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Examining the Role of Motivation and Reward on Employees' Job Performance in Indian MSMEs

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Abstract

Employee motivation and reward practices are important aspects of human resource management, especially in Micro, Small and Medium Enterprises (MSMEs), where resources and formal career structures may be limited. This study examines the relationship between employee motivation, financial and non-financial rewards, and job performance in selected Indian MSMEs. A quantitative, cross-sectional survey design is proposed, using a structured five-point Likert questionnaire. For the purpose of demonstrating the analysis format, illustrative results are presented for a hypothetical sample of 50 employees. The dummy results show positive associations between motivation, non-financial rewards, and job performance, while financial rewards show a comparatively weaker relationship. These figures are for demonstration only and must be replaced with actual survey results before submission. The study highlights the potential value of fair, transparent, and balanced reward practices alongside meaningful work, recognition, and development opportunities.

Keywords: *Employee Motivation, Reward Management, Job Performance, Indian MSMEs, Financial Rewards, Non-Financial Rewards*

Introduction

Micro, Small and Medium Enterprises (MSMEs) contribute to employment, entrepreneurship, and economic activity in India. Their performance often depends on employees working in small teams, managing multiple responsibilities, and responding to changing customer and production requirements. Employee motivation and reward practices therefore form an important part of day-to-day management.

Employees may be driven by personal satisfaction, a sense of achievement, and responsibility, as well as by workplace benefits such as pay, performance payments, advancement, and appreciation. The way an organization distributes these benefits also shows staff which contributions and behaviours it considers important.

Research on Indian SMEs indicates that human resource practices, meaningful work, and motivation can be associated with employee behaviour and performance-related outcomes [1], [2]. However, reward practices do not necessarily produce identical effects in every workplace. Employees may respond differently depending on fairness, job type, leadership, work environment, and their personal expectations. This study therefore examines motivation and reward practices together in the context of selected Indian MSMEs.

Need of the Study

Many MSMEs operate with limited budgets and may not have dedicated human resource departments or extensive promotion structures. Managers need to understand which practices employees perceive as motivating and whether financial incentives, recognition, career development, and fair treatment are associated with better job performance. Earlier research has examined motivation and performance in small enterprises, as well as reward and recognition practices in Indian organizations [2], [3]. A focused study can help MSME owners consider reward practices that are practical, transparent, and suitable for their workforce.

The study is also needed because financial rewards alone may not address every employee expectation. Recognition, useful feedback, participation in decisions, skill development, and supportive supervision may contribute to how employees experience their work. Examining these dimensions together can offer a more balanced view of employee motivation and performance.

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Scope of the Study

The study focuses on employees working in selected Indian MSMEs. It examines employee motivation, financial rewards, non-financial rewards, perceived reward fairness, and self-reported job performance. Job performance is considered in terms of work quality, task completion, reliability, productivity, and meeting deadlines. The proposed survey sample is 50 employees selected through convenience sampling, subject to access to participating organizations. The study is limited to the respondents and organizations included in the survey and should not be generalized to all Indian MSMEs without further evidence.

Literature Review

Yadav and Poddar [1] examined employee motivation and performance in small-scale enterprises in Gurugram and Manesar, Haryana. Their study considered innovative work behaviour, including idea generation, idea promotion, and idea realization. The authors reported a positive relationship between motivation and the examined performance dimensions, highlighting the relevance of supportive work environments in smaller enterprises.

Singh, Bamel, and Vohra [2] explored how selected human resource practices relate to employees' innovative behaviour in Indian SMEs. Their analysis covered training, participation in workplace decisions, performance appraisal, and reward-related practices. The relationships differed across practices: some were linked with greater innovative behaviour, whereas appraisal and reward did not show a positive association in the model they tested. This indicates that reward arrangements should be considered alongside the wider work environment and employees' experience of their roles.

Mithunmita and John Britto [3] considered whether financial benefits can help shape employees' performance. Their work makes monetary compensation relevant to this discussion, while also reminding readers that the implications of a reward arrangement need to be assessed in the setting where it is used rather than assumed to apply equally to all MSMEs.

In their survey of MSME employees in Midnapore, West Bengal, Maity and Bhattacharyya [4] assessed how motivation and job satisfaction varied alongside performance. They reported relatively small positive associations, indicating that these employee attitudes may be related to performance but are unlikely to explain it on their own. Bashir and Venkatakrishnan [5] studied human resource management practices in MSMEs in Tirupur and reported associations between human resource practices and affective commitment, with career advancement and reward and recognition among the important practices considered.

Research Gap

Prior research has approached employee performance in smaller businesses through different lenses, including work motivation, innovation, satisfaction, financial incentives, and people-management practices [1]–[5]. The studies vary in location, participant groups, and the outcomes they measure. Some focus on innovative behaviour or organizational commitment rather than routine job performance. A focused study that considers intrinsic and extrinsic motivation alongside financial rewards, non-financial rewards, and perceived reward fairness within one model may provide useful insight for selected Indian MSMEs. The present study addresses this gap through a proposed employee survey and an illustrative analysis framework.

Objectives

Primary Objective: To examine the role of motivation and reward practices in employees' job performance in selected Indian MSMEs.

- SO1: To assess employees' perceptions of motivation in the workplace.
- SO2: To examine the relationship between financial rewards and employee job performance.
- SO3: To examine whether recognition, development opportunities, and other non-cash benefits are associated with employees' performance at work.
- SO4: To examine whether perceived reward fairness is associated with employee job performance.

Hypotheses

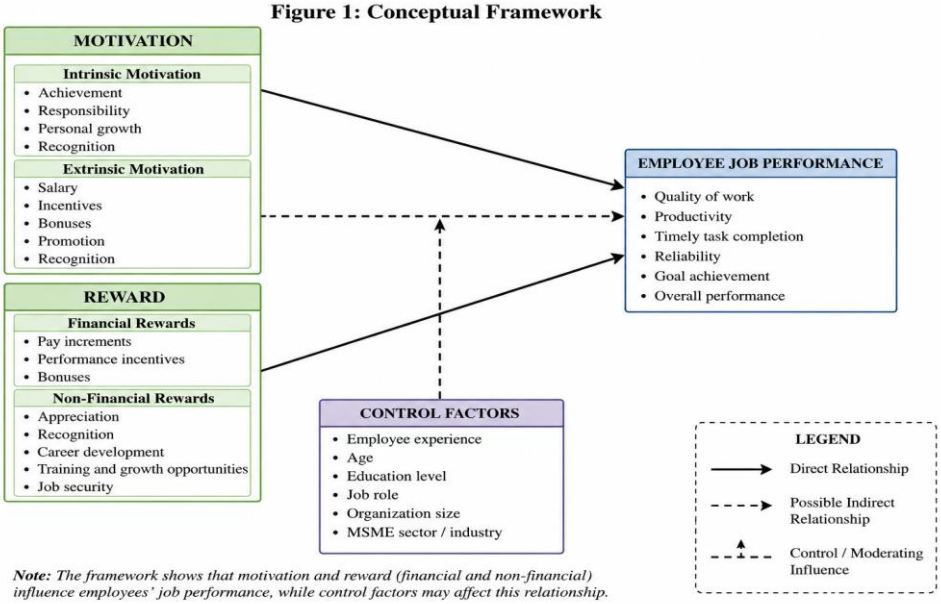
- H1: Employee motivation has a significant positive relationship with job performance in selected Indian MSMEs.
- H2: Financial rewards have a significant positive relationship with employee job performance.
- H3: Non-financial rewards have a significant positive relationship with employee job performance.

• H4: Perceived reward fairness has a significant positive relationship with employee job performance.

Methodology

This study adopts a descriptive, cross-sectional quantitative design. The target population comprises employees working in selected Indian MSMEs, and a proposed sample of 50 respondents is to be recruited using convenience sampling based on access and willingness to participate. Data are to be collected through a structured questionnaire using a five-point Likert scale to measure motivation, financial rewards, non-financial rewards, perceived reward fairness, and self-reported job performance. The questionnaire should be reviewed and pilot-tested before full data collection. The proposed analysis includes descriptive statistics, Pearson correlation, and multiple regression, where sample size and data quality permit. Participation should be voluntary and responses confidential. To demonstrate the paper's format, the Results and Analysis section below uses dummy figures only; these are not actual survey findings and must be replaced with results calculated from collected data.

Figure 1: Conceptual Framework



Note: The framework shows that motivation and reward (financial and non-financial) influence employees' job performance, while control factors may affect this relationship.

Results and Analysis

For demonstration, the following tables use hypothetical responses from 50 employees. These values are illustrative and are included to show how the analysis may be presented. They are not actual research findings. Replace them with figures generated from the completed questionnaire.

Table 1: Descriptive Statistics (n = 50; illustrative data)

Dimension	Mean (/5)	SD
Employee Motivation	3.85	0.72
Financial Rewards	3.62	0.81
Non-Financial Rewards	3.78	0.75
Perceived Reward Fairness	3.45	0.88
Overall Job Performance	3.91	0.67

In this illustrative dataset, overall job performance records the highest mean score (3.91), followed by employee motivation (3.85). Non-financial rewards have a mean of 3.78, while perceived reward fairness has the lowest mean (3.45). If a similar pattern appears in actual responses, fairness and transparency may merit closer examination; however, these dummy figures cannot establish real employee perceptions.

Table 2: Regression Results Predicting Employee Job Performance (illustrative data)

Predictor	β	t	Sig.
Employee Motivation	0.38	3.12	p = 0.003
Financial Rewards	0.19	1.72	p = 0.092 (n.s.)
Non-Financial Rewards	0.27	2.21	p = 0.032
Perceived Reward Fairness	0.16	1.48	p = 0.146 (n.s.)

Illustrative model statistics: $R^2 = 0.48$; adjusted $R^2 = 0.43$; n = 50. Note: All values are dummy figures and must be replaced with actual analysis.

The hypothetical regression indicates positive coefficients for all four predictors. Employee motivation (β = 0.38, p = 0.003) and non-financial rewards (β = 0.27, p = 0.032) are statistically significant at the 5% level in this example. Financial rewards and perceived reward fairness do not reach that threshold. The illustrative R^2 of 0.48 indicates that the model accounts for 48% of the variation in job performance in the dummy dataset. These statements are not conclusions about actual MSME employees.

Discussion

The illustrative results suggest how motivation and reward practices may be discussed once actual data are available. In the dummy model, employee motivation has the largest standardized coefficient, followed by non-financial rewards. This pattern would be consistent with the view that employees may value meaningful work, recognition, feedback, and development opportunities alongside financial benefits. Prior research in Indian SMEs has similarly emphasized the relevance of motivation and workplace practices, while also finding that individual human resource practices do not always show the same relationship with employee outcomes [1], [2], [4].

The weaker illustrative coefficients for financial rewards and reward fairness should not be interpreted as evidence that these factors are unimportant. Their actual effects may depend on the adequacy of pay, fairness of allocation, job type, sample characteristics, and how the questionnaire measures each construct. Once real data are collected, the discussion should compare actual results with prior studies and acknowledge that a cross-sectional survey identifies associations rather than proving causality.

Recommendations

• MSMEs should communicate clear and consistent criteria for salary increments, incentives, bonuses, and recognition.

• Managers should consider combining affordable financial incentives with non-financial rewards such as appreciation, constructive feedback, skill development, and opportunities for responsibility.

• Reward decisions should be perceived as fair and should avoid favouritism; employees should understand how performance is assessed.

• Organizations should set clear and achievable performance expectations and provide regular feedback.

• MSMEs should periodically collect employee feedback to determine which motivation and reward practices are useful in their specific workplace.

• Future research should use a larger and more diverse sample and, where feasible, combine employee questionnaires with objective performance indicators.

Conclusion

Motivation and reward practices are important areas of employee management in Indian MSMEs. Financial rewards can acknowledge employees' contributions, while non-financial practices such as recognition, meaningful responsibility, feedback, and development may also support positive work behaviour. The present study proposes an integrated examination of motivation, financial rewards, non-financial rewards, perceived fairness, and job performance. The dummy analysis illustrates the format of descriptive and regression results but does not represent actual survey evidence. Once primary data are collected and analysed, the study may help identify which practices are most closely associated with employee performance among the participating MSMEs.

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Conflicts of interest
The authors declare that there are no conflicts of interest regarding the publication of thesis paper.

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