
<td>0.656**</td>
<td>0.783**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>4.014</td>
<td>0.630</td>
<td>0.660**</td>
<td>0.736**</td>
<td>0.756**</td>
<td>1</td>
</tr>
<tr>
<td>Number of observations</td>
<td>191</td>
<td>191</td>
<td>191</td>
<td>191</td>
<td>191</td>
<td>191</td>
</tr>
</tbody>
</table>

Note: **. Correlation is significant at the 0.01 level (2-tailed).

4.4. Impact of Intrinsic Reward, Extrinsic Reward and Recognition, on Employee Motivation

Employee motivation is more likely to be sustained and self-driven when it is motivated by extrinsic factors such as personal fulfillment and satisfaction at work rather than intrinsic reward. Extrinsic incentives, such as bonuses or promotions, can boost motivation temporarily but, if not balanced properly, may eventually erode it. By boosting self-esteem and job satisfaction, fostering a positive work environment, and enhancing both intrinsic and extrinsic motivators when used effectively, recognition—achieved through acknowledgment and appreciation—improves motivation. From Table 4, we can see that extrinsic rewards and recognition significantly and directly motivate the employees of MFIs. Though intrinsic rewards directly motivate employees, it is not a significant explanatory variable. Table 4 shows that the beta coefficients for intrinsic reward are positive but insignificant with respect to motivation among the employees in microfinance institutions in Nepal. Further, the beta coefficients for extrinsic reward are positive and significant with respect to motivation, which indicates that extrinsic reward has a positive impact on the motivation of employees. Similarly, the beta coefficient for recognition is positive and significant with respect to motivation. It shows the positive impact of recognition on employee motivation.

Table 4. Regression.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R square</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>β</td>
<td>Std. error</td>
<td>Beta</td>
<td>4.797</td>
<td>0.000</td>
<td>0.632</td>
<td>107.271</td>
</tr>
<tr>
<td>Intrinsic reward</td>
<td>0.878</td>
<td>0.183</td>
<td>0.118</td>
<td>1.944</td>
<td>0.053</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Extrinsic reward</td>
<td>0.109</td>
<td>0.056</td>
<td>0.328</td>
<td>4.369</td>
<td>0.000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognition</td>
<td>0.377</td>
<td>0.066</td>
<td>0.425</td>
<td>5.732</td>
<td>0.000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The results are based on a linear regression model using 191 observations. The model is $M = \alpha + \beta_1 IR + \beta_2 ER + \beta_3 REG + e$ where, Motivation (M) is the dependent variable, and the independent variables are intrinsic reward (IR), extrinsic reward (ER) and recognition (REG).

Fitted model for the given data is motivation (M) = 0.878 + 0.109IR + 0.299ER + 0.377REG + e
Here, the value of slope coefficient ($\beta_1 = 0.109$) which means rate of change in motivation due to unit change in intrinsic reward is 0.109. Similarly, the value of slope coefficient ($\beta_2 = 0.299$) which means the rate of change in motivation due to unit change in extrinsic reward is 0.299. Moreover, the value of slope coefficient ($\beta_3 = 0.377$) which means rate of change in motivation due to unit change in employee recognition is 0.377.

From Table 4 we can observe that, overall goodness of fit model is valid and significant as p value for given model is 0.00. Thus, all the variables used in the model measure motivational factors significantly. Moreover, the value of R-square is 0.632, which means 63.2 percent of the total variation of the dependent variable is due to variations in the independent variables used.

### 4.5. **Hypothesis Testing – Results**

Table 5 showed that an insignificant but positive association was found between intrinsic reward and motivation, which means intrinsic rewards have no significant effect on motivating the employees of MFIs. On the contrary, there is a significant relationship between extrinsic rewards and motivation, which means extrinsic rewards have a significant effect on motivating the employees of Nepalese MFIs. Moreover, a significant association is found between recognition and motivation, which means employee recognition has a significant effect on motivating the employees.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variables</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_1$</td>
<td>Intrinsic reward ® motivation</td>
<td>Rejected</td>
</tr>
<tr>
<td>$H_2$</td>
<td>Extrinsic reward ® motivation</td>
<td>Accepted</td>
</tr>
<tr>
<td>$H_3$</td>
<td>Recognition ® motivation</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Data analysis outcome, 2023.

Here, the assumption of the significant effect of intrinsic reward on motivation has been rejected as the p value equals 0.053. However, it is significant at the 10% level of level of significance. On the contrary, the assumption of a significant effect of extrinsic reward on motivation has been accepted, as the p value equals 0.00. Similarly, the assumption that there is a significant effect of employee recognition on motivation has been accepted, as the p value equals 0.00.

### 5. **DISCUSSION AND CONCLUSION**

The purpose of this research was to examine how rewards and recognition affect motivation. The study's findings supported each of the hypotheses. According to the first hypothesis, intrinsic rewards have a considerable and positive impact on motivation. However, the study shows intrinsic reward has a positive impact on motivation but an insignificant relationship in the case of MFI employees, which contradicts the existing theory and research findings. The finding may contradict the findings of other scholars due to the distinguished perception of employees of MFIs towards the motivating factors (Deci, 1976; Skinner, 1953; Tayyab & Saira, 2021). Thus, the results relating to intrinsic reward and motivation depicting their association were found to be insignificant at the 5 percent level of significance. However, it was statistically significant at the 10 percent significance level. Extrinsic reward is seen to have an impact on motivation, according to the second hypothesis. These findings are consistent with findings of previous research Koning (1993); Long and Shields (2010); Rynes, Gerhart, and Parks (2005) and Seng and Arumugam (2017) this hypothesis is likewise accepted. The third hypothesis depicts that a positive relationship is found between employee recognition and motivation. This hypothesis is accepted, and its finding is consistent with previous research (Hancock, 2022; Koning, 1993; Luthans, 2000; Stajkovic & Luthans, 2003). Similarly, the findings are in line with studies (Herzberg, 1968; Maslow, 1946; Porter & Lawler, 1968; Vroom et al., 1969). Moreover, Armstrong and Murlis (2007) found that the theory of Taylor relating to employee motivation is
linked with rewards and consents, which are directly associated with output, which is also consistent with previous research findings.

5.1. Conclusion

This study assessed how recognition and rewards affect employee motivation in microfinance institutions. Extrinsic reward in this study revealed a positive impact on employee motivation, indicating that an increase in extrinsic reward would raise the level of employee motivation. Additionally, it was observed that employee recognition had a positive impact on motivation, indicating that raising employee recognition would increase employee motivation. Thus, extrinsic reward and recognition have a positive effect on employee motivation. It reflected that the higher the level of extrinsic reward and recognition in the MFIs, higher the employee motivation, which leads towards the sustainability of the MFIs. Due to the dynamic nature of the business environment, the study's findings have significant implications for businesses, particularly those in the financial sector, including microfinance institutions and BFIs. To cope with higher customer service quality, staff in the microfinance areas must exhibit more efficient performance. Therefore, it is crucial for organizations to promote and take into account reward and recognition in their activities in order to raise employee motivation levels, and the top management of microfinance institutions needs to introduce a reward and recognition scheme to their employees to strengthen loan portfolio quality, client selection, loan supervision, client entrepreneurial capacity development, and for the sake of business promotion.

5.2. Implication of the Study

The leaders of Nepalese microfinance institutions should introduce employee-oriented and friendly reward and motivational schemes to motivate their employees, which enhances the outreach, quality of loan delivery services, credit appraisal, and ultimately management of the sound loan portfolio quality of Nepalese MFIs. Mainly motivated and dedicated employees will deliver financial services in their best ways to deprived clients, which directly affects the performance of microfinance institutions.

5.3. Directions for Future Research

The study covered the areas of Microfinance Institutions (MFIs) operating in the central region of Nepal. Future research should therefore be done in various fields and industries in order to broaden the areas of the study for further empirical studies. Similarly, the associations anticipated in this study were tested based on cross-sectional data, whereas future studies can be done with longitudinal data, extending the size of observation and other variables.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Competing Interests: The authors declare that they have no competing interests.

Authors’ Contributions: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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