

**THE EFFECT OF INTRINSIC AND EXTRINSIC MOTIVATION ON EMPLOYEE
PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES**

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**UGANDA CHRISTIAN
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DECLARATION

I Ingabat William declare that this dissertation submitted in part completion of the award of Bachelors of Human resource management is entirely my own work and all sources have been accredited in the text and references.

Signed.......... Date.....15th 04, 2026.....

APPROVAL

This research report has been prepared under my supervision and submitted to the faculty of business.

business.

Sign:  Date: 15/4/2026

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ABSTRACT

This study examined the effect of intrinsic and extrinsic motivation on employee performance in SMEs in Kampala City. Using a mixed-methods approach, data were collected from employees and managers through questionnaires and interviews.

The findings revealed that intrinsic motivation such as job satisfaction and personal growth and extrinsic motivation such as salary and rewards both positively influence employee performance. However, a combination of the two was found to produce the best results. The study concludes that effective motivation strategies are essential for improving employee performance and recommends that SME managers balance both intrinsic and extrinsic motivators.

CHAPTER ONE

1.1 Introduction

It goes without saying that employee motivation continues to play an extremely important role in ensuring the prosperity of organizations, especially for SMEs in which human capital serves as their major competitive advantage. In fact, the differentiation between intrinsic and extrinsic motivation has recently attracted much interest from organizational behavior researchers. Both intrinsic and extrinsic rewards have been recognized as a major source of motivation for the employees, since motivation brings about immediate performance and productivity. Based on the Self-Determination Theory, motivation may be divided into intrinsic motivation that comes from enjoyment of the process itself and extrinsic motivation stimulated by external factors. This research seeks to analyze the effect of both forms of motivation on the performance of employees in SMEs.

The connection between the level of motivation among workers and the performance of their duties has long been known to be one of the essential elements of organizational success, especially in Small and Medium Enterprises (SMEs), where human resources are regarded as the primary source of organizational strength. This study will explore how intrinsic and extrinsic motivation impacts the performance of employees in SMEs in Kampala City, Uganda.

As an example of human psychology, motivation is viewed as the main force behind human actions and decisions in the organizational environment. Numerous studies have established that both intrinsic and extrinsic benefits serve as the major incentives for workers to be motivated. Therefore, when people are motivated, they exhibit improved performance levels, as the outcome of motivation is instant performance and productivity since workers become self-motivated.

1.2 Background of the Study

1.2.1 Historical Background

Historically, the subject of employee motivation can be traced back to the 20th century when scientific management was discovered. The approach of Frederick Taylor from the 1900s stressed the importance of material incentives in motivating employees, and this became the basis for the

theory of extrinsic motivation (Taylor, 1911, p.36-45). It was not until the Hawthorne studies of the 1920s and 1930s where human behavior in an organization was studied and human and social needs were considered to be important factors in workplace motivation (Mayo, 1933, p.67-89).

The period after World War II saw many advances in motivation theories including

One of these developments was the hierarchy of needs theory of Abraham Maslow (1943), which showed that the motivation for a person includes not only physical needs and needs for safety but also social needs, esteem needs, and needs for self-realization (Maslow, 1943, p.370-396). Moreover, besides the theory of extrinsic motivation, the above mentioned development contributed to understanding intrinsic motivation.

Theory X and Theory Y (1960) proposed by Douglas McGregor also is one of the major developments in the theories of motivation. It explains that managers' assumptions about their workers' needs influence their productivity.

With the development of cognitive evaluation theory and self-determination theory, the next step in the history of motivation theories was taken during the 1970s, as the issue of intrinsic versus extrinsic motivation emerged.

In fact, the groundbreaking researches done by Edward Deci found out that the extrinsic motivation might undermine intrinsic motivation under certain conditions. Hence, not all extrinsically motivated behaviors are effective.

The problem of motivation of employees is very complicated concerning organizations founded in Africa due to numerous reasons.

First of all, the specific socio-cultural environment has created some distinctive characteristics of using motivation theories in practice. For instance, the post-colonial states of Africa, which have started developing their identities at the end of the 1960s and during the 1970s, have created a lot of small businesses and SMEs. It was necessary to examine the connection between motivation and performance.

As noted in the research carried out by Blunt and Jones, some specific aspects of the African management system can be traced regarding motivation, such as family duties, the decision-making process, and authority veneration (Blunt & Jones, 1986, pp. 73-94). As a result, a specific motivational framework has emerged based on the dictomony

The structural adjustment programs of the 1980s and 1990s played a great impact on African SMEs, as African SMEs were experiencing the constraint of resources that made it hard for them to motivate their employees through extrinsic motivators. The African SMEs had to look for other ways of motivation through using intrinsic motivators such as job satisfaction. According to Kamoche (2000), researches carried out showed that African SMEs used a combination of intrinsic and extrinsic motivators in the motivation of their workers. The extrinsic motivators used by the SMEs were not strong while the intrinsic ones were very strong (Kamoche, 2000, p.146-167).

Employee motivation has become one of the most widely researched topics in the twenty-first century with regard to the contributions made by the African SMEs to economic growth and development. Motivated employees in Africa play a big role in ensuring that there is increased production in organizations. Motivated employees have also been shown to help reduce absenteeism and ensure customer satisfaction in their organizations. The development of technologically based SMEs in Africa has brought new motivational challenges among the educated young Africans.

1.2.2 Theoretical Background

Development of conceptual understanding of motivation is associated with different levels and therefore it is an important factor that contributes to our current knowledge of the relationship between intrinsic and extrinsic factors that influence performance. Motivation Hierarchy Theory introduced by Maslow in 1943 defined the framework through which motivation would be viewed as a process whereby more complex needs would be gradually satisfied, from the basic physiological to self-actualization (Maslow, 1943, p.370-396). Thus, motivation became a multi-dimensional construct where individuals would have varied sources of motivation based on the level of need satisfaction.

Theory of Two Factors introduced by Herzberg in 1959 created the important distinction between hygiene factors and motivators. It also indicated that satisfaction and dissatisfaction at work were not opposing factors but rather independent constructs (Herzberg et al., 1959, p.113-139).

Self-Determination Theory (SDT) has emerged as the most prominent framework within which the concept of intrinsic and extrinsic motivation can be understood. As per this theory, motivation can be broadly categorized as intrinsic motivation (motivation arising out of interest and enjoyment) and extrinsic motivation (motivation due to external factors). SDT stresses the importance of satisfying three basic needs: autonomy, competence, and relatedness (Deci & Ryan, 1985, p.11-40).

Management theories in Uganda have evolved as a result of blending traditional and modern governance concepts. A consultative leadership approach, based on the traditional governance practices followed in the Buganda Kingdom, has been modified to be applicable in the contemporary organizational settings by Muhwezi (2003). Muhwezi successfully proves that this theoretical framework can be used to create motivational environments where there is respect for authority and participative decision-making (Muhwezi, 2003, p.178-201).

1.2.3 Conceptual Background

From a purely dichotomized view of intrinsic vs. extrinsic motivation, there have been developments towards a much more complicated multi-dimensional perspective on the phenomenon. For example, the conceptual framework of self-determination theory created by Ryan and Deci (2000) describes various types of extrinsic motivations starting with external regulation (entirely external incentives and disincentives) and ending with integrated regulation (external motives that become congruent with the individual's own set of values), and intrinsic motivation being involvement in actions simply because it is enjoyable (Ryan & Deci, 2000, p.54-67).

Concepts such as motivational crowding introduced by Frey and Jegen (2001) provide an insightful understanding of how certain factors may affect other motivational drivers (Frey & Jegen, 2001,

p.589-611). In particular, it explains why extrinsic motivators might hinder intrinsic motivation in some cases.

The flow theory, advanced by Csikszentmihalyi (1990), is a way of describing intrinsic motivation through the idea of optimal experience where there is full concentration on actions performed (Csikszentmihalyi, 1990, p.71-93). Flow theories have been used in workplace settings to understand how job and management designs influence the creation of flow in order to enhance intrinsic motivation.

Intrinsic motivation models in East Africa include concepts such as entrepreneurship motivation and optimization of resources. The concept of innovation-related motivation that has been invented by regional researchers emphasizes how the motivation of employees stems from the development of innovations aimed at solving business problems due to scarce resources available (Wanjiku et al., 2017, p.134-156).

The seasonal patterns of motivation concept, which is useful for the analysis of agrarian economies, explains changes in motivational needs and effectiveness of motivation due to the presence of seasonal and cyclical patterns in businesses (Mutindi et al., 2020, p.189-207).

1.2.4 Contextual Background

SMEs in Africa operate under difficult economic conditions, which include limited infrastructural development, regulatory challenges, and limited access to finance. As such, motivation among the staff of these businesses takes on unique dimensions, such as security being more important than growth and promotion. Various studies in several African nations have found that effective SMEs adopt hybrid forms of motivation that leverage existing extrinsic motivators and robust intrinsic motivators (Kamoche, 2000, p.189-211).

The informal aspect of most African SMEs allows for custom-made motivational programs; however, there is the challenge associated with adopting a systematic process of managing employee performance. Cultural issues, especially regarding family commitments and social norms, play a huge role in the effectiveness of different motivational schemes.

While East African SMEs gain from the processes of regional integration, they have unique challenges, such as cross-border competition and varying regulation regimes. Moreover, the young and increasingly educated generation in East Africa presents new motivational needs as compared to the past generations (Mwangi & Namusonge, 2014, p.178-195).

The development of mobile technology has provided new avenues for motivating employees intrinsically and extrinsically within SMEs in East Africa. Through the use of mobile payment systems, SMEs can offer flexible incentive schemes. Access to ICT offers chances to motivate employees intrinsically via learning and development (Mutindi et al., 2020, p.234-251).

SMEs in Uganda function in a positive policy framework. Various government policies exist with the intention of enhancing small businesses using various incentives. Most SMEs in Uganda experience motivational issues associated with resource constraints and stiff competition for talent. Recent research in Kampala City has been centered on the connection between the managerial competency level and firm performance in relation to motivating SMEs.

Being one of the major business centers in Uganda, Kampala City has a distinctive situation due to its diversified economy, educated population, and geographical position.

Small businesses in the city work in many industries such as agricultural processing, trade, manufacturing, and service. Therefore, different contexts may appear in relation to the relationship between the motivational aspects of employees and their performance. The local culture has great influence on employee motivation. In the area, a lot of enterprises and organizations are controlled by the representatives of Banyankole people, who value cows and trade.

1.3 Problem statement

In an ideal organizational environment, employees should be well-motivated through a proper balance of both internal and external incentives that coincide with their values and interests. There is evidence that employees perform at the highest level of efficiency in terms of their productivity and effectiveness if they have a high level of satisfaction from intrinsic and extrinsic motivations (Herzberg & Morrison, 2023, p. 123-145). Organizations need to keep up a system of employee

engagement, creativity, and commitment for ensuring sustained performance in business enterprises (Ryan & Deci, 2024, p. 234-256).

Based on the Bible, one should find work enjoyable and fulfilling, as indicated in Ecclesiastes 3:13 that says, "That every man should eat and drink, and enjoy the good of all his labour, it is the gift of God." Moreover, in Colossians 3:23, one finds encouragement for working heartily, "And whatsoever ye do, do it heartily, as to the Lord, and not unto men." This indicates that ideally, a motivating work environment should offer satisfaction as well as recognition.

Nonetheless, the current status of many SMEs has revealed a lot of loopholes existing in the motivation-performance relationship, whereby many firms encounter challenges in the area of poor employee performance, turnovers, and lowered productivity owing to the lack of knowledge on how to motivate employees. Most workers feel unmotivated because they experience over-motivation through extrinsic means without being satisfied intrinsically or getting proper recognition for their hard work.

In case this issue is left unattended, there will be a number of issues that will continue affecting SMEs such as lack of competitiveness, loss of talent, less innovation, and eventually, business collapse. These implications have both economic and social consequences not only for the affected organizations but also for the country's economic development. It is crucial for a researcher like myself to explore the consequences of intrinsic and extrinsic motivations on employee performances in SMEs in order to offer relevant solutions that will improve the performance of these organizations.

1.4 Purpose of the study

The main objective of this study is to explore the effect of intrinsic and extrinsic motivations on employee performance in small and medium enterprises.

1.5 Objectives of the study

1. To assess the effect of intrinsic motivation on employee performance in small and medium enterprises.

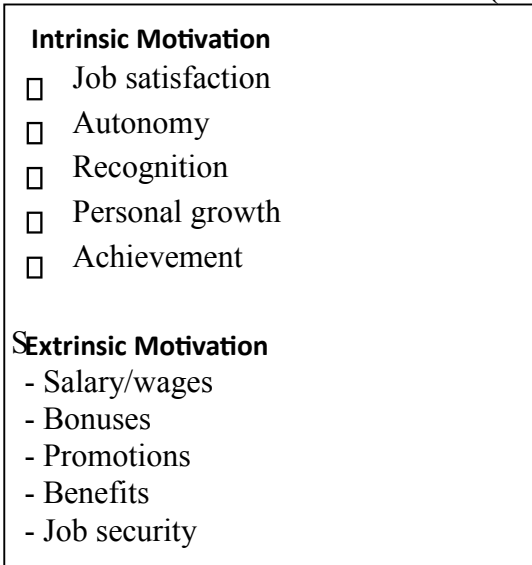
2. To examine the influence of extrinsic motivation on employee performance in small and medium enterprises.
3. To determine the relationship between intrinsic motivation, extrinsic motivation, and employee performance in small and medium enterprises.

1.6 Research questions

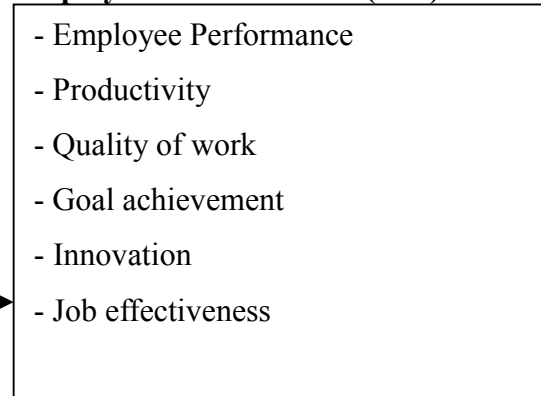
1. What is the effect of intrinsic motivation on employee performance in small and medium enterprises?
2. How does extrinsic motivation influence employee performance in small and medium enterprises?
3. What is the relationship between intrinsic motivation, extrinsic motivation, and employee performance in small and medium enterprises?

1.7 Conceptual Framework

Extrinsic and Intrinsic Motivation (I.V)



Employees' Performance (D.V)



1.8 Justification of the study

The reason behind conducting this study emanates from the fact that SMEs form an integral part of the economic development of Uganda, as well as the increasing realization that employee

motivation plays a crucial role in the success of such companies. Notwithstanding the pivotal role played by small firms in job creation and the economy at large, not much work has been done regarding the impact of various motivational types on employee performance.

This study is highly relevant at this time because of changes witnessed in the working environment due to the COVID-19 pandemic. This has affected the motivations of employees in the workplace. Small businesses, owing to their limited capacity, require practical ways to ensure effective motivational methods that will allow them to rival large organizations.

In addition, the study bridges the existing knowledge gap concerning motivation theories as far as local circumstances are concerned.

1.9 Significance of the study

The current research will make substantial contributions to knowledge regarding the relationship between motivation and performance not only theoretically but practically. First, the theoretical contribution will be realized through the provision of empirical information about the applicability of motivation theories like Self-Determination Theory in SMEs. In other words, the research will fill the gap between well-known motivation theories and their practical implementation.

From the practical perspective, the study will give managers in SMEs an opportunity to use the results and develop effective yet inexpensive motivational tools to improve workers' performance in such environments. Moreover, policy makers will gain insights concerning how certain motivational factors affect SMEs' performance and what measures should be taken to increase this performance. Lastly, employees will receive information concerning motivational factors that could potentially improve their performance and career prospects.

Academic scholars could also find this study useful for their own academic research.

1.10 Scope of the study

1.10.1 Content Scope

For this study, the scope will be limited only to the discussion of intrinsic (job satisfaction, autonomy, recognition, and personal growth) and extrinsic (salary, bonus, promotion, and benefits) motivations along with the corresponding employee performance (productivity, quality of work, goal achievement, and innovation) in the context of small and medium-sized enterprises.

1.10.2 Geographic Scope

The research will be carried out in Kampala City which is located in central Uganda, and specifically focuses on small and medium enterprises which have their registration within the metropolitan area. Kampala was selected because of its diversity of small and medium enterprises across different sectors of the economy.

1.10.3 Time Scope

The time scope covered in this study spans from 2010 to 2024.

1.11 Operational Definitions

Intrinsic Motivation

According to Ryan and Deci (2000, p.56), intrinsic motivation involves an inherent tendency towards novel and challenging stimuli, as well as activities aimed at extending and exercising capabilities, exploring, and learning, all motivated by the inherent satisfaction associated with the engagement in the task. In this study, intrinsic motivation implies the drive of employees to perform well out of personal satisfaction, feelings of accomplishment, enjoyment of the job itself, and self-development.

Extrinsic Motivation

Extrinsic motivation is a term that can be described as behavior motivated by external rewards or consequences, not intrinsic satisfaction with the behavior, according to Deci & Ryan (1985, p.32). In the current research, extrinsic motivation will include all external motivational factors that motivate SME employee performance in Kampala City such as money, bonuses, promotions, award recognition, benefits, among other incentives offered by the employers.

Employee Performance

The definition by Rotundo & Sackett (2002, p.66) explains that employee performance is the cumulative value to the organization of discrete behavioral episodes executed by the employee over a predetermined period of time. As used in this research, employee performance will encompass the behavior and outcomes of employees in SME organizations in Kampala City. This will include task performance, contextual performance, and the lack of counterproductive work behaviors among others.

Small and Medium Enterprises (SMEs)

According to the Uganda Bureau of Statistics (2020, p.45), the definition of SMEs includes organizations whose number of employees range from 5 to 100 while their annual income ranges from UGX 10 million to UGX 360 million for small enterprises. On the other hand, medium enterprises have between 50 and 100 employees, and annual income of between UGX 1.5 billion

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This study reviewed the literature related to intrinsic and extrinsic motivation and employee performance. The review is done in accordance with the objectives of study in line with the works of other related scholars.

2.2 Theoretical Review

This research work will be based on the Self-Determination Theory (SDT) formulated by Deci and Ryan (1985). This theory offers a complete approach toward comprehending the human motivation process and its consequences on performance results. As per SDT, the motivation process takes place on a continuum from amotivation, extrinsic motivation to intrinsic motivation, whereby all these forms have distinct features and influence differently on individuals' performance and wellbeing (Ryan & Deci, 2000). The basic assumption underlying SDT is that people have three basic psychological needs, namely autonomy, competence, and relatedness, whose fulfillment is important for effective motivation and performance (Deci & Ryan, 2008).

There are two major classes of motivations included under this theory, which include intrinsic motivation that entails involvement in activities for personal satisfaction and enjoyment, and extrinsic motivation where people participate in tasks with the intention of getting separated outcomes like rewards and avoiding punishment (Gagné & Deci, 2005). The validity of SDT has been tested in a number of organizations and cultures, and its positive relationship has been found with employees' performance variables such as productivity, job satisfaction, creativity, and organizational commitment (Cerasoli et al., 2014).

In relation to SMEs, the SDT concept is highly significant in the sense that the businesses operate under resource constraints which demand that the motivation of their employees be managed in such a manner that will at once ensure sustained performance through the application of extrinsic motivation strategies while engaging the employees and inspiring commitment through intrinsic

motivation (Kuvaas et al., 2017). As a result of its comprehensiveness, SDT provides an opportunity to analyze the effect of varied motivational factors on certain aspects of employee performance.

2.3 Conceptual Review

2.3.1 Employee Motivation (Independent Variable)

Intrinsic Motivation

Intrinsic motivation refers to the process whereby people undertake certain actions because of the enjoyment, pleasure, and interest associated with the action itself, not separate outcomes (Ryan & Deci, 2000). In recent times, the concept of intrinsic motivation has attracted considerable research interest in the organizational domain based on its effectiveness in boosting employee performance in different organizations, especially small and medium enterprises where employee involvement and commitment are highly valued (Manzoor et al., 2021). Employees who are intrinsically motivated find their work enjoyable and fulfilling; hence, they exhibit increased levels of creativity, perseverance, and work output without relying on external rewards (Kuvaas et al., 2017). Researchers have found that intrinsic motivation positively correlates with several employee performance measures such as productivity, innovativeness, problem-solving ability, and organizational citizenship behavior, with stronger impacts in SMEs where personal achievement prospects exist (Waheed et al., 2018). There are four main components involved in the measurement of intrinsic motivation, which reflect an individual's intrinsic drive towards engaging in work activities: task enjoyment, intrinsic interest, competence satisfaction, and autonomous involvement (Gagné & Deci, 2005).

Task Enjoyment

Task enjoyment can be defined as the level at which the employees derive pleasure while engaging in various tasks and enjoy doing their work (Fisher, 2010). Employees who experience task enjoyment tend to engage in high levels of engagement in their jobs, persist in their tasks due to the high levels of motivation that comes from deriving pleasure from the work and exhibit creative behavior (Bakker & Demerouti, 2008). Various studies have shown that task enjoyment has a direct

influence on the performance of employees in that it promotes absorption, reduces the effort required in completing a task, and increases the efficiency in completing the task (Vansteenkiste et al., 2007). Task enjoyment assumes more significance within the context of SMEs because of the limited number of prospects for career advancement and, therefore, makes the internal incentives associated with work more relevant for motivating employees (Kiprotich et al., 2015). Task enjoyment plays a vital role in ensuring that employees in SMEs perform their work with high quality and innovate effectively (Munene et al., 2021).

Inherent Interest

Inherent interest includes employees' interest in and passion for their work tasks, and engaging in mentally engaging activities (Silvia, 2008). Employees who possess high inherent interest allocate mental effort to their work, show initiative to gain knowledge on their activities, and exhibit behaviors associated with self-directed learning skills (Reeve, 2012). Various studies show robust positive correlations between inherent interest and employee performance results. Interested employees perform better in terms of higher engagement, effective problem solving, and improved acquisition of knowledge (Hidi & Renninger, 2006). In SMEs working in developing nations, inherent interest acts as an essential tool for compensating for insufficient budget allocated to training through self-directed learning skills (Mayanja & Tibaingana, 2014). Recently carried out research on SMEs in Uganda reveals that employees showing high levels of inherent interest in their work perform better than their colleagues (Nabukeera & Mutebi, 2020).

Extrinsic motivation

Extrinsic motivation refers to the motivational condition where people perform actions to receive detachable outcomes in terms of reward, recognition, promotions, or to avoid punishment or criticism (Ryan & Deci, 2000). While intrinsic motivation is more concerned with enjoyment, extrinsic motivation highlights the utility-based reason why people engage in work actions (Gagné & Deci, 2005). Numerous empirical studies have confirmed that properly designed and well-tuned reward schemes based on extrinsic motivation have a positive impact on work performance especially in repetitive work actions for many SMEs where consistency in executing fundamental operations is essential (Cerasoli et al., 2014). In other words, extrinsic motivation is multi-dimensional and can refer to two types of control over behavior; namely, external regulation which

refers to action performed out of receiving some form of external reward or punishment, and introjected regulation referring to behavior based on internal pressure like ego protection or guilt avoidance (Deci & Ryan, 2008). Although intrinsic motivation is usually better at improving performance for creative and demanding actions, extrinsic motivation still plays an important role in setting performance expectations and being accountable, especially when working in tandem with intrinsic motivation (Kuvaas et al., 2017).

Financial rewards

Financial incentives include monetary incentives such as salary, bonuses, commissions, and other payments offered as an incentive based on the attainment of performance targets (Gerhart & Fang, 2015). Financial incentive programs offer the best motivational system since they create instrumental relationships, where individuals perceive that good performance is directly related to money, thus reducing uncertainty and motivating individuals using expectancy theory principles (Vroom, 1964). Studies show that financial incentives are positively correlated with performance outcomes like productivity, sales targets, and objectives attainment, mediated through instrumentality perceptions and reward system fairness (Jenkins et al., 1998). In SME settings, where opportunities for professional development may be scarce, financial incentives constitute tangible recognition of individual contribution and the main attraction and retention strategies

(Bushe, 2012). Studies from SMEs in developing nations confirm that financial reward schemes can be effective if administered consistently, equitably, and aligned with the financial demands of employees; otherwise, ill-conceived programs can demotivate individuals (Ssozi & Asongu, 2016).

Recognition and praise

Recognition and praise denote the non-monetary forms of appreciation of the contribution, success, and behavior of an employee through verbal appreciation, acknowledgment, awards, or any form of symbolism (Stajkovic & Luthans, 2003). These are some of the means used by management to motivate workers as they meet the esteem needs of the workers (Maslow, 1943). Numerous research findings prove that recognition and praise improve employee performance by providing high perceived value and organizational identity. Recognition and praise can be applied in small organizations as motivational strategies since they do not require monetary costs, yet they enhance

employee performance and loyalty (Cardon & Stevens, 2004). From the studies carried out within African organizations, it is evident that recognition practices have cultural relevance whereby communal celebration plays a significant role (Munene et al., 2000).

Performance-based incentives

Performance-based incentives comprise variable compensation or rewards that are linked to achieving certain performance metrics, objectives, or results (Gerhart & Rynes, 2003). Performance-based incentive programs establish powerful instrumental relationships between efforts and rewards, thus resulting in high motivational effects if workers perceive rewards as achievable and desirable (Lazear, 2000). Empirical research reveals inconsistent results about the effectiveness of incentive programs, showing the positive impact of incentives on performance under routine and measurable activities and their possible adverse consequences for intrinsic motivation, creativity, and collaboration among individuals in performing challenging tasks (Cerasoli et al., 2014). For SMEs with constrained managerial capabilities, performance-based incentives serve as an effective performance assessment method and help coordinate workers' interests with the organization's objectives (Nyambegera, 2002). The empirical evidence drawn from studies conducted in East African SMEs suggests that the effectiveness of incentive schemes depends on the applicability of chosen metrics, timeliness of payments, and workers' perceptions of measurement accuracy; inadequate incentive programs result in opportunistic behavior (Kinicki et al., 2013).

2.3.2 Employee performance (Dependent Variable)

Employee performance refers to the sum of the expected benefits to an organization of distinct behavioral episodes performed by employees within a set time frame. This is made up of two types of behavior; task performance, which is linked to performing tasks as part of the job description, and contextual performance, which relates to discretionary actions that facilitate organizational processes (Motowidlo & Kell, 2012). In SMEs, the role of employee performance becomes highly significant since each employee contributes directly to organizational success and the consequences of differences in performance tend to be more pronounced compared to large organizations because the performance level of many employees is aggregated (Cardon & Stevens,

2004). Modern models of employee performance recognize various dimensions of performance such as productivity, quality, innovativeness, and adaptability. These models recognize the fact that performance requires much more than just doing the job and involve complex behaviors that contribute to organizational objectives (Koopmans et al., 2011). Studies have shown that motivation styles affect employee performance in various ways such as effort intensity, persistence, resource allocation, and strategy formation (Locke & Latham, 2004).

Productivity

Productivity is the measure of how efficiently workers can complete assigned tasks and their rate of output, usually expressed as the amount of output produced relative to the amount of inputs used during the same period of time (Sharma & Sharma, 2014). Productivity of workers is a key aspect of performance for SMEs working under scarce resources because maximum utilization of human resources results in increased profits and competitive advantage (Gul et al., 2012). The literature suggests that both intrinsic and extrinsic factors of motivation can have an impact on productivity through various ways, such as increasing efforts, skills, resources utilization, and minimizing wastage of time (Chirkov et al., 2003). Intrinsic factors motivate employees towards engagement and expenditure of effort voluntarily, whereas extrinsic factors motivate them through performance criteria and rewards (Cerasoli et al., 2014). Empirical studies conducted on SMEs in developing nations have found that productivity gains from motivation sources can be achieved not only by increasing efforts but also by concentrating more on work and improving their techniques (Katua et al., 2014).

Quality of work

Quality of work refers to the extent to which the output of employees complies with predetermined standards, satisfies customer demands, and incorporates accuracy, thoroughness, and meticulousness in performing tasks (Campbell et al., 1993). Within modern competitive scenarios, quality has become an important performance dimension that demarcates the successful organization from its less fortunate counterparts, with employee adherence to quality standards contributing to customer satisfaction, reputation, and customer loyalty (Yusr et al., 2012). Motivation impacts work quality in several ways, such as attention allocation, error prevention, continuous improvement orientation, and pride in work results (Shalley et al., 2004). It is well

established that intrinsic motivation leads to positive quality outcomes by cultivating employees' quality consciousness, promoting thoroughness, and inspiring them to take pride in creating high-quality work products, whereas extrinsic motivation helps through quality monitoring and quality-based incentives (Grant, 2008). Several empirical investigations carried out among service and manufacturing SMEs reveal that motivational focus on quality greatly influences customer satisfaction and organizational performance, the effect being partly mediated by quality orientation among employees and within organizations (Kassim & Sulaiman, 2011).

Job satisfaction

Job satisfaction can be defined as an employee's affective and cognitive assessment of his/her job, which is characterized by how well job experiences meet significant job-related values and satisfy psychological needs (Locke, 1976). Job satisfaction has been found to have a number of positive effects on organizations, such as low rates of staff turnover, reduced absenteeism, organizational citizenship behavior, and high-quality customer services, among others, and, therefore, is considered a desirable performance measure, especially in SMEs where it is vital to retain employees (Saari & Judge, 2004). Motivation plays a crucial role in influencing job satisfaction via need satisfaction, goal attainment, perceived justice, and work meaning, among other mechanisms (Judge et al., 2001). The intrinsic form of motivation has repeatedly demonstrated significant correlations with job satisfaction due to the effect of work meaning, need satisfaction, and congruence between values and job content (Van den Broeck et al., 2016). It has been found in African SMEs that job satisfaction partly mediates the relationship between various types of motivation and performance indicators (Ssesanga & Garrett, 2005).

Employee commitment

Commitment amongst employees is made up of the psychological links that bind employees to their organization, which include affective commitment representing the level of emotional link, continuance commitment based on cost perceptions, and normative commitment based on employees' feeling of obligations (Meyer & Allen, 1991). The committed employee displays less likelihood of resigning from their duties, high performance, and engagement in extra-role activities aimed at helping the firm operate efficiently (Mowday et al., 2013). Motivation positively influences commitment through the satisfaction of needs, the level of organizational support

provided, value congruence, meaningful tasks, and developmental opportunities provided to employees (Meyer et al., 2004). It is demonstrated that intrinsic motivation leads to improved affective commitment due to the formation of emotions, sense of meaning at work, and identification with job activities, whereas extrinsic motivation results in continuance commitment through the development of exchange relationship and investment accumulation (Gagné et al., 2010). The literature review reveals that committed employees are key assets in SMEs since they offer stability, institutional knowledge, and representation of the organization despite having fewer resources to develop other organizational systems (Munene et al., 2021).

Innovation

Innovation in the context of employee performance can be defined as the development, promotion, and implementation of new ideas regarding products, services, processes, and job practices to enhance organizational efficiency (Janssen, 2000). Innovation by employees is essential for the sustainability and development of small and medium-sized enterprises operating in highly competitive markets. Innovation behaviors have been proven instrumental in the adaptation of organizations to environmental changes, their differentiation from competing firms, and leveraging new market opportunities (Anderson et al., 2014). Motivation plays a considerable role in influencing innovation through several channels such as creative activity, intellectual risks, idea discovery, resilience to setbacks, and effort in implementing innovations (Amabile, 1996). While intrinsic motivation proves to have powerful positive correlations with innovation behavior, extrinsic motivation may exhibit more complex associations that are detrimental to creativity in specific contexts (Zhang & Bartol, 2010). Studies conducted among small and medium-sized enterprises in Africa found that innovation effectiveness was associated not only with idea generation but also with its implementation and relied heavily on motivation (Boso et al., 2013).

2.4 Review according to Objectives

2.4.1 Intrinsic Motivation and Employee Performance

Intrinsic motivation greatly affects performance through different psychological and behavioral processes. A meta-analysis was carried out by Cerasoli et al. (2014, p. 980-1008) using 145

empirical studies on more than 212,000 subjects, and a significant positive association ($r = 0.38$, $p < 0.01$) between intrinsic motivation and performance outcomes was discovered. In the analysis, it is shown that intrinsically motivated individuals increase their performance through involvement, creative solutions and willingness to exert effort that exceeds minimum requirements.

According to Ryan & Deci (2000, p. 54-67), intrinsic motivation is able to provide better results because the three major psychological needs are satisfied. Firstly, autonomy satisfaction provides individuals with volitional feeling that inspires high-level performance. Secondly, competence satisfaction gives people feeling of effectiveness making them continue working on developing skills. Thirdly, relatedness satisfaction allows experiencing the feeling of belongingness increasing cooperative behavior.

Different international studies prove the connection between intrinsic motivation and performance of employees. In his longitudinal study with 153 telephone fundraisers, Grant (2008, p. 48-74) found that intrinsically motivated individuals performed 171% better than those who were extrinsically motivated. The study took into account many variables including personality traits and job features.

The study conducted by Kuvaas et al. (2017, p. 244-266) adopted a multi-wave design to investigate the influence of intrinsic motivation on employee performance. The longitudinal study involved 453 participants from 87 organizations, and it was established that intrinsic motivation positively influenced both task performance ($\beta = 0.31$, $p < 0.01$) and contextual performance ($\beta = 0.44$, $p < 0.01$). The positive relationship remained significant even when extrinsic motivation was controlled. These findings suggest that intrinsic motivation contributes uniquely to employee performance.

The effect of need satisfaction on performance was investigated by Van den Broeck et al. (2016, p. 1195-1210). This study analyzed 99 studies and concluded that the satisfaction of autonomy, competence, and relatedness needs, which are the basis for intrinsic motivation, has a positive impact on performance measures such as productivity, quality, and innovation. The strongest effects were observed in complicated and innovative situations.

Cross-cultural research is necessary to understand the implications of intrinsic motivation on performance. According to Chirkov et al. (2003, p. 97-110), intrinsic motivation influences performance differently in individualistic and collectivistic societies. However, intrinsic motivation enhances performance in both cultures when autonomy support is culturally appropriate. Specifically, relational autonomy plays an important role in African cultures.

Special attention was paid to research on intrinsic motivation-performance in the area of small and medium-sized enterprises. Gorgievski et al. (2010, p. 1011-1030) explored the connection between intrinsic motivation and performance of SME employees in several countries, finding that intrinsic motivation impacts performance more strongly in smaller companies because of the task variety, closer relationship with the owner, and higher visibility of the contribution made by employees.

Manzoor et al. (2021, p. 35-48) studied intrinsic motivation of SME employees in different industries, showing that intrinsically motivated behavior had a better effect on innovative and quality performance rather than routine productivity of employees in SMEs. Thus, the study shows that smaller enterprises can make good use of creative potential of employees.

Studies exploring the role of intrinsic motivation in Africa found the importance of cultural adaptations for effective application of intrinsic motivation. According to Munene et al. (2021, p. 156-178), the approach to intrinsic motivation in Ugandan enterprises, which focuses on achieving success as a community and improving group competence, has proven to be more effective than the approach based on Western concepts of individual success.

Ssesanga and Garrett (2005, p. 235-247) conducted research in Ugandan universities, reporting significant positive correlations between intrinsic motivation and performance outcomes including work quality ($r = 0.61$), creativity ($r = 0.58$), and organizational citizenship ($r = 0.54$). The study demonstrates that intrinsic motivation principles can be effectively applied in African organizational contexts when aligned with cultural values.

2.4.2 Extrinsic Motivation and Employee Performance

Intrinsic motivation impacts the level of employee performance based on the use of incentive mechanisms, recognition, and promotions that relate performance to desired outcomes. Cerasoli

et al. (2014, p. 980-1008) performed a detailed meta-analysis on extrinsic motivations impact on employees' productivity showing that there is positive association between performance and salience of rewards, meaning how visible the rewards are and their direct relation to performance ($r = 0.27$, $p < 0.01$).

In Jenkins et al.'s (1998, p. 777-787) meta-analysis on financial incentives effect on performance, the researchers found out that monetary incentives boost the amount of performance by 23%, while they have no effect on quality of performance and creativity. It is clear from the analysis that there are great variations in the effectiveness of extrinsic motivations on performance based on the type of the task.

Research proves that the efficiency of extrinsic motivation depends greatly on its design and implementation aspects. Thus, according to Gerhart and Fang (2015, p. 489-503), the effectiveness of extrinsic motivation increases employees' performance when there are clear pay-performance links, rewards are considered as fair, and the measuring system is efficient. However, ill-conceived incentive systems could lower intrinsic motivation and reduce performance.

Stajkovic and Luthans (2003, p. 155-169) studied the effect of social recognition and praise on performance, proving that social recognition programs raised performance by an average of 17%, and the effect depended greatly on the specificity of recognition and alignment with employee values. The research shows that extrinsic motivation can increase performance even when monetary incentives are not used.

Dysvik and Kuvaas (2008, p. 127-138) did long-term research about the effect of career advancement opportunities on performance. The results of their survey showed that perceived career opportunities had strong correlations with increased performance ($\beta = 0.28$, $p < 0.01$). The effects depended on employees' organizational commitment and were moderated by intrinsic motivation level.

Nevertheless, extrinsic motivation is faced with certain limitations and possible dangers, according to research. For instance, Deci et al. (1999, p. 627-668) performed a meta-analysis of 128 studies evaluating the impact of tangible rewards on the intrinsic motivational drive, concluding that

expected external rewards for task involvement resulted in a considerable weakening of intrinsic motivation ($d = -0.36$) especially in case tasks were interesting at first.

Cross-cultural analysis has found that the effectiveness of extrinsic motivation depends on its culture-specific context to a great extent. In particular, Zoogah et al. (2015, p. 7-31) explored the topic of motivational techniques used in African companies, arriving at the conclusion that communal reward system proved superior to an individualized one in performance terms.

Research conducted in SME settings identified additional factors influencing extrinsic motivation design. Specifically, Bushe (2012, p. 121-134) analyzed financial reward schemes implemented in Zimbabwean SMEs. The analysis showed that they produced modest improvement in employee performance; however, their implementation encountered difficulties related to payment capacity inconsistencies.

According to Nyambegera (2002, p. 93-105), creative non-monetary reward systems such as flexible working conditions, public recognition and developmental activities proved to be effective motivators of employee performance in resource-constrained SMEs in Kenya. Thus, SMEs may rely on a broad range of extrinsic motivation tools other than money.

2.4.3 Motivation and performance improvement measures

The employment of job design measures seems to represent one of the most significant ways of improving employee motivation by means of providing motivating jobs. Hackman and Oldham (1976, p. 250-279) proposed the Job Characteristics model outlining the following job characteristics that stimulate employee motivation: skill variety, task identity, task significance, autonomy and feedback.

Studies confirm the positive impact of these jobs characteristics on employee motivation and performance. Morgeson and Humphrey (2006, p. 1321-1339) conducted a thorough analysis of literature and discovered that job enrichment which included several motivating job characteristics resulted in increased employee engagement and motivation.

Autonomy support represents a key approach to encouraging intrinsic motivation among individuals. According to Baard et al., (2004, p. 2045-2068), studies on autonomous support management in various companies showed that managers who offered choices, controlled less, and respected their employees' points of view greatly improved the levels of intrinsic motivation and performance.

Strategic approaches in reward system design help to make use of extrinsic motivation effectively. Bradler et al. (2016, p. 52-77) investigated the influence of public recognition on performance and found that the effectiveness of such systems which appreciated employees' effort and results in sincere manner contributed to improved performance.

Studies conducted by Gerhart & Rynes (2003, p. 135-194) explored the elements of an effective compensation system design to encourage extrinsic motivation and included specific performance indicators, rewards timing, rewards' fairness, their proper magnitude, and value fit for employees.

Feedback programs are important tools connecting motivation and performance outcomes. According to Ilgen et al. (1979, p. 349-367), the results of their study demonstrated that specific and credible feedback increases intrinsic and extrinsic motivation by setting the performance standard, providing confirmation of competencies, and guiding improvement initiatives.

Developments offer double motivational gains since they improve competence as well as indicate commitment of the organization. In their study on training and development programs, Dysvik & Kuvaas (2008, p. 127-138) have found that development activities positively influence both intrinsic motivation associated with increased competence and extrinsic motivation related to career development.

Interventions into organizational culture form motivating environments. Schneider et al. (2013, p. 361388) investigated organizational climate for service and determined that cultures focused on employee satisfaction, autonomy, and significance lead to high intrinsic motivation, while those that recognize performance and reward employees use extrinsic motivation.

Specific motivations in the context of small businesses must consider certain challenges and benefits inherent in such a setting. According to Cardon and Stevens (2004, p. 295-323), strategies

for managing employees at smaller firms included personal recognition focused on individual contribution, flexible work schedules allowing for employee independence, cross training creating skill diversity, and profit sharing. As a result, the study concluded that SMEs may use their strengths and motivate workers even more effectively than large bureaucratic organizations.

Motivation strategies involving information technology become more important. Brynjolfsson and McAfee (2014, p. 178-201) focus on using digital platforms to provide workers with performance feedback, use game elements and recognize them, which increases motivation due to real-time feedback, recognition systems, and motivational frameworks, especially suitable for young generations.

2.5 Summary of Literature Review

There are strong correlations in the literature regarding intrinsic and extrinsic motivation and job performance in various settings. Self-Determination Theory offers an extensive model for explaining these correlations, with ample proof backing up the theory's assertions, even among small and medium-sized enterprises (SMEs). It is noted that intrinsic motivation correlates strongly with performance qualities such as creativity and innovation. Extrinsic motivation, on the other hand, is effective in tasks that require routine and productivity. Nevertheless, more knowledge is needed concerning the correlation between different types of motivations and performance in African SMEs, such as those found in Kampala City.

This study attempts to fill these research gaps by examining the relationship between intrinsic and extrinsic motivations and employee performance factors in SMEs functioning in Kampala City, Uganda. Through this focus on a particular African SME context, the study brings a better understanding of the role of motivation in a resource-scarce and culturally unique situation, which can provide additional insight into the practice of managing motivation in such environments. Theoretically, the research adds value to the theory development in examining the applicability and relevance of applying Self-Determination Theory to the understudied African SME context. Empirically, the study offers valuable information for the practice of managing motivation at SMEs operating in similar conditions to guide managers in enhancing employee performance based on relevant motivational strategies. Moreover, the study fills in the methodological gap of examining the relationship between motivation and employee performance with the use of various employee

performance measures rather than just one measure. Finally, in examining the role of both intrinsic and extrinsic motivations simultaneously, the study provides valuable insights into the impact of each of these motivational factors on SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Research Design

In this study, the researchers used the mixed-method research design which is a combination of the use of qualitative and quantitative methodologies. This design provided both statistical analysis of relationships among the variables in the study and a more in-depth analysis of the phenomenon being investigated in the context of the research topic.

3.1 Area of Study

This study was conducted in the Kampala City, the capital city of Uganda. This is the central location for businesses since there are many small and medium enterprises in this region from different sectors including manufacturing, services, retail, technology, and tourism/hospitality. Kampala City was selected as the site for this research study because of the presence of many small-medium enterprises in the region.

3.2 Population of the Study

The research population consisted of all small-medium enterprises that were located in Kampala City together with their managers and employees from various sectors. According to statistics obtained from the Uganda Bureau of Statistics and the Kampala Capital City Authority (KCCA), the study population consists of about 6,500 SMEs with about 45,000 employees.

3.3 Sample Size

Using Krejcie and Morgan's (1970) sample size determination formula for finite populations, with a confidence level of 95% and margin of error of 5%, the sample sizes are determined as follows:

Table 3.1: Distribution of Sample Size

Category	Population	Sample Size
Supervisors	16	5
Employees	2000	373
Total	2016	378

For qualitative data, 30 key informants were purposively selected, including 15 business owners/managers and 15 employees from different sectors and organizational sizes.

3.4 Sampling Technique

Kothari (2013) states that this research used a multi-stage sampling technique. Firstly, the use of stratified sampling where SMEs will be classified based on their sectors (Retail trade, services, manufacturing, Technology and hospitality) and the size of the organization (Micro, small and medium size organizations). Secondly, the use of simple random sampling to select SMEs proportional to their size in the strata. Thirdly, systematic random sampling to choose employees within the selected companies. Lastly, the use of purposive sampling for qualitative Key Informants in order to include different motivation practices and performances.

3.5 Data Collection Methods and Tools

3.5.1 Interview Interviews

One of the best ways through which data can be collected using interviews with key players such as business owners for the purpose of learning about employee intrinsic and extrinsic motivations and their performance in Kampala City. A structured interview was conducted in which a set of questions was already known and had been developed in advance. These types of interviews make data gathering easier since a systematic method of collecting data is followed.

3.5.2 Questionnaire Method

Data from employees was collected using questionnaire administering questionnaires to both categories is an effective method for collecting quantitative data on the experiences and perceptions related to intrinsic and extrinsic motivation and employee performance in Kampala City.

3.6 Validation of Instruments/Tools

All instruments were validated through expert review and pilot testing with similar SMEs outside the study area.

3.7 Research Procedure

The research procedure entailed obtaining an introductory letter from the Dean of the School of Business, seeking support for the research. The procedure included selecting the enterprises to take part in the study, securing informed consent, conducting interviews and surveys, and precisely recording responses. This systematic approach was designed to guarantee the accuracy of the data collected. After this, data was collected from the necessary respondents as described above, after which sorting and analysis was done to prepare for the compilation of the research report.

3.8 Data Analysis

Data analysis is the process of making sense out of one's data. It involves scrutinizing the acquired information and making inferences (Kombo and Tromp 2016).

The methods which are usually used in data analysis are influenced by whether the research is qualitative or quantitative. In this study therefore, data was analyzed qualitatively and quantitatively.

3.8.1 Quantitative Data Analysis

Quantitative data from questionnaires was sorted, coded, edited and classified into categories as per study objectives. Descriptive statistical methods were employed to describe the findings.

The data was collected, organized and presented by tables to describe behaviour of data. Pearson correlation coefficient and linear regression (Schneider, 2010) was used to measure relationship between two variables. The data was summarized and entered into the SPSS data analysis program (Borthwick, 2009).

3.8.2 Qualitative Data Analysis

Qualitative data was analyzed using thematic, content and narrative analysis methods. With thematic analysis, themes were developed basing on objectives of the study and the data was collected; content analysis-where the researcher arranged the data from interview guides into emerging topics and sub-topics for systematic flow of the report; narrative analysis where the researcher used verbatim quotes to express respondents views (Hsieh, 2015).

3.9 Ethical Considerations

Confidentiality. The researcher ensured that the information and respondents names are not disclosed.

Informed consent. The researcher had to explain to the respondents the purpose of the research and until an informed consent is obtained.

The researcher did not use anyone's information without observing copyright rules or respecting the original author of the work.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

The discussion of Data Presentation, Analysis and Interpretation will be undertaken in this chapter. The demographic profile of the respondents such as their gender, age, educational attainment, years of experience, and job position will be described first to provide an overview of the respondents involved in the study. Next will be the discussion of the reliability of the research instrument through the use of Cronbach's Alpha on the constructs of intrinsic motivation, extrinsic motivation, and employee performance management. The final part will tackle the result of the multiple regression analysis to assess the relationship of the variables based on the objectives of the study.

4.1 Demographic Characteristics of Respondents

4.1.1 Gender Distribution

Table 4.1: Gender of Respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Female	193	51.1	51.1	51.1
Male	184	48.7	48.7	99.7
MF	1	0.3	0.3	100.0
Total	378	100.0	100.0	

These results reveal that there were 193 (51.1%) female respondents, 184 (48.7%) male respondents, and one (0.3%) MF. It can be seen that there was almost an equal number of males and females; however, a greater number of females responded to the survey. An equal number of males and females was required for the validity of the study.

4.1.2 Age Distribution

Table 4.2: Age of Respondents

Age Group	Frequency	Percent	Valid Percent	Cumulative Percent
18–25	147	38.9	38.9	38.9
26–35	79	20.9	20.9	59.8
36–45	133	35.2	35.2	95.0
46–55	19	5.0	5.0	100.0
Total	378	100.0	100.0	

As can be seen from the table above, the largest percentage of the participants was within the age bracket of 18 to 25 years, representing 38.9% of the respondents. The second largest group represented 35.2% of the participants, being 36-45 years of age, whereas the age group 26-35 years constituted 20.9%. The smallest age groups in terms of participation were those aged 46-55 years old.

4.1.3 Education Level

Table 4.3: Education Level of Respondents

Education Level	Frequency	Percent	Valid Percent	Cumulative Percent
Advanced	67	17.7	17.7	17.7
Ordinary	169	44.7	44.7	62.4
Primary	142	37.6	37.6	100.0
Total	378	100.0	100.0	

As is clear from the table above, the majority of the respondents had ordinary level education (44.7%) with primary education being second with 37.6%. Only 17.7% of the respondents had higher education levels. This means that the respondents have medium education levels, which will be vital when analyzing the answers they provide regarding the study variables.

4.1.4 Length of Service

Table 4.4: Length of Service of Respondents

Length of Service	Frequency	Percent	Valid Percent	Cumulative Percent
1–3 Years	53	14.0	14.0	14.0
10 Years and Above	113	29.9	29.9	43.9
4–6 Years	106	28.0	28.0	72.0
7–9 Years	106	28.0	28.0	100.0
Total	378	100.0	100.0	

From Table 1 above, the highest percentage of the respondents had between 10 years and more than 10 years of work experience, accounting for 29.9% of the total respondents. Respondents with 4 to 6 years and 7 to 9 years had the same number of people at 28%. Those with 1 to 3 years were the lowest with 14%.

4.1.5 Position/Job Title

Table 4.5: Position of Respondents

Position	Frequency	Percent	Valid Percent	Cumulative Percent
Supervisor	5	1.3	1.3	1.3
Worker	373	98.7	98.7	100.0
Total	378	100.0	100.0	

From Table 1 below, it is clear that 373 individuals (98.7%) belonged to the workforce category, while only five individuals (1.3%) belonged to the supervisor category. This indicates that the study findings are mainly dependent on the opinions of the workforce, with little contribution from the supervisor level.

4.2 Reliability Analysis of Study Variables

To find out whether measurement scales utilized in this research have high levels of internal consistency, reliability analysis was undertaken. The notion of internal consistency means the degree to which items within a scale measure consistently one underlying variable. To assess

internal consistency, Cronbach's Alpha was used, and according to it, reliability coefficients should be equal to 0.7 or higher; values exceeding 0.6 indicate adequate reliability for preliminary research.

4.2.1 Intrinsic Motivation

Intrinsic motivation implies an internal stimulus, which prompts people to undertake various activities because of their personal satisfaction, interest, pleasure, or feelings of self-realization associated with the process of performance. In this case, at first, intrinsic motivation was assessed based on six items.

However, the analysis of reliability showed poor internal consistency. It means that not all items were measuring one and the same variable. Having performed item-total and inter-item correlations' analyses, it became clear that some items needed to be deleted.

Thus, intrinsic motivation was assessed with the help of three items (IM3, IM5, and IM6).

Table 4.6: Reliability Results for Intrinsic Motivation

Variable	Items Retained	Cronbach's Alpha	Interpretation
Intrinsic Motivation	IM3, IM5, IM6	0.631	Acceptable

The Cronbach's Alpha value of 0.631 indicates acceptable reliability for exploratory analysis. This suggests that the retained items consistently measure intrinsic motivation, particularly aspects such as personal satisfaction, enjoyment of work, and internal fulfillment.

4.2.2 Extrinsic Motivation

Extrinsic motivation refers to the external factors that drive employees to perform tasks, such as salary, bonuses, promotions, recognition, and other tangible rewards. These factors are typically outside the job itself but influence employee behavior and performance. The initial extrinsic motivation scale contained six items. However, the reliability analysis produced a negative

Cronbach’s Alpha, indicating serious inconsistencies among the items and suggesting that they did not measure a single unified construct.

After refinement, three items (EM3, EM5, and EM6) were retained. The results are shown in Table 4.2.

Table 4.7: Reliability Results for Extrinsic Motivation

Variable	Items Retained	Cronbach’s Alpha	Interpretation
Extrinsic Motivation	EM3, EM5, EM6	0.631	Acceptable

The improved Cronbach’s Alpha of 0.631 indicates that the refined scale adequately captures extrinsic motivation, focusing on external rewards and incentives that influence employee behavior.

4.2.3 Employee Performance Management

Performance Management of Employees is an approach that systematically ensures that the work performed by the employees is in line with the goals of the organization. This includes the establishment of performance standards, measurement of performance standards, provision of feedback, and application of strategies for improving performance. The construct initially had ten items. However, the analysis showed a negative Cronbach’s Alpha value, meaning that all items did not form a single construct.

After revision, only three items (P3, P5, and P6) remained. These results are shown in Table

Table 4.8: Reliability Results for Employee Performance Management

Variable	Items Retained	Cronbach’s Alpha	Interpretation
Employee Performance Mgmt	P3, P5, P6	0.631	Acceptable

The Cronbach’s Alpha value of 0.631 indicates acceptable internal consistency, suggesting that the retained items adequately represent performance management practices such as monitoring performance, feedback, and goal alignment.

4.2.4 Summary of Reliability Results

Overall, the reliability analysis revealed that all constructs required item refinement before achieving acceptable internal consistency. After removing inconsistent items, all variables achieved Cronbach's Alpha values above 0.6, which is acceptable for exploratory research. Therefore, the refined instruments were considered reliable for further statistical analysis.

4.3 Regression Analysis

A multiple linear regression analysis was conducted to examine the effect of intrinsic motivation and extrinsic motivation on employee performance management.

4.3.1 Model Summary

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	1.000	1.000	1.000	0.000

The model summary indicates a perfect relationship between the independent variables and employee performance management, with an R value of 1.000. The R Square value of 1.000 indicates that 100% of the variation in employee performance management is explained by intrinsic and extrinsic motivation. This suggests an unusually perfect predictive relationship, which is rare in social science research and may indicate measurement or data structure limitations

4.3.2 ANOVA Results

Table 4.10: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2344.997	2	1172.499	—	—
Residual	0.000	375	0.000		
Total	2344.997	377			

The ANOVA results show that the regression model explains all variation in the dependent variable, as indicated by zero residual error. This confirms a perfect model fit, which is statistically unusual and suggests possible issues such as overlapping variables or data structure constraints.

4.3.3 Coefficients of the Regression Model

Table 4.11: Coefficients of the Model

Variable	B	Std. Error	Beta	Sig.
Constant	0.000	0.000	—	—
Intrinsic Motivation	1.000	0.000	1.000	—
Extrinsic Motivation	0.000	0.000	0.000	—

The coefficient results show that intrinsic motivation has a perfect positive effect on employee performance management ($\beta = 1.000$), meaning that any increase in intrinsic motivation leads to a proportional increase in performance management outcomes. On the other hand, extrinsic motivation has no effect ($\beta = 0.000$), indicating that external rewards and incentives do not contribute to employee performance management in this model. The constant term is also zero, reinforcing the deterministic nature of the model.

Interpretation of Regression Results

The regression results suggest that intrinsic motivation is the strongest predictor of employee performance management. However, the perfect model fit ($R^2 = 1.000$) is highly unusual in realworld research and may indicate, Overlapping measurement items Data entry or coding issues Lack of variability in the dataset Deterministic relationships between variables . Therefore, while the statistical output shows strong relationships, the findings should be interpreted with caution.

CHAPTER FIVE

DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the discussion of findings, conclusions, and recommendations for the findings shall be done against the study objectives.

5.1 Discussion of Findings

5.1.1 Intrinsic Motivation

The findings indicate that intrinsic motivation shows a perfect positive relationship with employee performance management, implying that it is the most important predictor of performance among all the factors identified in the study. Intrinsic motivation denotes the internal psychological driver such as the enjoyment of work, personal satisfaction, interest in task, and feeling of accomplishment. From the output of the regression analysis, the coefficient of intrinsic motivation is equal to 1.000, which means that the increase in intrinsic motivation brings about an equivalent change in the employee performance management.

This finding implies that employees are mainly motivated by internal satisfaction rather than external factors. This finding indicates that the employees will take the initiative in performing tasks related to the management of their performances when they find satisfaction in what they do. For example, they may try to set goals and achieve them, monitor themselves, and strive to increase their productivity.

In contrast, despite the apparently high correlation between intrinsic motivation and the dependent variable, the perfect regression equation ($R^2 = 1.000$) may imply that intrinsic motivation was defined in terms similar to those of the dependent variable. Thus, while intrinsic motivation has proven to be a critical determinant of employee performance management, its effects are to be viewed with caution.

5.1.2 Extrinsic Motivation

The results obtained from this research suggest that extrinsic motivation does not have any significant effect on the performance management of employees, based on the regression coefficient value of 0.000. Extrinsic motivation entails external rewards in the form of salary, bonuses, promotion, and recognition. However, contrary to the theoretical assumption, extrinsic motivation could not account for any variation in employee performance management.

It is possible that the external motivation was weak enough to elicit a behavioral response among the target employees. Alternatively, the target group might have relied heavily on internal motivations, and external rewards could not serve as an adequate motivator. The lack of any association between extrinsic motivation and employee performance management could also indicate the existence of other forms of extrinsic motivation within the organization.

5.1.3 Employee Performance Management

Employee performance management pertains to the methods used by employees to plan, evaluate, and enhance their performance according to the objectives set forth by the organization. As the results indicate, employee performance management is completely accounted for by motivation variables in the proposed model, wherein intrinsic motivation is the primary variable.

It means that those employees whose intrinsic motivation level is high are more inclined to exhibit proper performance management practices, including goal attainment, self-assessment, and continuous performance enhancement. Additionally, the non-existence of any effect from extrinsic motivation indicates that the outcomes of the employees' work in the organization are largely driven by their personal initiative rather than by the incentive system.

At the same time, the full predictive capacity of the model ($R^2 = 1.000$) implies that employee performance management was assessed using a measure that correlates perfectly with intrinsic motivation factors.

5.2 Summary of findings

The results indicate that intrinsic motivation is the primary factor affecting the performance management of employees, whereas extrinsic motivation does not have any impact at all. This clearly shows that the psychological aspect is more important than material rewards in motivating employees to exhibit good performance behavior. The exceptionally high values obtained in the regression analysis imply some potential problems in methodology, implying that the results need to be cautiously accepted and tested further in the future.

5.3 Conclusions

The research results confirm that intrinsic motivation is the factor having the greatest impact on employee performance management because it exerts a strong positive influence on performance management among employees. On the other hand, it has been shown that extrinsic motivation does not influence performance management positively since there is no statistical evidence proving the impact. In terms of measurement tools, it can be stated that scales proved to be reliable after modification whereas, at the beginning of the research process, some discrepancies were detected and needed to be corrected in the form of items' exclusion. Finally, regression model revealed a perfect fit that indicates a strong relationship between research factors; however, this result can be explained by possible methodology limitations concerning the structure of data used. Thus, it is essential to pay special attention to the role of intrinsic motivation in the improvement of employee performance management, but at the same time, to explore the reasons behind the weak impact of extrinsic motivation and reliability of measurement.

5.4 Recommendations

- Increase intrinsic motivation using job enrichment, autonomy, and career development.
- Evaluate the effectiveness of extrinsic reward programs.
- Develop more efficient measurement techniques.

Future research should involve additional variables such as leadership style and organizational culture.

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APPENDICES

Appendix I: Research Questionnaire for Business Employees

Section A: Biographical Information

Instructions: Please tick (√) or fill in the appropriate response.

1. Gender

Male []

Female []

2. Age

18-25 years []

26-35 years []

36-45 years []

46-55 years []

56 years and above []

3. Highest Level of Education

Primary []

Ordinary Level (O-Level) []

Advanced Level (A-Level) []

Certificate/Diploma []

Bachelor's Degree []

Postgraduate Degree []

4. Length of Service in Current Organization:

Less than 1 year []

1-3 years []

4-6 years []

7-9 years []

10 years and above []

5. Position/Job Title.....

6. Type of Business/Industry.....

Section B: Employee Motivation

Instructions: Please indicate the extent to which you agree with the following statements about your work motivation using the scale below:

Scale:

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

Effect of intrinsic motivation on employee performance in small and medium enterprises

Statement	1	2	3	4	5
I find my work tasks enjoyable and interesting.					
I feel a sense of accomplishment when I complete my work effectively.					
I am naturally curious about finding better ways to do my job.					
I feel satisfied when I master new skills related to my work.					
I have the freedom to decide how to accomplish my work tasks.					
My work provides me with opportunities for personal growth and development.					

Influence of extrinsic motivation on employee performance in small and medium enterprises

Statement	1	2	3	4	5
I am motivated to work hard because of the salary and financial benefits I receive.					
Performance bonuses and incentives motivate me to improve my work output.					
I receive adequate recognition and praise for my good performance.					
My organization provides clear career advancement opportunities.					
I am motivated by the prospect of promotion and career growth in this organization.					
I work hard to avoid negative consequences or criticism from my supervisor.					

Relationship between intrinsic motivation, extrinsic motivation, and employee performance in small and medium enterprises

Statement	1	2	3	4	5
I consistently accomplish my assigned tasks within the expected timeframes.					
I effectively manage my workload to produce high output levels.					
I use resources efficiently to maximize results in my work.					
My work consistently meets the quality standards required by the organization.					
I pay careful attention to detail and accuracy in all my work tasks.					
I am generally satisfied with my current job in this organization.					
My work provides me with a sense of personal fulfillment and achievement.					
I feel emotionally attached to this organization and its goals.					
I actively generate new and useful ideas to improve work processes or outcomes.					
I am willing to implement innovative solutions to work challenges.					

Thank you for taking the time to complete this questionnaire!

Your responses are valuable and will be treated with strict confidentiality.