

# Intrinsic And Extrinsic Reward A Tool For Employee Motivation – Study With Reference To Employees Of Engineering Colleges In Mangalore

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## Abstract

**Purpose:** The key purpose of this paper is to identify if intrinsic and extrinsic reward builds a relationship to Motivate the employees in the organization.

**Approach:** This paper is designed based on the review of literature from various authors that link Intrinsic Reward, Extrinsic Reward and Employee Motivation. Two hypotheses are framed within the context and were tested from the perspective of the Statistical T-test.

**Findings:** The secondary review made by the authors in the books and journals already published has made it conclusive that rewards enable employee motivation at the workplace. More the rewards put in place more the motivation in the workplace. Also, there seems to be a positive constructive relationship between employee motivation and intrinsic reward and extrinsic reward. This means a compromise on any one of the reward mechanisms can lead to the organization's performance in distress.

**Future Implications:** The study currently focuses on the observance of two factors Intrinsic and extrinsic rewards that will enhance employee motivation at the workplace. As a further scope of study Employee motivation will definitely lead to a set behaviour which is often psychological in nature. In short, it means employee motivation will lead to Behavioral intentions in the workplace.

**Keywords:** Intrinsic Reward, Employee Motivation, Extrinsic Reward, Organizational behaviour, Reward Management.

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## I. INTRODUCTION

The Education institution being competitive in nature also contributes to the overall development of the society. Organizational behaviour is the study of what individuals do within an organization and how their behaviour affects its functioning. It lays emphasis on concerns such as jobs, woks, absenteeism, employment turnover and many other areas of management (Kapur, 2018). On the Other hand, Organizational behaviour is directly linked to behavioural science that is built upon behavioural disciplines. Organisation environment directly contributes to the behavioural intentions of the employees in the workplace (Baijumon & Yakooob, 2015). The Reward Management system plays a dominant role in shaping the human resource that helps with well-established financial and non-financial rewards in place. Reward acts as an important tool in motivating the employees and getting the required results in the organisation it gives a rise to employees being more creative (Eisenberger & Rhoades, 2001).

Job Satisfaction in today's era has become important in many ways mainly though intrinsic and extrinsic mechanisms. This variable shape the reward systems in any organisation. Job satisfaction can lead to employee motivation that may be considered as a result or an output of the rewards put in place. These rewards put a positive or negative attitude in the job performance. (Ajmal, Bashir, Mohsin Bashir, & Saqib, 2015)

## II. LITERATURE REVIEW

**Intrinsic Reward** - The employees who are appreciated by intrinsic rewards within the organization not only perform well according to their job description but also get motivated positively for the welfare of organization and for them. Employees struggle when their organization appreciate their work, reward them, respect them and consider them as a vital part of the organization (Danish, Khan, Shahid, Raza, & Humayon, 2015). The employees' efficiency in their jobs and their behaviors which is appreciated by the Organisation will contribute to low attrition and remain loyal to the organization. Employees look forward for Intrinsic rewards provides consistent motivation and common benefit to both employees and organization they served (Awasthi &

Pratt, 1990). They further explained not only monetary reward but there are other rewards that form an important basis of reward structure which has more impact than the monetary rewards. A reward which integrates a non-physical form in nature which includes appreciation, feeling of accomplishments or pride from one's job these build an emotional connect with the employees and hence prove much stronger when compared to other forms of rewards. On a contradictory argument the author also states different people might perceive different perception on rewards that enables to motivate (Bajracharya, 2018). The Paradigm shift that we see at the work place today to that what happened in the earlier era, which often worked in complying with rules and procedures was paramount. Now when the autonomy is adapted by the employees to show case the skills and talents and lets them find the way by their own to accomplish the task the motivational models require the revision of Intrinsic Reward than the conservation pay scale increment which stands as extrinsic one (Thomas, 2009).

**Extrinsic Reward-** Some author claims that extrinsic reward played a dominant role in the earlier era. when the work type was bureaucratic in nature that led to follow rules and procedures in work place. There was only little intrinsic reward and hence the extrinsic reward became the only motivational tool available. Pay is considered important even in the present days in accepting a job since unfair pay can lead to a strongest demotivator. Over the years the Job pay and unfairness in the pay structure has been settled to a great extent and the focus is now driven towards the other factors that can retain and engage the employees in the organization (Thomas, 2009). Extrinsic Reward is tangible in nature and is given to someone who has performed his/ her activity on achievement hence is not within the person (Alumni & W, 2014). Evident insight on extrinsic reward leads to extrinsic motivation since it put forward a behaviour that is motivated by a desire to gain an external reward (Cherry, 2019). The limitation of extrinsic reward is that when the value of this reward is exhausted it may lose its impact, hence need to strike a balance with other forms of reward (Jordan, 2017). In the field of Knowledge management a study conducted in United states shows that there is a deeper sense of understanding in knowledge sharing behaviour by the effects of Intrinsic and Extrinsic motivation. But it is identified the extrinsic motivation which is Feedback mechanism critically support the successful knowledge sharing (Hung, Durcikova, Lai, & Lin, 2011).

The article titled “Employee stock option plan and employee attitudes: A test of extrinsic versus intrinsic models “ focuses to test and present the causal model which influence stock option on Psychological and employee attitudes. To test the model data collected based on a structured questionnaire sample of 98 employees in a large financial service firm. Test applied was multiple regressions to derive the path of coefficient.

Findings to the various study revealed that the psychological variable and the relationship between stock options, tenure intent and organisational commitment thus provide a supportive tool to intrinsic value model. Equity perception and their relation between stock exercised are met expectation, where as equity perception did not mediate their relation between stock option and employee attitude. Further the study found that there was a direct effect of stock earning on external career path, which means employees who exercised stock option were looking for career opportunities outside the company which was contrary to the hypothesis stated in the study (Selvarajan, Ramamoorthy, Flood, & Rowley, 2006).

**Employee Motivation-** It is claimed that the extrinsic motivations are mostly categorized in two forms tangible rewards and psychological rewards. Tangible rewards such as money, trophies on the other hand psychological reward such as praise, building confidence etc. It aims at performing certain behavior in order to obtain Reward (Cherry, 2019). On the other hand extrinsic reward is best used in the circumstance which helps to not lose its impact. If the Extrinsic reward is given too much it may lose its value. This is over justification effect where reward is given much often that no longer acts as a motivation tool (Jordan, 2017). A reward placed in the organization has to be acceptable by the employees in the organization. Motivation comes from an acceptable reward. Hence, it is important to have a yardstick to measure the motivation level through the use of various rewards that is put in place. However, it is observed from the various studies that extrinsic reward given to individuals cannot increase intrinsic motivation over a long period (Ozutku, 2012). Intrinsic and extrinsic rewards show a significant influence on the employee's assumption to make a significant boost in employee satisfaction that will lead to motivation level. Intrinsic and extrinsic rewards are essential for employee satisfaction. It is necessary to analyse the quantum of the reward against the objectives and effort of the employees. If there is no difference then the reward which is established will work in the favour of the organisation (Ajmal, Bashir, Mohsin Bashir, & Saqib, 2015).

The study conducted with regard to “Performance linked reward and job satisfaction: A study of banking sector in Assam. “ emphasize the growing importance of performance linked reward in order to face the new challenges emerging from industry and other public sector, regional rural banks. Job satisfaction has become a key motivating factor in order to retain the talented employees in banks. Due to the growing competition in domestic and international organization there is a need to adopt reward strategies in order to make the employees more competitive. Performance based reward is that reward which is actually earned by the employees. The banks

that adopt extrinsic and intrinsic reward show there is an effort to increase the performance of employees by rewarding them.

Findings of the study has revealed that employees from managerial category generally received financial as well as non-financial performance standards, whereas performance of clerical was found to be evaluated only on non-financial performance standards. There is a high dissatisfaction for pay based performance plans in banking sector. Workload is comparatively more in Private sector banks than that of public and Regional rural banks. Recognition and Rewards are found good in all the banks. Pay for performance like variable pay, performance-based bonus, cash awards and profit sharing schemes under extrinsic category and recognition and appreciation under intrinsic category have emerged as strong factors in influencing the job satisfaction level of employees. It can be concluded that banks should put efforts toward strengthening their extrinsic reward strategies with proper intrinsic motivation which can result in high level of job satisfaction among employees. Organizations should handle both extrinsic and intrinsic reward more delicately and make a balanced reward strategy (Chomal, 2014).

### III. RESEARCH METHODOLOGY

**Objectives of the Study-** The main objective of the study is to analyse the relation between Intrinsic and Extrinsic rewards on Employee motivation. This is followed by sub objectives of the study such as:

- To identify the factors that increase employee motivation.
- To examine the relationship between the reward mechanisms and employee motivation.

**The Hypothesis of the Study-**

**a) Core Hypothesis.**

HA: A significant relationship is found between reward mechanism and employee motivation.

**b) Sub Hypothesis.**

HA<sub>1</sub>: A significant relationship is found between extrinsic reward and employee motivation.

**c) Sub Hypothesis.**

HA<sub>2</sub>: A significant relationship is found between intrinsic reward and employee motivation.

**Sources-** The study is conducted on the basis of Primary and secondary data. This includes the questionnaire basis of data collection and personal interview with the respondents as a part of primary source. Also a detailed survey on reviewing the literature is framed to set a background on this topic. The sample size drawn to frame the result is 60. ( $n = 60$ )

**Scope-** The findings drawn in this study are from the data collected in Mangalore city which is a part of Karnataka State in India. The respondents are selected through simple random sampling techniques who are the full-time faculties in Engineering College.

**Statistical Tool-** The conclusion drawn is from the basis of the statistical test using standard deviation and mean results to identify the individual element behaviour. The hypothesis framed is tested using Correlation Coefficient analysis & factor Analysis is also used to draw the desired result.

### IV. RESULTS AND DISCUSSIONS

**Table 1 Mean and Standard Deviation on Extrinsic Reward Mechanism**

Indicators	N	SD	D	N	A	SA	Mean	Std. D
<b>Extrinsic reward mechanism</b>								
Pay Scale Increment	60	3 (5)	4 (6.7)	10 (16.7)	27 (45)	16 (26.7)	3.816	1.065
Bonus Payment	60	4 (6.7)	2 (3.3)	6 (10)	29 (48.3)	19 (31.7)	3.950	1.080
Promotion Via Grade change	60	5 (8.3)	2 (3.3)	5 (8.3)	32 (53.3)	16 (26.7)	3.866	1.111
Reimbursement of paper publication fee	60	5 (8.3)	1 (1.7)	6 (6.7)	35 (58.3)	15 (25)	3.900	1.068
Medical Reimbursement	60	2 (3.3)	4 (6.7)	12 (20)	30 (50)	12 (20)	3.766	.963
Encashment of Leave	60	4 (6.7)	2 (3.3)	18 (30)	26 (43.3)	10 (16.7)	3.600	1.028
Overall							3.8165	.87749

**Table 2 Mean and Standard Deviation on Intrinsic Reward Mechanism**

Indicators	N	SD	D	N	A	SA	Mean	Std. D
<b>Intrinsic reward mechanism</b>								
Appreciation for paper Publication	60	1 (1.7)	3 (5)	21 (35)	26 (43.3)	9 (15)	3.6500	.86013
Birthday Wishes/ Celebration	60	3 (5)	3 (5)	9 (15)	35 (58.3)	10 (16.7)	3.7667	.96316
Autonomy to set Syllabus	60	2 (3.3)	3 (5)	15 (25)	28 (46.7)	12 (20)	3.7500	.95002
Challenging work inclusive of Admin Work	60	3 (5)	3 (3)	8 (13.3)	30 (50)	16 (26.7)	3.8833	1.02662
Staff Achievement Bulletin	60	2 (3.3)	3 (5)	6 (10)	33 (55)	16 (26.7)	3.9667	.93820
Infrastructure Facility	60	6 (10)	4 (6.7)	8 (13.3)	32 (53.3)	10 (16.7)	3.6000	1.15274
<b>Overall</b>							3.7692	.68451

Summary of table 1 and table no 2 shows the grouping of the mean and standard deviation of intrinsic and extrinsic reward variables. The means of extrinsic reward and intrinsic reward were 3.8165 and 3.7692 respectively. It is that the variables of intrinsic and extrinsic reward which is considered the independent variable of the study are quite close to each other.

**Test of Hypothesis**

**a) Core Hypothesis.**

HA: A significant relationship is found between reward mechanism and employee motivation.

**Table 3 Test results to show the relation between Reward Mechanism and Employee Motivation**

Correlations		
		Reward Mechanism
Employee Motivation	Pearson Correlation	.108
	Sig. (2-tailed)	.410
	N	60

Correlation analysis was carried out to analyze the relationship between reward mechanisms and employee motivation. As per the correlation table no.3, It has been determined that the Pearson correlation of 0.108 indicates a very weak positive correlation between Employee Motivation and Reward Mechanism. The reward mechanism will not be affecting on employee motivation. The 2-tailed significance value (.410) with standard alpha value is 0.05, there is no relationship between reward mechanism and employee motivation (sig. level 0.410). That means accepting the null hypothesis and rejecting the alternative hypothesis.

**b) Sub Hypothesis.**

HA<sub>1</sub>: A significant relationship is found between extrinsic reward and employee motivation.

**Table 4 Test results to show the relation between Extrinsic Reward and Employee Motivation**

Correlations		
		Employee Motivation
Extrinsic Reward	Pearson Correlation	.135
	Sig. (2-tailed)	.302
	N	60

Correlation analysis was carried out to find the relationship between extrinsic reward and employee motivation. As per table no.4, the Pearson correlation of .135 indicates a weak positive correlation between extrinsic reward and employee motivation. It says that employee motivation is not affected by extrinsic rewards. The 2-tailed significance value (.302) with a standard alpha value is 0.05, which means there is no relationship between extrinsic reward and employee motivation. Hence the Null hypothesis is accepted and the alternative hypothesis is rejected.

**c) Sub Hypothesis.**

HA<sub>2</sub>: A significant relationship is found between intrinsic reward and employee motivation.

**Table 5 Test results to show the relation between Intrinsic Reward and Employee Motivation**

Correlations		Employee Motivation
Intrinsic Reward	Pearson Correlation	.036
	Sig. (2-tailed)	.782
	N	60

Correlation analysis was carried out to find the relationship between intrinsic reward and employee motivation. As per table no.5, the Pearson correlation of .036 indicates a weak positive correlation between intrinsic reward and employee motivation. It says that employee motivation is not affected by intrinsic reward. The 2-tailed significance value (.782) with a standard alpha value is 0.05, which means there is no relationship between intrinsic reward and employee motivation. Hence the Null hypothesis is accepted and the alternative hypothesis is rejected.

**Factor Analysis**

**Table 6 Factor loading of Impact on motivation by an intrinsic and extrinsic reward mechanism**

Indicator	Factor I	Factor II	Factor III
Reimbursement of paper publication fee	.874		
Encashment of Leave	.843		
Promotion Via Grade change	.830		
Bonus Payment	.825		
Medical Reimbursement	.790		
Pay Scale Increment	.751		
I am motivated to Publish an Article every year		.908	
I aim at improving students results		.908	
I work on the Students Feedback		.869	
My performance is linked to organization Grade		.792	
I Take extra classes for the benefit of Students & organization		.720	
Challenging work inclusive of Admin Work			.881
Staff Achievement Bulletin			.785
Autonomy to set Syllabus			.779
Infrastructure Facility			.762
% Variance	32.709	24.362	14.272
Eigen Value	4.906	3.654	2.141
KMO		.768	
Bartlett's Test of Sphericity		0.000HS	

As there are fifteen indicators shown in above table no.6 . An attempt was made to factorize these fifteen indicators as primary, secondary, and tertiary factors. This factor analysis was executed using the principle component method and Varimax with Kaiser Normalization. Analysis shows that sample adequacy criteria (KMO = .768 which is >0.05) and Sphericity Criteria (p=0.000 which is highly significant) was achieved. The analysis resulted in 3 factors explaining the 32.709 per cent, 24.362 per cent and 14.272 per cent variance with total variance of 71.343 per cent. The primary factor consists of six indicators namely; Reimbursement of a paper publication fee (with a factor loading of .874), Encashment of Leave (with a factor loading of .843), Promotion via Grade change (with a factor loading of .830), Bonus Payment (with a factor loading of .825), Medical Reimbursement (with a factor loading of .790) and Pay Scale Increment (with a factor loading of .751) which explains the variation of 32.709 per cent. The secondary factor consists of five indicators namely; I am motivated to publish an Article every year (with a factor loading of .908), I aim at improving students' results (with a factor loading of .908), and I work on the Students Feedback (with a factor loading of .869), My performance is linked to organization Grade (with a factor loading of .792) and I Take extra classes for the benefit of Students & organization (with a factor loading of .720) which explains the variation of 24.362 per cent and finally the tertiary factor which consists of Challenging work inclusive of Admin Work, Staff Achievement Bulletin, Autonomy to set Syllabus and Infrastructure Facility with factor loadings of 0.881, 0.785, 0.779 and 0.762 respectively which explains the variation of 14.272 per cent.

**V. CONCLUSION**

For a sustained and workable motivation, it is important to place some important valiant rewards which are more equitable and fair. In the null set, the above data clearly infers that the individual reward mechanisms do not have a strong bearing on Employee motivation. This means if only intrinsic reward is introduced in the system this will not be sufficient in gaining the required result on Employee motivation. On another hand, if the institution applies only extrinsic rewards still the employee motivation goal cannot be achieved. Hence it is necessary to have a combination of intrinsic and extrinsic rewards to achieve employee motivation.

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